

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

**In re**

**BORDERS GROUP, INC., *et al.*,<sup>1</sup>**

**Debtors.**

**Chapter 11**

**Case No. 11-10614 (MG)**

**(Jointly Administered)**

**INTERIM ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363, 364 AND 507  
(1) APPROVING POSTPETITION FINANCING, (2) AUTHORIZING USE OF CASH  
COLLATERAL, (3) GRANTING LIENS AND PROVIDING SUPERPRIORITY  
ADMINISTRATIVE EXPENSE STATUS, (4) GRANTING ADEQUATE PROTECTION,  
(5) MODIFYING AUTOMATIC STAY, AND (6) SCHEDULING A FINAL HEARING**

THIS MATTER having come before the Court upon the motion (the “DIP Motion”) by Borders Group, Inc. and its direct and indirect subsidiaries, each as a debtor and debtor in possession (collectively the “Debtors”) in the above-captioned Chapter 11 cases (collectively, the “Cases”), pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d) and 507 of title 11 of the United States Code, (11 U.S.C. §§ 101 *et seq.*, as amended, the “Bankruptcy Code”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and S.D.N.Y. Bankr. L.R. 4001-2, seeking entry of an interim order (this “Interim Order”) *inter alia*:

(i) authorizing the Debtors to obtain secured, superpriority postpetition financing (the “DIP Facility,” consisting of a senior secured super-priority revolving credit facility (the “Working Capital Facility”) and a senior secured super-priority term loan facility (the “Term B Facility”) pursuant to the terms and conditions of that certain Senior Secured, Super-Priority

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<sup>1</sup> The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Borders Group, Inc. (4588); Borders International Services, Inc. (5075); Borders, Inc. (4285); Borders Direct, LLC (0084); Borders Properties, Inc. (7978); Borders Online, Inc. (8425); Borders Online, LLC (8996); and BGP (UK) Limited.

Debtor-in-Possession Credit Agreement (as amended, supplemented, restated, or otherwise modified from time to time, the “DIP Credit Agreement”) by and among Borders Group, Inc. and Borders, Inc. (together, the “Borrowers”), the guarantors named therein (together with the Borrowers, the “DIP Credit Parties”), GE Capital Markets, Inc., as Working Capital Facility lead arranger and sole bookrunner, and General Electric Capital Corporation, as Working Capital Facility administrative agent (in such capacity, the “Working Capital Agent”), for and on behalf of itself and the other Working Capital Facility lenders party thereto from time to time (collectively, including the Working Capital Agent, the “Working Capital Lenders”), GA Capital, LLC, as Term B Loan lead arranger and sole bookrunner, and GA Capital LLC, as Term B Facility administrative agent (in such capacity, the “Term B Agent” and, together with the Working Capital Agent, the “DIP Agents”), for and on behalf of itself and the other Term B Lenders party thereto from time to time (collectively, including the Term B Agent, the “Term B Lenders” and, together with the Working Capital Lenders, the “DIP Lenders”) substantially in the form of Exhibit A attached to the DIP Motion; and

(ii) authorizing the Debtors to execute and deliver the DIP Credit Agreement and all other related documents and agreements (collectively, the “DIP Loan Documents”) and to perform such other acts as may be necessary or desirable in connection with the DIP Loan Documents;<sup>2</sup> and

(iii) granting the DIP Facility and all obligations owing thereunder and under the DIP Loan Documents to the DIP Agents and the DIP Lenders, as applicable, (collectively, and including all “Obligations” as described in the DIP Credit Agreement, such Obligations relating to the Working Capital Facility, the “Working Capital Obligations”, and such Obligations

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<sup>2</sup> Capitalized terms used but not defined have the meanings given to them in the DIP Loan Documents.

relating to the Term B Facility, the “Term B Obligations”, respectively, and, together, the “DIP Obligations”) allowed superpriority administrative expense claim status in each of the Cases and any Successor Cases (as defined herein), subject to the priorities set forth herein;

(iv) granting to the Working Capital Agent, for the benefit of itself and the DIP Lenders, automatically perfected security interests in and liens on all of the DIP Collateral (as defined herein), including, without limitation, all property constituting “Cash Collateral,” as defined in section 363(a) of the Bankruptcy Code, which liens shall be subject to the priorities set forth herein;

(v) subject to the limitations of paragraph 19(d) below, authorizing and directing the Debtors to pay the principal, interest, fees, expenses and other amounts payable under each of the DIP Loan Documents as they become due, including, without limitation, letter of credit fees (including issuance and other related charges), continuing commitment fees, closing fees, servicing fees, audit fees, structuring fees, administrative agent’s fees, the fees and disbursements of each DIP Agent’s attorneys, advisers, accountants, and other consultants, and the legal expenses of the DIP Lenders all to the extent provided by and in accordance with the terms of the respective DIP Loan Documents;

(vi) providing adequate protection to the Prepetition Agents and the Prepetition Lenders (each as defined herein) to the limited extent that contingent indemnification or reimbursement obligations remain outstanding after closing of the postpetition financing and indefeasible payment in full of the Prepetition Obligations approved herein;

(vii) vacating and modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Loan Documents and this Interim Order; and

(viii) scheduling a final hearing (the “Final Hearing”) to consider the relief requested in the DIP Motion and approving the form of notice with respect to the Final Hearing.

The Court having considered the DIP Motion, the Declaration of Scott Henry, the Debtors’ Chief Financial Officer in support of the Chapter 11 petitions and first day motions, the Declaration of Richard Klein in Support of the DIP Motion, the exhibits attached thereto, the DIP Loan Documents, and the evidence submitted or adduced and the arguments of counsel made at the interim hearing held on February 16, 2011 (the “Interim Hearing”); and notice of the Interim Hearing having been given in accordance with Bankruptcy Rules 4001(b), (c) and (d), and 9014; and the Interim Hearing to consider the interim relief requested in the DIP Motion having been held and concluded; and all objections, if any, to the interim relief requested in the DIP Motion having been withdrawn, resolved or overruled by the Court; and it appearing to the Court that granting the interim relief requested is necessary to avoid immediate and irreparable harm to the Debtors and their estates pending the Final Hearing, and otherwise is fair and reasonable and in the best interests of the Debtors, their estates, and their creditors and equity holders, and is essential for the continued operation of the Debtors’ businesses; and after due deliberation and consideration, and for good and sufficient cause appearing therefor;

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING BY THE DEBTORS, INCLUDING THE SUBMISSIONS OF DECLARATIONS AND THE REPRESENTATIONS OF COUNSEL, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. Petition Date. On February 16, 2011 (the “Petition Date”), each of the Debtors filed a separate voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Court”) commencing these Cases.

B. Debtors in Possession. The Debtors are continuing in the management and operation of their businesses and properties as debtors in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these Cases.

C. Jurisdiction and Venue. This Court has jurisdiction, pursuant to 28 U.S.C. §§ 157(b) and 1334, over these proceedings, and over the persons and property affected hereby. Consideration of the DIP Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue for the Cases and proceedings on the DIP Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

D. Committee Formation. As of the date hereof, the Office of the United States Trustee (the “U.S. Trustee”) has not yet appointed any official committee in these Cases pursuant to Section 1102 of the Bankruptcy Code (each, a “Statutory Committee”).

E. Debtors’ Stipulations. After consultation with their attorneys and financial advisors, and without prejudice to the rights of parties in interest as set forth in paragraph 35 herein, the Debtors (on behalf of and for themselves) admit, stipulate, acknowledge and agree that (collectively, paragraphs E(i) through E(viii) below are referred to herein as the “Debtors’ Stipulations”):

(i) Prepetition Revolver Credit Facility. Prior to the commencement of the Cases, pursuant to that certain Third Amended and Restated Revolving Credit Agreement, dated as of March 31, 2010 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the “Prepetition Revolver Credit Agreement,” and together with all related Loan Documents or Finance Documents (as defined in the Prepetition Revolver Credit Agreement), the “Prepetition Revolver Credit Documents”), by and among the Borrowers, the guarantors identified therein (the “Prepetition Revolver Guarantors”), Bank of America, N.A., as

administrative agent (in such capacity, the “Prepetition Revolver Agent”), Bank of America, N.A. and General Electric Capital Corporation, as co-collateral agents, the lenders party thereto from time to time (collectively with the Prepetition Revolver Agent, the “Prepetition Revolver Lenders”), and the other parties thereto, the Prepetition Revolver Lenders provided the Borrowers with, among other things: (a) \$970,500,000 in aggregate maximum principal amount of revolving loan commitments, including letter of credit and swingline loan commitments, with a sublimit for letters of credit of \$75,000,000, (the “Prepetition Revolver Facility”).

(ii) *Prepetition Revolver Obligations.* As of the Petition Date, the outstanding principal amount owed by the Borrowers under the Prepetition Revolver Facility was not less than \$196,050,000 and \$33,699,708 of issued and outstanding letters of credit (collectively, together with any amounts paid, incurred or accrued prior to the Petition Date in accordance with the Prepetition Revolver Credit Documents, unpaid principal, interest, fees, charges, expenses and disbursements (including, without limitation, attorney’s fees and related expenses and disbursements), and other obligations owed to the Prepetition Revolver Agent and Prepetition Revolver Lenders, whether or not contingent, whenever arising, accrued, accruing, due, owing or chargeable in respect of any obligations under the Prepetition Revolver Credit Documents, including all “Obligations” as described in the Prepetition Revolver Credit Agreement, the “Prepetition Revolver Obligations”).

(iii) *Prepetition Term Loan Agreement.* Prior to the commencement of the Cases, pursuant to that certain Term Loan Agreement, dated as of March 31, 2010 (as amended, supplemented, restated, or otherwise modified prior to the Petition Date, the “Prepetition Term Loan Agreement” and, together with all related Loan Documents or Finance Documents (as defined in the Prepetition Term Loan Agreement, the “Prepetition Term Loan Credit

Documents,” and, together with the Prepetition Revolver Credit Documents and that certain Intercreditor Agreement, dated as of March 31, 2010 (the “Existing Intercreditor Agreement”), between the Prepetition Agents and acknowledged by the Borrowers and the other parties thereto, the “Prepetition Documents”), by and among the Borrowers, , the guarantors named therein (together with the Prepetition Revolver Guarantors, the “Prepetition Guarantors,” and, together with the Borrowers, the “Prepetition Credit Parties”), GA Capital, LLC, as Administrative Agent (the “Prepetition Term Loan Agent” and, together with the Prepetition Revolver Agent, the “Prepetition Agents”), the lenders party thereto from time to time (the “Prepetition Term Loan Lenders” and, together with the Prepetition Revolver Lenders, the “Prepetition Lenders”) and the other parties thereto, the Prepetition Term Loan Lenders provided a term loan to the Borrowers in the principal amount of \$90,000,000, comprised of an \$80 million first in last out tranche and a \$10 million tranche (the “Prepetition Term Loan Facility,” and together with the Prepetition Revolver Facility, the “Prepetition Credit Facilities”).

(iv) *Prepetition Term Loan Obligations.* As of the Petition Date, the Borrowers were indebted under the Prepetition Term Loan Facility in the aggregate amount of not less than \$48.6 million, all of which is outstanding under the \$80 million tranche (collectively, together with any amounts paid, incurred or accrued prior to the Petition Date in accordance with the Prepetition Term Loan Documents, unpaid principal, interest, fees, charges, expenses and disbursements (including, without limitation, attorney’s fees and related expenses and disbursements) and other obligations owed to the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders, whether contingent, whenever arising, accrued, accruing, due, owing or chargeable, including all “Obligations” as described in the Prepetition Term Loan Credit Documents, the “Prepetition Term Loan Obligations” and, together with the Prepetition

Revolver Obligations, the “Prepetition Obligations”). The respective rights, obligations and priorities with respect to the respective interests of the Prepetition Agents in the Prepetition Collateral are governed by the Existing Intercreditor Agreement.

(v) *Prepetition Liens and Prepetition Collateral.* As more fully set forth in the Prepetition Documents, prior to the Petition Date, the Prepetition Credit Parties granted security interests in and liens on, among other things, substantially all assets of the Prepetition Credit Parties (collectively, the “Prepetition Collateral”) to: (1) the Prepetition Revolver Agent (the “Prepetition Revolver Liens”); and (2) the Prepetition Term Loan Agent (the “Prepetition Term Loan Liens”, and together with the Prepetition Revolver Liens, the “Prepetition Liens”).

(vi) *Validity, Perfection and Priority of Prepetition Liens and Obligations.* Subject to the provisions of paragraph 35 of this Order, the Debtors (for themselves and their estates only), the Prepetition Agents (each for themselves and for the applicable Prepetition Lenders acknowledge and agree that: (a) as of the Petition Date, the Prepetition Liens on the Prepetition Collateral were valid, binding, enforceable, non-avoidable and properly perfected (with the exception of Prepetition Liens on the Debtors’ leasehold interests to the extent leasehold mortgages were not recorded) (b) as of the Petition Date, the Prepetition Revolver Liens had priority over any and all other liens on the Prepetition Collateral, subject only to the senior liens (the “Prepetition Term Loan Priority Liens”) of the Prepetition Term Loan Agent in certain Prepetition Collateral in accordance with the Existing Intercreditor Agreement, and to certain other liens otherwise permitted by the Prepetition Revolver Credit Documents (to the extent any such permitted liens were valid, binding, enforceable, properly perfected, non-avoidable and senior in priority to the Prepetition Revolver Liens as of the Petition Date, the “Prepetition Permitted Revolver Liens”) and otherwise had priority over any and all other liens



on the Prepetition Collateral; (c) as of the Petition Date, other than with respect to the senior liens on certain Prepetition Collateral in accordance with the Existing Intercreditor Agreement, the Prepetition Term Loan Liens were junior to the Prepetition Revolver Liens and the Prepetition Permitted Liens and to other certain liens otherwise permitted by the Prepetition Term Loan Credit Documents (to the extent any such permitted liens were valid, binding, enforceable, properly perfected, non-avoidable and senior in priority to the Prepetition Term Loan Liens as of the Petition Date, the “Prepetition Permitted Term Loan Liens”, and, together with the Prepetition Permitted Revolver Liens, the “Prepetition Permitted Liens”);<sup>3</sup> and otherwise had priority over any and all other liens on the Prepetition Collateral; (d) the Prepetition Obligations constitute legal, valid, binding, and non-avoidable obligations of the Debtors; (e) no offsets, challenges, objections, defenses, claims or counterclaims of any kind or nature to any of the Prepetition Liens or the Prepetition Obligations exist, and no portion of the Prepetition Liens or the Prepetition Obligations is subject to any challenge or defense including, without limitation, avoidance, disallowance, disgorgement, recharacterization, or subordination (whether equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (f) the Debtors and their estates have no claims, objections, challenges, causes of actions, and/or choses in action, including without limitation, avoidance claims under Chapter 5 of the Bankruptcy Code, against any of the Prepetition Agents or Prepetition Lenders or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors or employees arising out of, based upon or related to the Prepetition Facilities; (g) as of the Petition Date, the

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<sup>3</sup> For purposes of this Interim Order, Prepetition Permitted Liens shall include all liens that were valid, senior, enforceable, nonavoidable, prior and perfected under applicable law as of the Petition Date. Nothing herein shall constitute a finding or ruling by this Court that any such Prepetition Permitted Liens are valid, senior, enforceable, prior, perfected or non-avoidable. Moreover, nothing shall prejudice the rights of any party in interest including, but not limited, to the Debtors, the DIP Agents, the DIP Lenders, and any Statutory Committee to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such Prepetition Permitted Lien and/or security interest.

value of the Prepetition Collateral securing the Prepetition Revolver Obligations exceeded the amount of those obligations, and accordingly the Prepetition Revolver Obligations are allowed secured claims within the meaning of Section 506 of the Bankruptcy Code, in a principal amount of not less than \$196,050,000 and \$33,699,708 of issued and outstanding letters of credit, together with accrued and unpaid interest, fees (including, without limitation, attorneys' fees and related expenses), and any and all other charges of whatever nature owing in respect of such Prepetition Revolver Obligations; (h) any payments made on account of the Prepetition Revolver Obligations to or for the benefit of the Prepetition Revolver Agent or the Prepetition Revolver Lenders prior to the Petition Date were on account of amounts in respect of which the Prepetition Revolver Agent and the Prepetition Revolver Lenders were oversecured, were payments out of the Prepetition Collateral, and such payments did not diminish any property otherwise available for distribution to unsecured creditors; (i) as of the Petition Date, the value of the Prepetition Collateral securing the Prepetition Term Loan Obligations exceeded the amount of those obligations, and accordingly the Prepetition Term Loan Obligations are allowed secured claims within the meaning of Section 506 of the Bankruptcy Code, in a principal amount of not less than \$48.6 million, together with accrued and unpaid interest, fees (including, without limitation, attorneys' fees and related expenses), and any and all other charges of whatever nature owing in respect or such Prepetition Term Loan Obligations; and (j) any payments made on account of the Prepetition Term Loan Obligations to or for the benefit of the Prepetition Term Loan Agent or the Prepetition Term Loan Lenders prior to the Petition Date were on account of amounts in respect of which the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders were oversecured, were payments out of the Prepetition Collateral, and such payments did not diminish any property otherwise available for distribution to unsecured creditors.

(vii) *Cash Collateral.* The Debtors represent that all of the Debtors' cash, including the cash in their deposit accounts, wherever located, whether as original collateral or proceeds of other Prepetition Collateral, constitute the Cash Collateral and is Prepetition Collateral of the Prepetition Agents and the Prepetition Lenders.

(viii) *Default by the Debtors.* The Debtors acknowledge and stipulate that the Debtors are in default of their debts and obligations under the Prepetition Revolver Credit Documents and the Prepetition Term Loan Credit Documents.

F. *Findings Regarding the Postpetition Financing.*

(i) *Request for Postpetition Financing.* The Debtors seek authority to (a) enter into the DIP Facility on the terms described herein and in the DIP Loan Documents, and (b) use Cash Collateral on the terms described herein to administer their Cases and fund their operations. At the Final Hearing, the Debtors will seek final approval of the proposed postpetition financing arrangements and use of Cash Collateral arrangements pursuant to a proposed final order (the "Final Order"), which shall be in form and substance acceptable to the DIP Agents. Notice of the Final Hearing and Final Order will be provided in accordance with this Interim Order.

(ii) *Priming of the Prepetition Liens.*

(a) *Prepetition Revolver Liens.* The priming of the Prepetition Revolver Liens on the Prepetition Collateral by the DIP Liens (as defined herein) (to the extent that those Prepetition Revolver Liens (other than the exclusive lien on the Prepetition Revolver Indemnity Account and all amounts therein) secure the amounts owing under the Prepetition Revolver Payoff Letter, any Prepetition Revolver Obligations that remain outstanding, any costs or expenses incurred in connection with or related to the protection of the rights and interests of

the Prepetition Revolver Agent or Prepetition Revolver Lenders or any Challenge (as defined herein) with respect to the Prepetition Revolver Facility, the Prepetition Revolver Obligations, the Prepetition Revolver Liens, the Prepetition Revolver Agent and/or the Prepetition Revolver Lenders (including, without limitation, any indemnification, and any fees and expenses for attorneys and other professionals), and any and all other costs and expenses incurred until the Prepetition Revolver Obligations are paid in full (collectively, the “Prepetition Revolver General Reimbursement Obligations”)) will enable the Debtors to obtain the DIP Facility and to continue to operate their businesses for the benefit of their estates and creditors. The Prepetition Revolver Agent and Prepetition Revolver Lenders consent to such priming liens and are entitled to receive adequate protection of their interests in the Prepetition Revolver General Reimbursement Obligations as more fully described below.

(b) *Prepetition Term Loan Liens.* The priming of the Prepetition Term Loan Liens on the Prepetition Collateral by the DIP Liens (to the extent that those Prepetition Term Loan Liens secure the expense reimbursement, indemnification and other provisions that will survive pursuant to the Prepetition Term Loan Credit Documents following the repayment of the Prepetition Term Loan Obligations (such surviving obligations, the “Prepetition Term Loan General Reimbursement Obligations,” and, together with the Prepetition Revolver General Reimbursement Obligations, the “General Reimbursement Obligations”)), will enable the Debtors to obtain the DIP Facility and to continue to operate their businesses for the benefit of their estates and creditors. The Prepetition Term Loan Agent and Prepetition Term Loan Lenders consent to such priming liens and are entitled to receive adequate protection of their interests in the Prepetition Term Loan General Reimbursement Obligations as more fully described below.

(iii) *Need for Postpetition Financing and Use of Cash Collateral.* The Debtors' need to use Cash Collateral and to obtain credit pursuant to the DIP Facility is immediate and critical in order to enable the Debtors to continue operations and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, maintain business relationships with their vendors, suppliers and customers, to pay their employees and otherwise finance their operations requires the availability of working capital from the DIP Facility and the use of Cash Collateral, the absence of either of which would immediately and irreparably harm the Debtors, their estates, their creditors and equity holders, and the possibility for a successful reorganization. The Debtors do not have sufficient available sources of working capital and financing to operate their businesses or to maintain their properties in the ordinary course of business without the DIP Facility and authorized use of Cash Collateral.

(iv) *No Credit Available on More Favorable Terms.* Given their current financial condition, financing arrangements, and capital structure, the Debtors are unable to obtain financing from sources other than the DIP Lenders on terms more favorable than the DIP Facility. The Debtors have been unable to obtain unsecured credit allowable under Bankruptcy Code Section 503(b)(1) as an administrative expense. The Debtors have also been unable to obtain credit: (a) having priority over that of administrative expenses of the kind specified in Sections 503(b), 507(a) and 507(b) of the Bankruptcy Code; (b) secured by a lien on property of the Debtors and their estates that is not otherwise subject to a lien; or (c) secured solely by a junior lien on property of the Debtors and their estates that is subject to a lien. Financing on a postpetition basis is not otherwise available without granting each of the DIP Agents, for the benefit of themselves and the DIP Lenders, (1) perfected security interests in and liens on (each

as provided herein) all of the Debtors' existing and after-acquired assets with the priorities set forth herein, (2) superpriority claims, and (3) the other protections set forth in this Interim Order.

(v) *Use of Proceeds of the DIP Facility.* As a condition to entry into the DIP Credit Agreement, the extensions of credit under the DIP Facility and the authorization to use Cash Collateral, the DIP Agents and the DIP Lenders require, and the Debtors have agreed, that proceeds of the DIP Facility shall be used (a) for the repayment in full in cash of the Prepetition Revolver Obligations and the funding of the Prepetition Revolver Indemnity Account (as defined herein) on the Closing Date as provided in that certain payoff letter by the Prepetition Revolver Agent (the "Prepetition Revolver Payoff Letter"), (b) for the repayment in full in cash of the Prepetition Term Loan Obligations and the funding of the Prepetition Term Loan Indemnity Account (as defined herein) on the Closing Date as provided in that certain payoff letter by the Prepetition Term Loan Agent (the "Prepetition Term Loan Payoff Letter"), and, together with the Prepetition Revolver Payoff Letter, the "Payoff Letters"), and, (c) in a manner consistent with the terms and conditions of the DIP Loan Documents and in accordance with the budget (a copy of which is attached as Exhibit A hereto), as the same may be modified from time to time consistent with the terms of the DIP Loan Documents, and subject to such variances as may be permitted thereby, the "Budget"), solely for (i) working capital and letters of credit, (ii) general corporate purposes of the Debtors, (iii) permitted payment of costs of administration of the Cases, (iv) payment of such prepetition claims as may be consented to by the DIP Agents, in their sole discretion, and as approved by the Court, and (v) as otherwise permitted under the DIP Loan Documents, as applicable. The repayment of the Prepetition Obligations in accordance with this Interim Order and the Payoff Letters is necessary as the Prepetition Agents and the Prepetition Lenders have not otherwise consented to the use of their Cash Collateral or the

subordination of their liens (other than their exclusive liens on their respective Prepetition Indemnity Accounts (as defined herein) and all amounts therein) to the DIP Liens. Such payments will not prejudice the Debtors or their estates, because payment of such amounts is subject to the rights of parties in interest under paragraph 35 herein.

(vi) *Application of Proceeds of DIP Collateral.* As a condition to entry into the DIP Loan Documents, the extension of credit under the DIP Facility, and the authorization to use Cash Collateral, the Debtors, the DIP Agents, and the DIP Lenders have agreed that the proceeds of DIP Collateral (as defined herein) shall be applied in accordance with paragraph 19 of this Interim Order.

G. *Adequate Protection.*

(i) The Prepetition Revolver Agent, for the benefit of itself and the Prepetition Revolver Lenders, is entitled to receive adequate protection of the Prepetition Revolver Obligations during the Cases. Pursuant to Sections 361, 363 and 507(b), as adequate protection, (a) the Debtors shall (1) pay the amounts required under the Prepetition Revolver Payoff Letter, and (2) fund the Prepetition Revolver Indemnity Account (as defined herein) in the amount of \$500,000 upon closing of the DIP Facility, and (b) the Prepetition Revolver Agent, for the benefit of itself and the Prepetition Revolver Lenders, shall receive, subject to the priorities set forth in paragraphs 12 and 13 below, to secure the Prepetition Revolver General Reimbursement Obligations (1) an exclusive lien on the Prepetition Revolver Indemnity Account and all amounts therein, (2) a lien on the DIP Collateral in an amount not to exceed \$500,000 (the “Priority Prepetition Revolver Indemnity Lien”), (3) an adequate protection replacement lien (the “Prepetition Revolver Indemnity Adequate Protection Lien”) on the DIP Collateral, and (4) a superpriority administrative expense claim (the “Prepetition Revolver Indemnity Adequate

Protection Superpriority Claim”). For the avoidance of doubt, all such liens (other than the exclusive lien on the Prepetition Revolver Indemnity Account and all amounts therein) and claims of the Prepetition Revolver Agent shall be junior to the DIP Liens and the DIP Superpriority Claims (as defined herein).

(ii) The Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders, is entitled to receive adequate protection of the Prepetition Term Loan General Reimbursement Obligations during the Cases. Pursuant to Sections 361, 363 and 507(b), as adequate protection, (a) the Debtors shall (1) pay the amounts required under the Prepetition Term Loan Payoff Letter, and (2) fund the Prepetition Term Loan Indemnity Account (as defined herein) in the amount of \$300,000 upon closing of the DIP Facility, and (b) the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders, shall receive, subject to the priorities set forth in paragraphs 12 and 13 below, to secure the Prepetition Term Loan General Reimbursement Obligations (1) an exclusive lien on the Prepetition Term Loan Indemnity Account and all amounts therein, (2) a priority lien on the DIP Collateral in an amount not to exceed \$300,000 (the “Priority Prepetition Term Loan Indemnity Lien”, and together with the Priority Prepetition Revolver Indemnity Lien, the “Priority Indemnity Liens”), (3) an adequate protection replacement lien (the “Prepetition Term Loan Indemnity Adequate Protection Lien”, and, together with the Prepetition Revolver Indemnity Adequate Protection Lien, the “Adequate Protection Liens”) on the DIP Collateral, and (4) a superpriority administrative expense claim (the “Prepetition Term Loan Indemnity Adequate Protection Superpriority Claim”, and, together with the Prepetition Revolver Indemnity Adequate Protection Superpriority Claim, the “Adequate Protection Superpriority Claims”). For the avoidance of doubt, all such liens and claims of the Prepetition Term Agent (other than the



exclusive lien on the Prepetition Term Loan Indemnity Account and all amounts therein) shall be junior to the DIP Liens and the DIP Superpriority Claims.

H. Sections 506(c) and 552(b). In light of (i) the DIP Agents' and the DIP Lenders' agreement to subordinate their liens and superpriority claims, as applicable, to the Carve-Out (as defined herein); and (ii) the Prepetition Agents' and Prepetition Lenders' agreement to subordinate the Priority Indemnity Liens, Adequate Protection Liens and the Adequate Protection Superpriority Claims (but not on the exclusive lien on the Prepetition Indemnity Accounts and all amounts therein) securing the General Reimbursement Obligations to the Carve-Out, the DIP Liens and the DIP Superpriority Claims, in each case as applicable, upon entry of the Final Order, each DIP Agent, DIP Lender, Prepetition Agent and Prepetition Lender may be entitled to a waiver of (a) the provisions of Section 506(c) of the Bankruptcy Code, and (b) any "equities of the case" claims under Section 552(b) of the Bankruptcy Code.

I. Good Faith of the DIP Agents and the DIP Lenders.

(i) *Willingness to Provide Financing*. The DIP Lenders each have indicated a willingness to provide financing to the Debtors subject to: (a) the entry of this Interim Order and the Final Order; (b) approval of the terms and conditions of the DIP Facility and the DIP Loan Documents; and (c) entry of findings by this Court that such financing is essential to the Debtors' estates, that the DIP Agents and DIP Lenders are extending credit to the Debtors pursuant to the DIP Loan Documents in good faith, and that the DIP Agents' and DIP Lenders' claims, superpriority claims, security interests, liens, rights, and other protections granted pursuant to this Interim Order and the DIP Loan Documents will have the protections provided in Section 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument or reconsideration of this Interim Order or any

other order, provided that the Interim Order was not stayed by Court order after due notice had been given to the DIP Lenders at the time the advances were made or the liens, claims or priorities were authorized and/or created.

(ii) *Business Judgment and Good Faith Pursuant to Section 364(e).* The terms and conditions of the DIP Facility and the DIP Loan Documents, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available to the Debtors under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration. The DIP Facility and the use of Cash Collateral were negotiated in good faith and at arms' length among the Debtors, the DIP Agents, and the DIP Lenders. Use of Cash Collateral and credit to be extended under the DIP Facility shall be deemed to have been so allowed, advanced, made, used or extended in good faith, and for valid business purposes and uses, within the meaning of Section 364(e) of the Bankruptcy Code, and the DIP Agents and DIP Lenders are therefore entitled to the protection and benefits of Section 364(e) of the Bankruptcy Code and this Interim Order.

J. Notice. Notice of the Interim Hearing and the emergency relief requested in the DIP Motion has been provided by the Debtors, whether by facsimile, email, overnight courier or hand delivery, to certain parties in interest, including: (i) the U.S. Trustee; (ii) the Securities and Exchange Commission; (iii) the Internal Revenue Service; (iv) the parties included on the Debtors' list of thirty (30) largest unsecured creditors; (v) counsel to the Prepetition Revolver Agent for itself and for the Prepetition Revolver Lenders; and (vi) counsel to the Prepetition Term Loan Agent for itself and the Prepetition Term Loan Lenders. The parties have made reasonable efforts to afford the best notice possible under the circumstances and such notice is

good and sufficient to permit the interim relief set forth in this Interim Order, and no other or further notice is or shall be required.

Based upon the foregoing findings and conclusions, the DIP Motion and the record before the Court with respect to the DIP Motion, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED that:

1. Interim Financing Approved. The DIP Motion is granted, the Interim Financing (as defined herein) is authorized and approved, and the use of Cash Collateral on an interim basis is authorized, subject to the terms and conditions set forth in this Interim Order.

2. Objections Overruled. All objections to the Interim Financing to the extent not withdrawn or resolved are hereby overruled.

**DIP Facility Authorization**

3. Authorization of the DIP Financing, DIP Loan Documents and Payoff Letters. The DIP Loan Documents and the Payoff Letters are hereby approved to the extent necessary for the Interim Financing and the repayment in full of the Prepetition Obligations. The Debtors are expressly and immediately authorized, empowered and directed to execute and deliver the DIP Loan Documents and the Payoff Letters, to incur and to perform the DIP Obligations in accordance with, and subject to the terms of this Interim Order, the DIP Loan Documents and the Payoff Letters, to deliver all instruments and documents that may be necessary or required for performance by the Debtors under the DIP Facility and the creation and perfection of the DIP Liens described in and provided for by this Interim Order and the DIP Loan Documents, and, subject to the rights of third parties pursuant to paragraph 35 below, to pay and perform all obligations under the Payoff Letters in accordance with the terms set forth therein and in this Interim Order. Subject to the limitations set forth in paragraph 19(d) below, the Debtors are

hereby authorized and directed to pay, in accordance with this Interim Order, the principal, interest, fees, expenses and other amounts described in the DIP Loan Documents as such become due and without need to obtain further Court approval, including, without limitation, closing fees, letter of credit fees (including issuance, fronting, and other related charges), unused facility fees, continuing commitment fees, servicing fees, audit fees, structuring fees, administrative agent's fees, the fees and disbursements of each DIP Agent's attorneys, advisers, accountants, and other consultants, whether or not the transactions contemplated hereby are consummated, all to the extent provided in the DIP Loan Documents (including, without limitation, as set forth in that certain DIP Facility Fee Letter, that certain Structuring Fee letter and that certain Term B Letter Agreement (including the "Make Whole Payment" referenced therein,<sup>4</sup> each dated February 14, 2011), with invoices to be provided in accordance with paragraph 28 below. All collections and proceeds, whether from ordinary course collections, asset sales, debt issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Loan Documents. Upon execution and delivery, the DIP Loan Documents shall represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms. Upon execution and delivery, the Payoff Letters shall represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms, but subject to the rights of third parties pursuant to paragraph 35 below.

4. Authorization to Borrow. Until the Termination Date (as defined in the DIP Credit Agreement), and subject to the terms, conditions, limitations on availability and reserves

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<sup>4</sup> Payment of the Make Whole Payment is being deferred, and potentially waived, as provided in the Term B Letter Agreement. Until it has been either paid or waived, the Make Whole Payment shall have the priority and all of the security and other protections provided to all other Prepetition Term Loan Obligations in this Interim Order.

set forth in the DIP Loan Documents, the DIP Facility, and this Interim Order, and in order to prevent immediate and irreparable harm to the Debtors' estates, the Debtors are hereby authorized to (a) request extensions of revolving credit (in the form of loans and letters of credit) under the Working Capital Facility up to an aggregate principal amount of \$400,000,000 at any one time outstanding, including (i) a sublimit for letters of credit up to \$75 million and (ii) a sublimit for swingline loans of up to \$50 million; plus (iii) a first-in, last-out, fully-funded tranche in the principal amount of \$20 million (the "FILO Tranche") and (iv) a letter of credit facility for up to \$20 million to be provided by the Working Capital Agent and/or one of its affiliates in support of the Actual Cash Management Exposure (as defined in the DIP Credit Agreement) (the "LC Cash Management Facility" and, clauses (i) through (iv), collectively, the "Interim Working Capital Financing"); and (b) borrow an aggregate principal amount of \$55 million under the Term B Facility (together with the Interim Working Capital Financing, the "Interim Financing").

5. DIP Obligations. The DIP Loan Documents and this Interim Order shall constitute and evidence the validity and binding effect of the Debtors' DIP Obligations, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto, including without limitation, any trustee or other estate representative appointed in the Cases, or any case under Chapter 7 of the Bankruptcy Code upon the conversion of any of the Cases (collectively, "Successor Cases"). Upon entry of this Interim Order, the DIP Obligations will include all loans, letter of credit reimbursement obligations, and any other indebtedness or obligations, contingent or absolute, which may now or from time to time be owing by any of the Debtors to the DIP Agents or DIP Lenders under their respective DIP Loan Documents or this

Interim Order, including, without limitation, all principal, accrued interest, costs, fees, expenses and other amounts owed pursuant to the respective DIP Loan Documents.

6. Postpetition Liens and Collateral.

(a) Effective immediately upon the entry of this Interim Order, pursuant to sections 364(c)(2), 364(c)(3), and 364(d) of the Bankruptcy Code, the Working Capital Agent is hereby granted, as collateral agent for the benefit of the DIP Agents and the DIP Lenders under the DIP Loan Documents, continuing valid, binding, enforceable, non-avoidable and automatically and properly perfected postpetition security interests in and liens on (collectively, the “DIP Liens”) any and all presently owned and hereafter acquired assets and real and personal property of the Debtors, including, without limitation, the following (the “DIP Collateral”):

- (i) all Accounts<sup>5</sup> (including health care receivables);
- (ii) all Chattel Paper (whether tangible or intangible);
- (iii) all Documents (including, if applicable, electronic documents);
- (iv) all General Intangibles (including, without limitation, any payment intangibles, Software, and Intellectual Property);
- (v) all Goods (including, without limitation Inventory, Equipment and Fixtures);
- (vi) all Instruments;
- (vii) all Investment Property, Stock and other equity interests of any type or nature whatsoever;

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<sup>5</sup> All defined terms in the description of DIP Collateral shall have the meanings ascribed thereto in the DIP Loan Documents. All terms not specifically defined in the DIP Loan Documents shall have the meanings ascribed to such terms in Article 8 or 9 of the Uniform Commercial Code.

(viii) all Deposit Accounts, including Local Deposit Accounts, Concentration Accounts, Disbursement Accounts, and all other bank accounts and all deposits therein;

(ix) all money, cash or cash equivalents;

(x) all credit balances, deposits and other property now or hereafter held of received by or in transit to any DIP Agent, or any DIP Lender or their respective affiliates or at any other depository or other institution from or for the account of any Debtor, whether for safekeeping, pledge, custody, transmission, collection or otherwise;

(xi) all Supporting Obligations and Letter of Credit Rights (whether or not any such Letter of Credit is in writing) of the Debtors;

(xii) all commercial tort claims;

(xiii) all proceeds of leases of real property and all owned real property;<sup>6</sup>

(xiv) effective upon the entry of the Final Order, if approved by the Court, the proceeds of any avoidance actions brought pursuant to Chapter 5 of the Bankruptcy Code;

(xv) effective upon the entry of the Final Order, if approved by the Court, the Debtors' rights under Section 506(c) of the Bankruptcy Code and the proceeds thereof;

(xvi) to the extent not otherwise described above, all receivables and all present and future claims, rights, interests, assets and properties recovered by or on behalf of any Debtor;

(xvii) all books, records, and information relating to any of the foregoing and/or to the operation of any Debtor's business, and all rights of access to such books, records, and information, and all property in which such books, records and information are stored, recorded and maintained; and

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<sup>6</sup> For the avoidance of doubt, the DIP Liens extend only to the proceeds of leased real property and are not direct liens on the Debtors' leases of real property unless such liens are expressly permitted pursuant to the underlying lease documents.

(xviii) to the extent not otherwise included, all Proceeds, tort claims, insurance claims, contract rights, rights to the payment of money, and other rights to payment not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing.

(b) DIP Collateral shall not include: (i) any directly held investment property or any general intangibles, now or hereafter held or owned by any Debtor, to the extent, in each case, that (A) a security interest may not be granted by such Debtor in such directly held investment property or general intangibles (including applications filed in the U.S. Patent and Trademark Office to register trademarks or service marks on the basis of any Debtor's "intent to use" such trademarks or service marks) as a matter of law, or under the terms of the governing document applicable thereto, without the consent of one or more applicable parties thereto, and (B) such consent has not been obtained; provided, however that DIP Collateral shall include (x) any and all proceeds of such investment property or general intangibles to the extent that the proceeds are not themselves directly held investment property or general intangibles subject to the immediately preceding clause (i), and (y) upon any such applicable party or parties' consent (and in the case of applications filed in the U.S. Patent and Trademark Office to register trademarks or service marks on the basis of any Debtor's "intent to use" such trademarks or service marks, the filing and acceptance of a "Statement of Use" or "Amendment to Allege Use") with respect to any otherwise excluded directly held investment property or general intangibles being obtained, thereafter such directly held investment property or general intangibles, or (ii) the Prepetition Indemnity Accounts, provided, however, that DIP Collateral shall include the Debtors' residual interest in the Prepetition Indemnity Accounts.



(c) “Term B Priority Collateral” shall include, collectively, all of the following assets of the Debtors, whether now existing or hereafter arising, (i) all furniture, Fixtures, and Equipment, in each case, whether now existing or hereafter arising or acquired by any Debtors, (ii) all of the Debtors’ equity interests in Kobo, Inc., (iii) Intellectual Property, (iv) standby letters of credit or Letter-of-Credit Rights associated with such standby letters of credit, in each case relating to Term B Priority Collateral, (v) Documents relating to the Term B Priority Collateral, (vi) subject to the entry of the Final Order, the proceeds of any avoidance actions brought pursuant to Section 549 of the Bankruptcy Code to recover any postpetition transfer of Term B Priority Collateral, (vii) any accessions thereto and proceeds, substitutions and replacements of the foregoing clauses (i) through (vii). Term B Priority Collateral shall also include: (x) any accounts, or other property received in consideration of, or exchange for, any of the Term B Priority Collateral, and (y) any insurance policies or proceeds in respect of the Term B Priority Collateral.

(d) “Working Capital Priority Collateral” shall include, collectively, all of the DIP Collateral that is not Term B Priority Collateral.

(e) Upon indefeasible and irrevocable repayment in full of the Prepetition Obligations, the Prepetition Liens shall be deemed continuing liens for the benefit of and deemed assigned to the DIP Agents and DIP Lenders (subject to paragraph 19 hereof) to secure the DIP Obligations, respectively, and any liens, claims, or interests subordinate to the Prepetition Liens as of the Petition Date shall likewise be deemed subordinate to the DIP Liens. For the avoidance of doubt, effective upon the entry of the Interim Order and the Payoff Effective Time (as defined in the Payoff Letters) (upon indefeasible and irrevocable payment in full in cash of all Prepetition Revolver Obligations) all DIP Liens and the Carve-Out shall each be and remain at

all times senior to the Prepetition Liens, except with respect to the exclusive lien of the Prepetition Agents on the Prepetition Revolver Indemnity Account and all amounts therein. Effective upon the entry of this Interim Order and the Payoff Effective Time (as defined in the Payoff Letters), all existing blocked account agreements, deposit account agreements, securities account agreements, credit card acknowledgments, credit card agreements, landlord agreements, warehouse agreements, bailee agreements, customs broker agreements, freight forwarder agreements or filings with the United States Patent and Trademark Office or the Library of Congress with respect to the recordation of an interest in intellectual property which were issued or filed by the Prepetition Agents and Prepetition Lenders on any Debtor's assets (real or personal) in connection with the Prepetition Obligations are hereby terminated. The Debtors, their counsel and counsel to the DIP Agents each are expressly and immediately authorized and empowered to execute and deliver to such third party financial institutions, other persons and the applicable governmental authorities termination letters (which may include a copy of this Interim Order) evidencing the termination of such agreements.

7. DIP Lien Priority.

(a) *DIP Liens.* The DIP Liens shall be junior to the (i) Carve-Out and (ii) Prepetition Permitted Liens, and shall otherwise be senior in priority and superior to any security, mortgage, collateral interest, lien or claim on or to any of the DIP Collateral. Subject to the entry of a Final Order, the DIP Liens shall be junior to the (I) Carve-Out, and (II) Prepetition Permitted Revolver Liens, and shall otherwise be senior in priority and superior to any security, mortgage, collateral interest, lien or claim on or to any of the DIP Collateral.

(b) Intentionally Omitted.

(c) Other than as set forth herein or as further ordered by the Court, the DIP Liens shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter granted in the Cases or any Successor Cases. The DIP Liens shall be valid and enforceable against any trustee or other estate representative appointed in the Cases or any Successor Cases, upon the conversion of any of the Cases to a case under Chapter 7 of the Bankruptcy Code (or in any other Successor Case), and/or upon the dismissal of any of the Cases or Successor Cases. The DIP Liens shall not be subject to Sections 510, 549, or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the estate pursuant to Section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the DIP Liens.

(d) Intentionally omitted.

(e) *Prepetition Liens*. For the avoidance of doubt, the Prepetition Liens shall be junior to the (i) Carve-Out; (ii) DIP Liens; (iii) Priority Indemnity Liens; (iv) the Adequate Protection Liens described in paragraph 12 below; and (v) Prepetition Permitted Liens.

8. DIP Superpriority Claims.

(a) *Working Capital Superpriority Claim*. Upon entry of this Interim Order, the Working Capital Agent and Working Capital Lenders are hereby granted, pursuant to Section 364(c)(1) of the Bankruptcy Code, an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (collectively, the “Working Capital Superpriority Claim”) for all Working Capital Obligations. The Working Capital Superpriority Claim shall be subordinate only to (i) the Carve-Out and (ii) the Term B Superpriority Claim (*solely* with respect to Term B Priority Collateral), and shall otherwise have priority over any and all administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code

Sections 503(b) and 507(b) (except as set forth herein), as provided under Section 364(c)(1) of the Bankruptcy Code.

(b) *Term B Superpriority Claim.* Upon entry of this Interim Order, the Term B Agent and Term B Lenders are hereby granted, pursuant to Section 364(c)(1) of the Bankruptcy Code, an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (collectively, the “DIP Term Superpriority Claim”, and, together with the Working Capital Superpriority Claim, the “Superpriority Claims”) for all Term B Obligations. The Term B Superpriority Claim shall be subordinate only to (i) the Carve-Out and (ii) the Working Capital Superpriority Claim (*solely* with respect to the Working Capital Priority Collateral) and shall otherwise have priority over any and all administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code Sections 503(b) and 507(b), as provided under Section 364(c)(1) of the Bankruptcy Code.

(c) *DIP Superpriority Claims.* The DIP Superpriority Claims shall be payable from and have recourse to all pre- and post-petition property of the Debtors (other than the Prepetition Indemnity Accounts and any amounts therein) and all proceeds thereof, subject only to the payment in full in cash of the Carve-Out. The DIP Superpriority Claims shall not be payable from or have recourse to any actual or potential claims or causes of action or the proceeds thereof (the “Avoiding Actions”) to avoid a transfer of property (or an interest in property) or an obligation incurred by the Debtors pursuant to any applicable section of the Bankruptcy Code, including, without limitation, chapter 5 and section 724(a) of the Bankruptcy Code, but shall, upon entry of the Final Order (if approved by the Court), be payable from and have recourse to the proceeds and property recovered in connection with the prosecution or settlement of Avoiding Actions.

9. No Obligation to Extend Credit. None of the DIP Agents or DIP Lenders shall have any obligation to make any loan or advance, or to issue any letters of credit under the DIP Loan Documents unless all of the conditions precedent to the making of such extension of credit or the issuance of such letter of credit under the applicable DIP Loan Documents and this Interim Order have been satisfied in full or waived by the DIP Agents in their sole discretion.

10. Use of DIP Facility Proceeds. From and after the Petition Date, the Debtors shall use advances of credit under the DIP Facility only for the purposes specifically set forth in this Interim Order, the DIP Loan Documents, the Payoff Letters, and in compliance with the Budget, a copy of which has been delivered to each DIP Agent, or as further ordered by the Court.

**Authorization to Use Cash Collateral**

11. Authorization to Use Cash Collateral. Subject to the terms and conditions of this Interim Order and the DIP Loan Documents, and in accordance with the Budget, the Debtors are authorized to use Cash Collateral until the Termination Date; provided, however, that during the Remedies Notice Period (as defined herein) the Debtors may use Cash Collateral in accordance with the terms and provisions of the Budget solely to meet payroll and to pay expenses critical to the preservation of the Debtors and their estates as agreed by the DIP Agents and the Term B Lenders, each in its sole discretion. Nothing in this Interim Order shall authorize the disposition of any assets of the Debtors or their estates outside the ordinary course of business, or any Debtor's use of any Cash Collateral or other proceeds resulting therefrom, except as permitted in this Interim Order, the DIP Facility, the DIP Loan Documents, and in accordance with the Budget.

12. Adequate Protection Liens.

(a) *Prepetition Revolver Adequate Protection Account and Liens.* As adequate protection, (i) upon Closing of the DIP Facility, the Debtors shall (i)(A) establish an

account in the exclusive control and discretion, and subject to the exclusive right to draw and use, of the Prepetition Revolver Agent (the “Prepetition Revolver Indemnity Account”), into which the sum of \$500,000 shall be deposited pursuant to the Prepetition Revolver Payoff Letter as security for Prepetition Revolver General Reimbursement Obligations, and (B) the Prepetition Revolver Agent shall have an exclusive senior priority lien on the Prepetition Revolver Indemnity Account and all amounts therein, and (ii) the Debtors hereby grant the Prepetition Revolver Indemnity Adequate Protection Lien, the Priority Prepetition Revolver Indemnity Lien, and the Prepetition Revolver Indemnity Adequate Protection Superpriority Claim to the Prepetition Revolver Agent, on behalf of itself and the Prepetition Revolver Lenders, as security for and on account of the Prepetition Revolver General Reimbursement Obligations; provided, however, that the Prepetition Revolver Indemnity Account shall terminate and all remaining amounts held in the Prepetition Revolver Indemnity Account shall be released to the Debtors, if all Prepetition Revolver Obligations (including the Prepetition Revolver General Reimbursement Obligations) have been indefeasibly and irrevocably paid in full in cash, upon the earliest to occur of: (a) ten (10) days following the expiration of the Challenge Period Termination Date (as defined herein) if, as of such date, no party has filed or asserted a contested matter, an adversary proceeding, cause of action, objection, claim, defense, or other claim or Challenge as contemplated in paragraph 35 hereof, (b) if, as of the Challenge Period Termination Date, any party(ies) has filed, commenced or asserted any adversary proceeding, cause of action, objection; claim, defense, or other challenge, as appropriate, as set forth herein, then ten (10) days following entry of a final order (that is not subject to a stay, or vacatur, appeal or reconsideration) effecting the termination or final settlement of all such contested matters, adversary proceedings, causes of action, objections, claims, defenses, and/or other claims or

Challenges, or (c) the date the Court enters a final order closing the Cases or any Successor Cases. The Debtors' residual interest in the Prepetition Revolver Indemnity Account shall be subject to the DIP Liens in accordance with the priorities set forth in this Order and the DIP Loan Documents.

(b) *Prepetition Term Loan Adequate Protection Account and Liens.* As adequate protection, (i) upon Closing of the DIP Facility, the Debtors (i) shall establish an account in the exclusive control of the Prepetition Term Loan Agent (the "Prepetition Term Loan Indemnity Account"), and, together with the Prepetition Revolver Indemnity Account, the "Prepetition Indemnity Accounts"), into which the sum of \$300,000 shall be deposited pursuant to the Prepetition Term Loan Payoff Letter as security for Prepetition Term Loan General Reimbursement Obligations, and (ii) hereby grant the Prepetition Term Loan Indemnity Adequate Protection Lien, the Priority Prepetition Term Loan Indemnity Lien, and the Prepetition Term Loan Indemnity Adequate Protection Superpriority Claim to the Prepetition Term Loan Agent, on behalf of itself and the Prepetition Term Loan Lenders, as security for and on account of the Prepetition Term Loan General Reimbursement Obligations; provided, however, that the Prepetition Term Loan Indemnity Account shall terminate and all remaining amounts held in the Prepetition Term Loan Indemnity Account shall be released to the Debtors, if all Prepetition Term Loan Obligations (including the Prepetition Term Loan General Reimbursement Obligations) have been indefeasibly and irrevocably paid in full in cash, upon the earliest to occur of: (a) ten (10) days following the expiration of the Challenge Period Termination Date (as defined herein) if, as of such date, no party has filed or asserted an adversary proceeding, cause of action, objection, claim, defense, or other challenge as contemplated in paragraph 35 hereof, (b) if, as of the Challenge Period Termination Date, any

party(ies) has filed, commenced or asserted any adversary proceeding, cause of action, objection; claim, defense, or other challenge, as appropriate, as set forth herein, then ten (10) days following the termination or final settlement of all such adversary proceedings, causes of action, objections, claims, defenses, and other challenges, or (c) the date the Court enters a final order closing the Cases or any Successor Cases. The Debtors' residual interest in the Prepetition Term Loan Indemnity Account shall be subject to the DIP Liens in accordance with the priorities set forth in this Order and the DIP Loan Documents.

(c) *Priority of Adequate Protection Liens*

(i) The Priority Prepetition Revolver Indemnity Lien in favor of the Prepetition Revolver Agent for the Prepetition Revolver Lenders shall be junior only to: (A) the Carve-Out; (B) the DIP Liens; (C) the Prepetition Permitted Liens; and (D) the Permitted Liens. The Priority Prepetition Revolver Indemnity Lien in favor of the Prepetition Revolver Agent and the Prepetition Revolver Lenders shall be senior to all other security interests in or liens on the DIP Collateral.

(ii) The Prepetition Revolver Indemnity Adequate Protection Lien in favor of the Prepetition Revolver Agent for the Prepetition Revolver Lenders shall be junior only to: (A) the Carve-Out; (B) the DIP Liens; (C) the Priority Indemnity Liens; (D) the Prepetition Permitted Liens; and (E) the Permitted Liens. The Prepetition Revolver Indemnity Adequate Protection Lien in favor of the Prepetition Revolver Agent and the Prepetition Revolver Lenders shall be senior to all other security interests in or liens on the DIP Collateral.

(iii) The Priority Prepetition Term Loan Indemnity Lien in favor of the Prepetition Term Loan Agent for the Prepetition Term Loan Lenders shall be junior only to: (A) the Carve-Out; (B) the DIP Liens; (C) the Prepetition Permitted Liens; and (D) Permitted Liens.



The Priority Prepetition Term Loan Indemnity Lien in favor of the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders shall be senior to all other security interests in or liens on the DIP Collateral.

(iv) The Prepetition Term Loan Indemnity Adequate Protection Lien in favor of the Prepetition Term Loan Agent for the Prepetition Term Loan Lenders shall be junior only to: (A) the Carve-Out; (B) the DIP Liens; (C) the Priority Indemnity Liens; (D) the Prepetition Permitted Liens; and (E) the Permitted Liens. The Prepetition Term Loan Indemnity Adequate Protection Lien in favor of the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders shall be senior to all other security interests in or liens on the DIP Collateral.

(v) Other than as set forth herein or as further ordered by the Court, the Priority Indemnity Liens and Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or with any lien or security interest heretofore or hereinafter granted in the Cases or any Successor Cases. The Priority Indemnity Liens and the Adequate Protection Liens shall be valid and enforceable against any trustee or other estate representative appointed in the Cases or any Successor Cases, upon the conversion of any of the Cases to a case under Chapter 7 of the Bankruptcy Code (or in any other Successor Case), and/or upon the dismissal of any of the Cases or Successor Cases. The Priority Indemnity Liens and Adequate Protection Liens shall not be subject to Sections 510, 549, or 550 of the Bankruptcy Code.

13. Adequate Protection Superpriority Claims.

(a) *Superpriority Claims of Prepetition Revolver Lenders.* As further adequate protection of the interests of the Prepetition Revolver Agent and Prepetition Revolver Lenders with respect to the Prepetition Revolver General Reimbursement Obligations, pursuant to Section 507(b) of the Bankruptcy Code, the Prepetition Revolver Agent is hereby granted, for

the benefit of itself and the Prepetition Revolver Lenders, the Prepetition Revolver Indemnity Adequate Protection Superpriority Claim.

(b) *Superpriority Claims of Prepetition Term Loan Lenders.* As further adequate protection of the interests of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders with respect to the Prepetition Term Loan General Reimbursement Obligations, pursuant to Section 507(b) of the Bankruptcy Code, the Prepetition Term Loan Agent is hereby granted for the benefit of itself and the Prepetition Term Loan Lenders the Prepetition Term Loan Indemnity Adequate Protection Superpriority Claim.

(c) *Priority of Adequate Protection Superpriority Claims.* (i) The Adequate Protection Superpriority Claims shall be junior to the Carve-Out and the DIP Superpriority Claims and shall otherwise have priority over administrative expenses of the kinds specified in or ordered pursuant to Sections 503(b), and 507(b) of the Bankruptcy Code; and (ii) the Prepetition Term Loan Indemnity Adequate Protection Superpriority Claim shall be junior to the Carve-Out and the DIP Superpriority Claims, and shall otherwise have priority over administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code §§ 503(b), and 507(b).

#### **Provisions Common to DIP Financing and Use of Cash Collateral Authorizations**

14. Amendments.

(a) *Amendment of the DIP Loan Documents.* The DIP Loan Documents may from time to time be amended, modified or supplemented by the parties thereto without notice or a hearing upon five (5) days notice to any Statutory Committee and the U.S. Trustee (unless such notice is waived in writing by counsel to such Statutory Committee or the U.S. Trustee) if: (i) in the judgment of the Debtors and the DIP Agents, the amendment, modification, or supplement (I) is in accordance with the DIP Loan Documents, (II) is beneficial to the Debtors, (III) is not prejudicial in any material respect to the rights of third parties, and (IV) to the extent applicable

pursuant to clause (b) below, has been consented to by the DIP Agents, (ii) a copy (which may be provided through electronic mail or facsimile) of the amendment, modification or supplement is provided to counsel for any Statutory Committee and the U.S. Trustee, and (iii) the amendment, modification or supplement is filed with the Court; provided, however, that, except as otherwise expressly provided in this Order, consent of the DIP Agents, any Statutory Committee or the U.S. Trustee, and approval of the Court is not necessary to effectuate any such amendment, modification or supplement. Except as otherwise provided herein, no waiver, modification, or amendment of any of the provisions of the DIP Credit Agreement shall be effective unless set forth in writing, signed on behalf of the Debtors and the DIP Agents and approved by the Court on notice.

(b) *Amendments to Intercreditor Provisions Contained in Interim Order.*

Notwithstanding anything to the contrary contained herein, the DIP Agents and the Prepetition Agents, as applicable, may agree in writing to any amendment, modification or supplement of any intercreditor/lender provision contained in this Interim Order or in the DIP Loan Documents without the consent of the Debtors, the Court or any third party, including without limitation any Statutory Committee, so long as such amendment, modification or supplement is not prejudicial in any material respect to the rights of the Debtors or any other party.

15. Budget Maintenance. The Budget and any modification to, or amendment or update of, the Budget shall be in form and substance reasonably acceptable to the DIP Agents and approved by the DIP Agents in their Permitted Discretion. The Budget may be amended or modified in writing from time to time only with the written consent of the DIP Agents and the Term B Lenders, each in their Permitted Discretion. The Debtors shall update the Budget from time to time in accordance with the DIP Loan Documents (provided that any update shall be in

form and substance reasonably acceptable to the DIP Agents and approved by the DIP Agents in their Permitted Discretion), but in any event not less than on a monthly basis (with delivery to the DIP Agents on or before the 10th day following the end of each of the Debtors' fiscal months).

16. Modification of Automatic Stay. The automatic stay imposed under Bankruptcy Code Section 362(a) is hereby modified as necessary to effectuate all of the terms and provisions of this Interim Order, including, without limitation, to: (a) permit the Debtors to grant the DIP Liens, the Adequate Protection Liens, the Priority Indemnity Liens, DIP Superpriority Claims, and Adequate Protection Superpriority Claims; and (b) authorize the Debtors to pay, and the DIP Agents, DIP Lenders, Prepetition Agents, and Prepetition Lenders to retain and apply, payments made in accordance with the terms of this Interim Order.

17. Perfection of DIP Liens and Adequate Protection Liens.

(a) *Automatic Perfection of Liens.* This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of all liens granted herein including the DIP Liens, the Priority Indemnity Liens, and the Adequate Protection Liens, without the necessity of filing or recording any financing statement, mortgage, notice, or other instrument or document which may otherwise be required under the law or regulation of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement, customs broker agreement or freight forwarding agreement) to validate or perfect (in accordance with applicable non-bankruptcy law) the DIP Liens, the Priority Indemnity Liens and the Adequate Protection Liens, or to entitle the DIP Agents, the DIP Lenders, the Prepetition Agents or the Prepetition Lenders to the priorities granted herein. Notwithstanding the foregoing, the DIP Agents and the Prepetition Agents each are authorized to

file, as each in its sole discretion deems necessary, such financing statements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence any of the DIP Liens, the Priority Indemnity Liens or the Adequate Protection Liens, and all such financing statements, mortgages, notices and other documents shall be deemed to have been filed or recorded as of the Petition Date; provided, however, that no such filing or recordation shall be necessary or required in order to create or perfect the DIP Liens, the Priority Indemnity Liens or the Adequate Protection Liens. The Debtors are authorized and directed to execute and deliver promptly upon demand to any DIP Agent or any Prepetition Agent all such financing statements, mortgages, control agreements, notices and other documents as such DIP Agent or Prepetition Agent may reasonably request. Each DIP Agent and Prepetition Agent, in its discretion, may file a photocopy of this Interim Order as a financing statement with any filing or recording office or with any registry of deeds or similar office, in addition to or in lieu of such financing statements, notices of lien or similar instrument.

(b) *Agent and Bailee for Purposes of Perfection.* Until the payment in full in cash of the DIP Obligations, (i) all DIP Collateral that for purposes of perfecting the security interests granted in such DIP Collateral is perfected by “possession” (as defined in the UCC) shall be delivered to the Control Agent (as hereinafter defined) and (ii) all DIP Collateral that for purposes of perfecting the security interests granted in such DIP Collateral is perfected by “control” (as defined in the UCC) shall be held by the Control Agent. Notwithstanding the terms of the DIP Credit Agreement, the documentation delivered in connection with such DIP Collateral shall be in form and substance reasonably satisfactory to the Control Agent without the necessity of obtaining consent of the DIP Agents. Until the payment in full in cash of the Working Capital Obligations, the Working Capital Agent shall be the “Control Agent” for the

purpose of perfecting the security interests granted in any DIP Collateral by possession or control pursuant to the DIP Loan Documents. Following the payment in full in cash of the Working Capital Obligations, the Term B Agent shall be the “Control Agent” for the purpose of perfecting the security interests granted in any DIP Collateral by possession or control pursuant to the DIP Loan Documents. Each Control Agent shall (i) hold the DIP Collateral that is in its “possession” or “control” (or in the possession or control of its agents or bailees) as agent or as bailee, as the case may be, and on behalf of and for the applicable DIP Agents and DIP Lenders, and (ii) be the agent of the applicable DIP Agent and applicable DIP Lenders with respect to any deposit accounts or securities accounts included in the DIP Collateral that are controlled or held by it or any bailee agreements entered into by it, in each case, solely for the purposes of perfecting the security interests granted in such DIP Collateral by possession or control pursuant to the applicable DIP Loan Documents, in each case, solely for purposes of perfecting the security interests granted in such DIP Collateral by possession or control. The duties of the applicable Control Agent shall be limited solely to physically holding such DIP Collateral delivered to or under the control of the Control Agent by any Debtor as agent for the other DIP Agent for purposes of perfecting the applicable DIP Liens held by the other DIP Agent and the applicable DIP Lenders. Upon any DIP Agent ceasing to act as Control Agent as provided herein, such DIP Agent shall, at the expense of the Debtors, use commercially reasonable efforts to transfer any DIP Collateral then in its possession or under its control to the successor Control Agent. No Control Agent shall have any obligation whatsoever to the other DIP Agent or applicable DIP Lenders to ensure that the DIP Collateral in its possession or under its control is genuine or owned by the Debtors or to preserve the rights or benefits of any Person except as provided in this paragraph 17.

18. Intentionally Omitted.

19. Application of Proceeds of DIP Collateral. As a condition to the entry into the DIP Loan Documents, the extension of credit under the DIP Facility and the authorization to use Cash Collateral, the Debtors have agreed that the proceeds of DIP Collateral shall be applied as follows:

(a) (i) So long as no Event of Default has occurred and is continuing, (x) all payments received by the Working Capital Agent in respect of any DIP Obligation and all funds transferred and credited to the Working Capital Collection Account (other than from proceeds of Term B Priority Collateral) and (y) all Net Proceeds from any Disposition of Working Capital Priority Collateral (subject to the provisions at the end of Section 1.8(e) of the DIP Credit Agreement), each shall be applied: *first*, to payment of fees, costs and expenses, including Attorney Costs payable and reimbursable by the Credit Parties under the DIP Credit Agreement and the other DIP 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; *sixth*, to payment of unpaid interest and fees with respect to the FILO Tranche; and *seventh*, to the Borrower Representative's collection account, and (ii) during the continuance of an Event of Default, the Working Capital Agent shall apply any and all proceeds of Working Capital 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 the Working Capital Agent and fees, costs and expenses, including Attorney Costs of the Working Capital Agent payable or reimbursable by the Credit Parties under the DIP Loan Documents; *third*, to payment of Attorney Costs of the DIP Lenders payable or reimbursable by the

Borrowers; *fourth*, to payment of all accrued unpaid interest on the DIP Obligations and fees with respect to the Swing Loans and the Revolving Loans; *fifth*, to payment of principal of the DIP Obligations relating to the Revolving Loans then due and payable including, without limitation, L/C Reimbursement Obligations (other than with respect to the LC Cash Management Facility) 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 LC Cash Management Facility) to the extent not then due and payable; *sixth*, to payment of all accrued unpaid principal, interest and fees on the DIP Obligations with respect to the FILO Tranche owed to the applicable FILO Lenders; *seventh*, to payment of L/C Reimbursement Obligations with respect to the LC Cash Management Facility and cash collateralization in an amount equal to 104% of unmatured L/C Reimbursement Obligations with respect to the LC Cash Management Facility, to the extent not then due and payable; *eighth*, to fund the DIP Indemnity Account; *ninth*, to payment of all other DIP Obligations (excluding Bank Products not subject to a Reserve, DIP Obligations with respect to Secured Rate Contracts and Overadvances that are not Permitted Overadvances) with respect to all loans under the DIP Loan Documents other than the Term B Loans; *tenth*, to payment of all Term B Obligations; *eleventh*, to payment of all other DIP Obligations relating to Bank Products subject to a Reserve; *twelfth*, to payment of all other DIP Obligations including Overadvances other than Permitted Overadvances; and *thirteenth*, any remainder shall for the account of and paid to whoever may be lawfully entitled thereto.

(b) DIP Term Priority Collateral may be sold only outside the ordinary course of business and only with the consent of the Term B Agent subject to Use Rights. Whether or not an Event of Default has occurred and is continuing, all Net Proceeds from any Disposition of DIP Term Priority Collateral shall be applied to the DIP Obligations as follows: *first*, to payment



of fees, costs and expenses, including Attorney Costs of the Term B Agent 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 that the Term B Lenders shall have received proceeds of Revolver 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 the payment of all accrued unpaid interest and fees and payment of principal of the DIP Obligations relating to the Term B Loans; *fourth*, to fund the DIP Term Indemnity Account; *fifth*, to the payment of any Overadvance funded by the Working Capital Agent and fees, costs and expenses, including Attorney Costs, of the Working Capital Agent payable or reimbursable by the Borrowers under the DIP Loan Documents; *sixth*, to payment of Attorney Costs of the Working Capital Lenders payable or reimbursable by the Borrowers under the DIP Credit Agreement; *seventh*, to payment of all accrued unpaid interest on the DIP Obligations and fees with respect to the Swing Loans and the Revolving Loans owed to Working Capital Agent, the Working Capital Lenders and L/C Issuers; *eighth*, to payment of principal of the DIP Obligations relating to the Revolving Loans then due and payable including, without limitation, L/C Reimbursement Obligations (other than with respect to the LC Cash Management Facility) 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 LC Cash Management Facility) to the extent not then due and payable; *ninth*, to payment of all accrued unpaid principal, interest and fees on the DIP Obligations with respect to the FILO Tranche owed to the applicable DIP Lenders; *tenth*, to payment of L/C Reimbursement

Obligations with respect to the LC Cash Management Facility and cash collateralization in an amount equal to 104% of unmatured L/C Reimbursement Obligations with respect to the LC Cash Management Facility, to the extent not then due and payable; *eleventh*, to fund the DIP Indemnity Account; *twelfth*, to the payment of any other DIP Obligations; and *thirteenth*, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

(c) Prepayments from insurance or condemnation proceeds shall be applied (i) if arising from casualties to or losses of Working Capital Priority Collateral, in accordance with paragraph 19(a) above, and (ii) if arising from casualties to or losses of Term B Priority Collateral, in accordance with paragraph 19(b) above.

(d) The Debtors shall not, directly or indirectly, voluntarily purchase, redeem, defease, prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than: the Prepetition Obligations or DIP Obligations (each in accordance with the DIP Loan Documents and this Interim Order).

(e) The Debtors shall segregate proceeds of Term B Priority Collateral from Working Capital Priority Collateral and shall provide an accounting thereof to the Working Capital Agent and the Term B Agent upon request of either the Working Capital Agent or the Term B Agent.

20. Proceeds of Subsequent Financing. If the Debtors, any trustee, any examiner with enlarged powers, any responsible officer or any other estate representative subsequently appointed in these Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code Sections 364(b), 364(c) or 364(d) in violation of the DIP Loan Documents:

(a) at any time prior to the repayment in full of all Working Capital Obligations, the cancellation, backing or cash collateralization of letters of credit under the

Working Capital Facility, and the termination of the Working Capital Agent's and Working Capital Lenders' obligation to extend credit under the Working Capital Facility, including subsequent to the confirmation of any plan with respect to any or all of the Debtors and the Debtors' estates, if such subsequent financing is secured solely by any Working Capital Priority Collateral, then all the cash proceeds derived from such credit or debt shall immediately be turned over to the Working Capital Agent to be applied as set forth in paragraph 19(a) herein;

(b) at any time prior to the repayment in full of all Term B Obligations and the satisfaction of the Term B Superpriority Claims, if such subsequent financing is secured solely by any Term B Priority Collateral, then all of the cash proceeds derived from such credit or debt shall immediately be turned over to the Term B Agent to be applied as set forth in paragraph 19(b) herein; and

(c) at any time prior to the repayment in full of all DIP Obligations and the satisfaction of the DIP Superpriority Claims, the cancellation, backing or cash collateralization of letters of credit under the Working Capital Facility, and the termination of the Working Capital Agent's and Working Capital Lenders' obligation to extend credit under the Working Capital Facility, if such subsequent financing is secured by both Working Capital Priority Collateral and Term B Priority Collateral, then all of the cash proceeds derived from such credit or debt shall immediately be applied to the DIP Obligations as set forth herein or as the DIP Agents may agree, and if no such agreement is reached, as ordered by the Court in the Cases or Successor Cases following a valuation of the assets subject to such pledge or security.

21. Maintenance of DIP Collateral. Until the payment in full in cash of all DIP Obligations, the cancellation, backing, or cash collateralization of letters of credit under the Working Capital Facility, and the termination of the DIP Agents' and the DIP Lenders'

obligation to extend credit under the DIP Facility, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility; and (b) maintain the cash management system which has first been agreed to by the DIP Agents or as otherwise required by the DIP Loan Documents.

22. Disposition of DIP Collateral; Rights of DIP Agents and DIP Lenders. Unless otherwise ordered by the Court, the Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral without the prior written consent of the DIP Agents; provided, however, that (a) if the Working Capital Agent consents to such sale, transfer, lease, or disposition of Working Capital Priority Collateral, until the Working Capital Obligations shall have been paid in full in cash, then the Term B Agent shall also be deemed to have consented and the DIP Liens of the Term B Agent for the benefit of the Term B Lenders on such Working Capital Priority Collateral shall be automatically released and terminated, with such DIP Liens attaching to the proceeds of such sale, transfer, lease or disposition with the same priorities as set forth in paragraph 7 herein, without any action by or notice to the Term B Agent, and the Term B Agent at Debtors' expense shall upon two (2) Business Days (as defined in the DIP Credit Agreement) prior written notice of such sale, deliver or file such documents, instruments and UCC termination statements to terminate such liens and security interests (and in furtherance of the foregoing, the Working Capital Agent is hereby authorized to file such documents, instruments and UCC terminations upon the expiration of such two (2) Business Day period); (b) if the Term B Agent consents to such sale, transfer, lease, or disposition of Term B Priority Collateral, and until the Term B Obligations shall have been paid in full in cash, then the Working Capital Agent shall also have been deemed to have consented (subject to the Use Rights) and the DIP Liens of the Working Capital Agent for the benefit of the Working Capital

Lenders on such Term B Priority Collateral shall be automatically released and terminated, with such DIP Liens attaching to the proceeds of such sale, transfer, lease or disposition with the same priorities as set forth herein and in the DIP Loan Documents, without any action by or notice to the Working Capital Agent, and the Working Capital Agent shall upon two (2) business days prior written notice of such sale, deliver or file such documents, instruments and UCC termination statements to terminate such liens and security interests (and in furtherance of the foregoing the Term B Agent is hereby authorized to file such documents, instruments and UCC termination upon the expiration of such two (2) Business Day period); provided that the Working Capital Agent's rights to assert any right or interests available to unsecured creditors of the Debtors arising under either the Bankruptcy Code or applicable non-bankruptcy law in connection with such sale, transfer or other disposition are hereby preserved; and (c) if the DIP Agents and the DIP Lenders have commenced the enforcement of their remedies against the DIP Collateral as a result of the occurrence of an Event of Default and pursuant to paragraph 26(a) or (b) herein, the use or occupancy of any leased premises shall be subject to the rights, if any, of the DIP Agents and the DIP Lenders under (I) applicable non bankruptcy state or federal law; (II) consent of the applicable landlord; or (III) further order of this Court. In addition, the Debtors are permitted to sell, transfer, convey, assign or otherwise dispose of any DIP Collateral constituting: (i) the sale of Inventory in the ordinary course of business; (ii) the sale or other disposition by a Debtor of Term Loan Priority Collateral that is obsolete or no longer used or useful in such Debtor's business and the Net Proceeds (or, with respect to insurance or condemnation proceeds, the proceeds thereof) of which are paid to the Term B Agent in accordance with paragraph 19(b); (iii) sales, transfers and other dispositions in connection with Permitted Store Closings (including the disposition of leaseholds of closed stores made in

consultation with and with the consent of the Term B Agent), and so long as the Net Proceeds thereof are paid in accordance with paragraph 19(c); (iv) sales, transfers and other dispositions of assets among Debtors; (v) sales of consigned Inventory in the ordinary course of business; and (vi) any transfer constituting a Permitted Lien.

23. Waiver of Secured Creditor Rights. Until payment in full in cash of all DIP Obligations, and except as otherwise expressly provided in this Interim Order, none of the Prepetition Agents or the Prepetition Lenders (collectively, the “Prepetition Parties”), may raise or rely upon any rights, claims, or interests they may have as a secured creditor (including without limitation rights under Sections 361, 363, or 364 of the Bankruptcy Code, the Prepetition Credit Documents, this Interim Order, or any other applicable law). Without limiting the generality of the foregoing, in the event that the DIP Agents consent to the use, sale, lease, or other disposition of any DIP Collateral, the Prepetition Parties shall also be deemed to have consented to such use, sale, lease, or other disposition and the liens and security interests of the Prepetition Parties on such DIP Collateral shall be automatically released and terminated, without any action by or notice to the Prepetition Parties, with such liens and security interests to attach to the proceeds of such sale, lease, transfer or other disposition with the same priority, validity, force and effect as set forth herein, and the DIP Agents are hereby authorized to file and prepare such documents, instruments and UCC termination statements to terminate such liens and security interests. Notwithstanding the foregoing, the Prepetition Parties (a) shall be entitled to file (i) any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading made by any person or entity objecting to or otherwise seeking the disallowance of the claims of the Prepetition Parties, including without limitation any claims secured by the Prepetition Collateral or the DIP Collateral, if any, (ii) any pleadings,

objections, motions or agreements which assert rights or interests available to unsecured creditors of the Debtors arising under either the Bankruptcy Code or applicable non-bankruptcy law, and (iii) any proof of claim and other filings and make any arguments and motions that are, in each case, necessary to preserve their rights with respect to their respective obligations and the Prepetition Collateral and/or DIP Collateral; provided that notice of intent to take any such action shall be given by any such Prepetition Parties to the DIP Agents not less than the earlier of (x) five (5) Business Days prior to the taking of such action and (y) five (5) Business Days less than the number of days available by order of any applicable bankruptcy court in which to file any such claim, filing, pleading, objection, motion or agreement, as the case may be.

24. Termination Date. On the Termination Date, (i) all DIP Obligations shall be immediately due and payable, and all commitments to extend credit under the DIP Facility will terminate, and all letters of credit outstanding shall be cash collateralized, backed or cancelled, and (ii) all authority to use Cash Collateral derived from the proceeds of DIP Collateral shall cease, provided, however, that during the Remedies Notice Period (as defined herein), the Debtors may use Cash Collateral solely as set forth in paragraph 11 herein.

25. Events of Default. The occurrence or an “Event of Default” under the DIP Credit Agreement shall constitute an event of default under this Interim Order, unless waived in writing by the Working Capital Agent and the Term B Agent, as applicable (each, an “Event of Default”).

26. Rights and Remedies Upon Event of Default.

(a) *Working Capital Termination Declaration.* Immediately upon the occurrence and during the continuance of an Event of Default (including, without limitation, a Sale Process Default) and subject to any intercreditor arrangements or agreements between the

DIP Agents (including, without limitation, those set forth in Section 7.5 of the DIP Credit Agreement), the Working Capital Agent may, and at the request of the Required Working Capital Lenders, shall declare (such declaration, a “Working Capital Termination Declaration”) and may request entry by the Court of an order or orders: (I) declaring all or any portion of the Revolving Commitment of each Revolving Lender to make Loans or each L/C Issuer to issue Letters of Credit to be suspended or terminated; (II) declaring all Working Capital Obligations to immediately due and payable; and (III) terminating, reducing or restricting any right or ability of the Borrowers to use any Cash 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 Revolver 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 under the Loan Documents or applicable law against the Revolver Priority Collateral. Without limiting the foregoing, the Working Capital Agent may, subject to the Remedies Notice Period (i) with respect to a Sale Process Default only, direct any or all of the Credit Parties to comply with Section 7.9 of the DIP Credit Agreement, (ii) subject to paragraph 22(c) hereof, enter onto the premises of any Credit Party in connection with an orderly liquidation of the Revolver Priority Collateral; and/or (iii) exercise any rights and remedies provided to Working Capital Agent under the DIP Loan Documents or at law or equity, including all remedies provided under the Bankruptcy Code and pursuant to this Interim Order and the Final Order. Following the termination of the Remedy Standstill Period, subject at all time to Section 1.10(c)(ii) of the DIP Credit Agreement, the Term B Agent may require the Credit Parties to seek authority from the Court to conduct a sale process in accordance with Section 7.9 of the DIP Credit Agreement.



(b) *Term B Termination Declaration.* Immediately upon the occurrence and during the continuance of an Event of Default (including, without limitation, a Sale Process Default) and subject to any intercreditor arrangements or agreements between the DIP Agents (including, without limitation, those set forth in Section 7.5 of the DIP Credit Agreement), the Term B Agent may, and at the request of the Required Term B Lenders, shall declare (such declaration, a “Term B Termination Declaration,” and each a “Termination Declaration”) and may request entry by the Court of an order or orders: (I) declaring all Term B Obligations 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; and (II) terminating, reducing or restricting any right or ability of the Borrowers to use any Cash Collateral (other than Loans in the form of Permitted Overadvances and other than as expressly set forth in this 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 DIP Loan Documents or applicable law against the Term B Priority Collateral. 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 Section 7.9 of the DIP Credit Agreement, and either DIP Agent may seek a court order directing specific performance by the Credit Parties, (ii) subject to Section 22(c) hereof, 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 DIP Loan Documents or at law or equity, including all remedies provided under the Bankruptcy Code; and pursuant to the Interim Order and the Final Order.

(c) *Notice of Termination.* Any Termination Declaration shall be given by facsimile (or other electronic means) to counsel to the Debtors, counsel to the Prepetition Agents, counsel to any Statutory Committee, and the U.S. Trustee (the earliest date any such Termination Declaration is made shall be referred to herein as the “Termination Declaration Date”). The Working Capital Obligations or the Term B Obligations, as the case may be, shall be due and payable, without notice or demand, and the use of Cash Collateral shall automatically cease on the Termination Declaration Date, except as provided in paragraph 11 and this paragraph. Any automatic stay otherwise applicable to the DIP Agents or the DIP Lenders is hereby modified so that five (5) Business Days after the Termination Declaration Date (the “Remedies Notice Period”), the DIP Agents and the DIP Lenders shall be entitled to exercise all rights and remedies against the DIP Collateral in accordance with the DIP Loan Documents and this Interim Order and shall be permitted to satisfy the DIP Superpriority Claims and the DIP Liens, subject to the Carve-Out. During the Remedies Notice Period, the Debtors shall be entitled to seek an emergency hearing with the Court for the sole purpose of contesting whether an Event of Default has occurred and/or is continuing. Unless the Court determines during the Remedies Notice Period that an Event of Default has not occurred and/or is not continuing, the automatic stay shall automatically be terminated at the end of the Remedies Notice Period without further notice or order and the DIP Agents shall be permitted to exercise all remedies set forth herein, in the DIP Credit Agreement, the DIP Loan Documents, and as otherwise available at law against the DIP Collateral, without further order of or application or motion to the Court, and without restriction or restraint by any stay under Sections 362 or 105 of the Bankruptcy Code, or

otherwise, against the enforcement of the liens and security interest in the DIP Collateral or any other rights and remedies granted to the DIP Agents and the DIP Lenders with respect thereto pursuant to the DIP Credit Agreement, the other DIP Loan Documents, or this Interim Order.

27. Good Faith Under Section 364 of the Bankruptcy Code; No Modification or Stay of this Interim Order. The DIP Agents and the DIP Lenders each have acted in good faith in connection with this Interim Order and their reliance on this Interim Order is in good faith. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with Section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter modified, amended or vacated by a subsequent order of this Court, or any other court, the DIP Agents and the DIP Lenders are entitled to the protections provided in Section 364(e) of the Bankruptcy Code. Any such modification, amendment or vacatur shall not affect the validity and enforceability of any advances previously made or made hereunder, or lien, claim or priority authorized or created hereby, provided that the Interim Order was not stayed by court order after due notice had been given to the DIP Lenders at the time the advances were made or the liens, claims or priorities were authorized and/or created. Any liens or claims granted to the DIP Agents or DIP Lenders hereunder arising prior to the effective date of any such modification, amendment or vacatur of this Interim Order shall be governed in all respects by the original provisions of this Interim Order, including entitlement to all rights, remedies, privileges and benefits granted herein, provided that the Interim Order was not stayed by court order after due notice had been given to the DIP Lenders at the time the advances were made or the liens, claims or priorities were authorized and/or created.

28. DIP and Other Expenses. The Debtors are authorized and directed to pay all reasonable out-of-pocket expenses of (a) the Prepetition Agents as provided in the Payoff Letters, and (b) the DIP Agents and DIP Lenders in connection with the DIP Facility, as provided in the DIP Loan Documents, whether or not the transactions contemplated hereby are consummated, including, without limitation, legal, accounting, collateral examination, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the Prepetition Parties, DIP Agents and DIP Lenders shall not be required to comply with the U.S. Trustee fee guidelines. Notwithstanding the foregoing, at the same time such invoices are delivered to the Debtors, the professionals for the Prepetition Parties, DIP Agents and DIP Lenders shall deliver a copy of their respective invoices to counsel for any Statutory Committee and the U.S. Trustee, redacted as necessary with respect to any privileged or confidential information contained therein. Any objections raised by the U.S. Trustee with respect to such invoices will be resolved by the Court.

29. Indemnification.

(a) The Debtors shall indemnify and hold harmless each DIP Agent and each DIP Lender and their respective shareholders, directors, agents, officers, subsidiaries and affiliates, successors and assigns, attorneys and professional advisors, in their respective capacities as such, from and against any and all damages, losses, settlement payments, obligations, liabilities, claims, actions or causes of action, whether groundless or otherwise, and reasonable costs and expenses incurred, suffered, sustained or required to be paid by an indemnified party of every nature and character arising out of or related to the DIP Loan

Documents, or the DIP Facility or the transactions contemplated thereby and by this Interim Order, whether such indemnified party is party thereto, as provided in and pursuant to the terms of the DIP Loan Documents and as further described therein and herein, or in connection with these chapter 11 cases, any plan, any Permitted Store Closing Sales, or any action or inaction by the Debtors, in each case except to the extent resulting from such indemnified party's gross negligence or willful misconduct as finally determined by a final non-appealable order of a court of competent jurisdiction. The indemnity includes indemnification for each DIP Agent's and each DIP Lender's exercise of discretionary rights granted under the DIP Facility. In all such litigation, or the preparation therefor, each DIP Agent and each DIP Lender shall be entitled to select its own counsel and, in addition to the foregoing indemnity, the Debtors agree to promptly pay the reasonable fees and expenses of such counsel.

(b) *Working Capital Indemnity Account.* Upon the Termination Date, the Debtors shall pay \$500,000 from proceeds of Working Capital Priority Collateral (or if the Term B Obligations are paid in full in cash, any DIP Collateral) into an indemnity account (the "Working Capital Indemnity Account") subject to first priority liens of the Working Capital Agent and Working Capital Lenders and second priority liens of the Term B Agent and Term B Lenders. The Working Capital Indemnity Account shall be released and the funds applied in accordance with paragraph 19 of this Interim Order upon the earlier to occur of (a) the receipt by the Working Capital Agent of releases acceptable to the Working Capital Agent in its sole discretion and (b) the closing of an "exit financing" or similar financing to which the Debtors and the Working Capital Agent are parties on terms and conditions acceptable to the Working Capital Agent in its sole discretion.

(c) *Term B Indemnity Account.* Upon the termination of the Term B Loan, the Debtors shall pay \$300,000 from proceeds of Term B Priority Collateral (or if the Working Capital Obligations are paid in full in cash, any DIP Collateral) into an indemnity account (the “Term B Indemnity Account”, and together with the Working Capital Indemnity Account, the “DIP Indemnity Accounts”) subject to first priority liens of the Term B Agent and Term B Lenders and second priority liens of the Working Capital Agent and Working Capital Lenders. The Term B Indemnity Account shall be released to the Debtors and the funds applied in accordance with paragraph 19 of this Interim Order upon the receipt by the Term B Agent of releases acceptable to the Term B Agent in its sole discretion.

30. Proofs of Claim. Any order entered by the Court in relation to the establishment of a bar date for any claims (including without limitation administrative claims) in any of the Cases or Successor Cases shall not apply to any DIP Agent, DIP Lenders, Prepetition Agents or Prepetition Lenders. The DIP Agent, DIP Lenders, Prepetition Agent and Prepetition Lenders will not be required to file proofs of claim or requests for approval of administrative expenses in any of the Cases or Successor Cases, and the provisions of this Interim Order relating to the amount of the DIP Obligations, the Prepetition Obligations, the Adequate Protection Superpriority Claims and the DIP Superpriority Claims shall constitute a timely filed proof of claim and/or administrative expense request. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, each of the Prepetition Agents on behalf of themselves and their respective Prepetition Lenders is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim. Any proof of claim filed by the Prepetition Agents shall be

deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Lenders.

31. Rights of Access and Information. Without limiting the rights of access and information afforded the DIP Agent and DIP Lenders under the DIP Loan Documents, the Debtors shall be, and hereby are, required to afford representatives, agents and/or employees of the Working Capital Agent, Working Capital Lenders, Term B Agent and Term B Lenders reasonable access to the Debtors' premises and their books and records in accordance with the DIP Loan Documents, and shall reasonably cooperate, consult with, and provide to such persons all such information as may be reasonably requested. In addition, the Debtors authorize their independent certified public accountants, financial advisors, investment bankers and consultants to cooperate, consult with, and provide to the Working Capital Agent and the Term B Agent (and so long as an Event of Default has occurred and is continuing, each Working Capital Lender and each Term B Lender) all such information as may be reasonably requested with respect to the business, results of operations and financial condition of any Credit Party. In addition, the Working Capital Agent shall use commercially reasonable efforts to provide the Term B Agent (and the Term B Agent shall use commercially reasonable efforts to provide the Working Capital Agent) with prior notice of any inspection or audit so that the other party may accompany such party on any inspection or audit, and the DIP Agents are hereby expressly permitted to and shall provide copies of any such reports of test verifications and counts or audits to the other party, however any failure to so provide such reports shall not (i) alter the rights and obligations of the DIP Agents or give rise to any claim or cause of action related thereto, (ii) be deemed a breach of the DIP Loan Documents or (iii) give rise to any claim or cause of action by the Term B Agent

against the Working Capital Agent or the Working Capital Agent against the Term B Agent, as the case may be.

32. Carve-Out.

(a) *Carve-Out.* As used in this Interim Order, the “Carve-Out” means the following expenses: (i) statutory fees payable to the U.S. Trustee pursuant to 28 U.S.C. Section 1930(a)(6); (ii) upon the occurrence of any Event of Default and delivery of a written notice to lead counsel for the Debtors, the U.S. Trustee and lead counsel for any Statutory Committee, which expressly states that the application of the Carve-Out has occurred (a “Carve-Out Trigger Notice”), subject to the terms and conditions of the Interim Order or the Final Order, the “Case Professionals Carve-Out,” comprising (solely to the extent set forth in the Budget and to the extent that such fees and disbursements remain unpaid following the application of all available funds of the Debtors’ estates) (x) allowed and unpaid professional fees and disbursements incurred by the Debtors and any Statutory Committee for any professionals retained by either of them by final order of the Court (which order has not been reversed, vacated or stayed unless such stay is no longer effective) by the Debtors or such Statutory Committee under Sections 327 or 1103(a) of the Bankruptcy Code (the “Case Professionals”) to the extent allowed and payable pursuant to an order of the Court (which order has not been reversed, vacated or stayed unless such stay is no longer effective) (“Allowed Professional Fees”) under Sections 328, 330 and/or 331 of the Bankruptcy Code and any interim compensation procedures order, and (y) the “Committee Expenses,” comprising allowed and unreimbursed expenses incurred by the members of any Statutory Committee in the performance of their duties (but excluding fees and expenses of third party professionals employed by such members) by final order of the Court (which order has not been reversed, vacated or stayed unless such stay is no



longer effective), such Allowed Professional Fees and Committee Expenses in an aggregate amount not to exceed \$4,000,000 (the “Carve-Out Cap”),<sup>7</sup> (iii) prior to the delivery of a Carve-Out Trigger Notice, any accrued and unpaid fees and expenses of Case Professionals and members of any Statutory Committee (but excluding fees and expenses of third party professionals employed by such members), whether or not such accrued and unpaid fees and expenses have yet been invoiced to the Borrowers or submitted for approval to the Bankruptcy Court to the extent required; and (iv) reasonable fees and expenses of a trustee under Bankruptcy Code §726(b) in an amount not to exceed \$100,000. The Working Capital Agent shall fund the Carve-Out from the proceeds of the Working Capital Priority Collateral upon the earlier to occur of (i) delivery of a Carve-Out Trigger Notice, or (ii) the sale of all or substantially all of the assets of the Debtors.

(b) *No Direct Obligation to Pay Professional Fees or Committee Expenses.*

The DIP Agents and DIP Lenders shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Case Professionals or any Committee Expenses incurred in connection with the Cases or any Successor Cases. Nothing in this Interim Order or otherwise shall be construed to obligate the DIP Agents or DIP Lenders, in any way to pay compensation to or to reimburse expenses of any Case Professional (including any Committee Expenses), or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement. Nothing in this Interim Order or otherwise shall be construed to increase the Carve-Out if actual (i) Allowed Professional Fees of any Case Professional or (ii) Committee Expenses are higher in fact than the estimated fees and disbursements reflected in the Budget.

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<sup>7</sup> As used in this Interim Order, all references to the Carve Out are subject to the maximum dollar limitation of the Carve Out Cap as set forth in this paragraph.

(c) *Payment of Carve-Out After Carve-Out Trigger Notice.* Any payment or reimbursement made on or after the delivery of the Carve-Out Trigger Notice in respect of any Allowed Professional Fees (exclusive of the application of any retainers by any of the Professionals) or Committee Expenses shall permanently reduce the Carve-Out Cap on a dollar-for-dollar basis. Any funding of the Carve-Out shall be added to and made a part of the Working Capital Obligations and secured by the DIP Collateral and otherwise entitled to the protections granted under this Interim Order, the DIP Loan Documents, the Bankruptcy Code and applicable law.

33. Limitations on the DIP Facility, the DIP Collateral, the Cash Collateral and the Case Professionals Carve-Out. The DIP Facility, the DIP Collateral, the Cash Collateral and the Carve-Out may not be used: (a) in connection with or to finance in any way any action, suit, arbitration, proceeding, application, motion or other litigation of any type (i) adverse to the interests of the Prepetition Agents, the Prepetition Lenders, DIP Agents or the DIP Lenders or their rights and remedies under the DIP Loan Documents, the Prepetition Documents, the Payoff Letters or this Interim Order, including, without limitation, for the payment of any services rendered by the professionals retained by the Debtors or any Statutory Committee in connection with the assertion of or joinder in any claim, counterclaim, action, proceeding, application, motion, objection, defense or other contested matter, the purpose of which is to seek, or the result of which would be to obtain, any order, judgment determination, declaration or similar relief (ii) invalidating, setting aside, avoiding or subordinating, in whole or in part, the DIP Obligations or the Prepetition Obligations, (iii) for monetary, injunctive or other affirmative relief against any DIP Agent, DIP Lender, Prepetition Agent or Prepetition Lender, or their respective collateral, or (iv) preventing, hindering or otherwise delaying the exercise by the DIP Agents or the DIP

Lenders of any rights and remedies under this Interim Order, the DIP Loan Documents, or applicable law, or the enforcement or realization (whether by foreclosure, credit bid, further order of the Court or otherwise) by the DIP Agents or the DIP Lenders upon any of the DIP Collateral; (b) to make any distribution under a plan of reorganization in any Chapter 11 Case; (c) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of the DIP Agents unless otherwise ordered by this Court; (d) to pay any fees or similar amounts to any person who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the DIP Agents, (e) subject to the limited use of Cash Collateral set forth in paragraph 11 above, objecting to, contesting, or interfering with, in any way, the DIP Agents' and the DIP Lenders' enforcement or realization upon any of the DIP Collateral once an Event of Default has occurred; (f) using or seeking to use Cash Collateral or selling or otherwise disposing of DIP Collateral without the consent of the DIP Agents and the DIP Lenders, as applicable; (g) using or seeking to use any insurance proceeds constituting DIP Collateral without the consent of the DIP Agents and the DIP Lenders, as applicable; (h) incurring Indebtedness (as defined in the DIP Credit Agreement) outside the ordinary course of business without the prior consent of the DIP Agents and the DIP Lenders, as applicable, except as permitted under the DIP Loan Documents; (i) objecting to or challenging in any way the claims, liens, or interests (including interests in the Prepetition Collateral or DIP Collateral) held by or on behalf of any Prepetition Agent, Prepetition Lender, DIP Agent or DIP Lender; (j) asserting, commencing or prosecuting any claims or causes of action whatsoever, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, against any Prepetition Agent, Prepetition Lender, DIP Agent or DIP Lender; (k) prosecuting an objection to, contesting in any manner, or raising any defenses to, the

validity, extent, amount, perfection, priority, or enforceability of any of the Prepetition Obligations, the Prepetition Liens, the DIP Obligations or the DIP Liens or any other rights or interests of any of any Prepetition Agent, Prepetition Lender, DIP Agent or DIP Lender; or (l) preventing, hindering or otherwise delaying the exercise by the Prepetition Revolver Agent and Prepetition Revolver Lenders of any rights and remedies granted under this Interim Order. The provisions of this paragraph 33(i) through (k) shall not preclude a Statutory Committee from taking a position before the Court with respect to the matters raised therein nor the Court from issuing any appropriate order in connection therewith, provided, however, that proceeds of the DIP Facility, the DIP Collateral, the Cash Collateral and/or the Carve-Out, in an aggregate amount not to exceed \$50,000, may be used to investigate the foregoing.

34. Payment of Compensation. Nothing herein shall be construed as a consent to the allowance of any professional fees or expenses of any Case Professionals or shall affect the right of the DIP Agents or DIP Lenders to object to the allowance and payment of such fees and expenses. So long as no Event of Default has occurred and is continuing, the Debtors shall be permitted to pay fees and expenses allowed and payable by order (that has not been vacated or stayed, unless the stay has been vacated) under Sections 330 and 331 of the Bankruptcy Code, as the same may be due and payable.

35. Reservation of Certain Third Party Rights and Bar of Challenges and Claims. Nothing in this Interim Order or the DIP Loan Documents shall prejudice the rights of a Statutory Committee, if granted standing and, solely if no Statutory Committee is appointed, any other party in interest granted standing by the Court, (other than the Debtors and/or their successors), to seek to assert claims against any of the Prepetition Agents or Prepetition Lenders on behalf of the Debtors or the Debtors' creditors and interest holders, or to object to or to

challenge the stipulations, findings or Debtors' Stipulations set forth herein, including, but not limited to those in relation to: (a) the validity, extent, priority, or perfection of the mortgage, security interests, and liens of any Prepetition Agent or Prepetition Lender; (b) the validity, allowability, priority, or amount of the Prepetition Obligations; (c) the secured status of the Prepetition Revolver Obligations; or (d) any liability of any of the Prepetition Agents and/or Prepetition Lenders with respect to anything arising from any of the respective Prepetition Facilities. A party in interest, including any Statutory Committee (if appointed) that has been granted standing by the Court, must commence, as appropriate, a contested matter or adversary proceeding raising such objection or challenge, including, without limitation, any claim against any Prepetition Agent or Prepetition Lender, a claim in the nature of a setoff, counterclaim or defense to the applicable Prepetition Obligations or any other claim (each, a "Challenge") within sixty (60) calendar days following the date of entry of the Final Order (the "Challenge Period"). The applicable Challenge Period may only be extended with the written consent of the applicable Prepetition Agent or Prepetition Lender or by order of the Court. Upon the expiration of the Challenge Period (the "Challenge Period Termination Date"), without the filing of a Challenge: (A) any and all such Challenges and objections by any party (including, without limitation, any Statutory Committee, any Chapter 11 trustee, and/or any examiner or other estate representative appointed in these Cases, and any Chapter 7 trustee and/or examiner or other estate representative appointed in any Successor Case), shall be deemed to be forever waived, released and barred, (B) all matters not subject to the Challenge, findings, Debtors' Stipulations, waivers, releases, affirmations and other stipulations as to the priority, extent, and validity as to each Prepetition Agents' and each Prepetition Lenders' claims, liens, and interests shall be of full force and effect and forever binding upon the Debtors, the Debtors' bankruptcy estates and all

creditors, interest holders, and other parties in interest in these Cases and any Successor Cases; and (C) any and all claims or causes of action against any of the Prepetition Agents and/or Prepetition Lenders relating in any way to the Debtors or the Prepetition Facilities shall be forever waived and released by the Debtors' estates, all creditors, interest holders and other parties in interest in these Cases and any Successor Cases.

36. No Third Party Rights. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

37. Section 506(c) Claims. Upon entry of the Final Order, no costs or expenses of administration which have been or may be incurred in the Cases at any time shall be charged against any DIP Agent, DIP Lender, Prepetition Agent or Prepetition Lender or any of their respective claims or the DIP Collateral or Prepetition Collateral pursuant to Sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the applicable DIP Agent, DIP Lender, Prepetition Agent or Prepetition Lender, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

38. No Marshaling/Applications of Proceeds. No DIP Agent, DIP Lender, Prepetition Agent or Prepetition Lender shall be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral or Prepetition Collateral, as applicable.

39. Section 552(b). The DIP Agents, DIP Lenders, the Prepetition Agents and the Prepetition Lenders shall each be entitled to all of the rights and benefits of Section 552(b) of the Bankruptcy Code. Subject to the entry of the Final Order, the "equities of the case" exception under Bankruptcy Code §552(b) shall not apply to any of the DIP Agents, the DIP Lenders, the

Prepetition Agents and the Prepetition Lenders with respect to proceeds, products, offspring or profits of any of the Prepetition Collateral.

40. Joint and Several Liability. Nothing in this Interim Order shall be construed to constitute a substantive consolidation of any of the Debtors' estates, it being understood, however, that the Debtors shall be jointly and severally liable for the obligations hereunder and in accordance with the terms of the DIP Facility and the DIP Loan Documents.

41. Discharge Waiver. The Debtors expressly stipulate, and the Court finds and adjudicates that, none of the DIP Obligations, the DIP Superpriority Claims or the DIP Liens shall be discharged by the entry of an order confirming any plan of reorganization, notwithstanding the provisions of Section 1141(d) of the Bankruptcy Code, unless the DIP Obligations have been paid in full in cash on or before the effective date of a confirmed plan of reorganization. None of the Debtors shall propose or support any plan or sale of all or substantially all of the Debtors' assets or entry of any confirmation order or sale order that is not conditioned upon the payment in full in cash, on the effective date of such plan of all DIP Obligations and the cancellation, backing, or cash collateralization of all letters of credit issued under the DIP Loan Documents. The DIP Superpriority Claims and the DIP Liens shall not be affected in any manner by the entry of an order confirming a plan in the Cases or any Successor Cases.

42. Rights Preserved.

(a) Notwithstanding anything herein to the contrary, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly: (a) DIP Agents' or the DIP Lenders' right to seek any other or supplemental relief in respect of the Debtors; (b) any of the rights of any of the DIP Agents or the DIP Lenders under the

Bankruptcy Code or under non-bankruptcy law, including, without limitation, the right to (i) request modification of the automatic stay of Section 362 of the Bankruptcy Code, (ii) request dismissal of any of the Cases or Successor Cases, conversion of any of the Cases to cases under Chapter 7, or appointment of a Chapter 11 trustee or examiner with expanded powers, or (iii) propose, subject to the provisions of Section 1121 of the Bankruptcy Code, a Chapter 11 plan or plans. Other than as expressly set forth in this Interim Order, any other rights, claims or privileges (whether legal, equitable or otherwise) of each DIP Agent and each DIP Lender are preserved.

(b) Other than as expressly set forth in this Interim Order and the DIP Loan Documents, all rights, claims or privileges (whether legal, equitable or otherwise) of the Prepetition Agents are preserved.

43. No Waiver by Failure to Seek Relief. The failure of any DIP Agent or DIP Lender to seek relief or otherwise exercise its rights and remedies under this Interim Order, the DIP Loan Documents, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of the applicable DIP Agent or DIP Lender.

44. Binding Effect of Interim Order. Immediately upon entry by this Court (notwithstanding any applicable law or rule to the contrary), the terms and provisions of this Interim Order shall become valid and binding upon and inure to the benefit of the Debtors, the DIP Agents, the DIP Lenders, the Prepetition Agents, the Prepetition Lenders, all other creditors of any of the Debtors, any Statutory Committee or any other court appointed committee, appointed in the Cases, and all other parties in interest and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in any of the Cases, any Successor Cases, or upon dismissal of any Case or Successor Case.



45. No Modification of Interim Order. Until and unless (i) the DIP Obligations have been paid in full in cash, and all letters of credit under the Working Capital Facility shall have been cancelled, backed, or cash collateralized in accordance with the terms thereof (such payment being without prejudice to any terms or provisions contained in the DIP Facility which survive such discharge by their terms), and all commitments to extend credit under the DIP Facility have been terminated, and (ii) the Prepetition Obligations have been indefeasibly paid in full in cash, the Debtors irrevocably waive the right to seek and shall not seek or consent to, directly or indirectly: (a) without the prior written consent of the DIP Agents (i) any modification, stay, vacatur or amendment to this Interim Order; or (ii) a priority claim for any administrative expense or unsecured claim against the Debtors (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation any administrative expense of the kind specified in Sections 503(b), 507(a) or 507(b) of the Bankruptcy Code) in any of the Cases or Successor Cases, equal or superior to the DIP Superpriority Claims, other than the Carve-Out; (b) without the prior written consent of the DIP Agents any order allowing use of Cash Collateral resulting from DIP Collateral; and (c) without the prior written consent of the DIP Agents, any lien on any of the DIP Collateral with priority equal or superior to the DIP Liens, and (d) without the prior written consent of the Prepetition Agents (i) any modification, stay, vacatur or amendment of this Interim Order that may adversely impact any provisions with respect to and/or protections or other benefits granted to the Prepetition Agents and/or the Prepetition Lenders. The Debtors irrevocably waive any right to seek any amendment, modification or extension of this Interim Order without the prior written consent, as provided in the foregoing, of the applicable DIP Agent or Prepetition Agent, and no such consent shall be implied by any

other action, inaction or acquiescence of any DIP Agent, Prepetition Agent or any Prepetition Lender.

46. Intercreditor Arrangements. Notwithstanding anything to the contrary contained herein, (a) until payment 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 DIP Agents shall not seek relief from the automatic stay under Bankruptcy Code §362 or any other stay in the bankruptcy in respect of the Revolver Priority Collateral, and (B) the DIP Agents shall not consent to any release of the liens granted to the Working Capital Agent on the Revolver Priority Collateral; provided, however that, if the Working Capital Agent and the Working Capital Lenders consent to any sale or other disposition of the Revolver Priority Collateral, such sale or other disposition shall be made free and clear of any liens of the Agents on such Revolver 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 DIP Agents shall not seek relief from the automatic stay under Bankruptcy Code §362 or any other stay in the Cases or Successor Cases in respect of the Term Loan Priority Collateral and (B) the DIP Agents shall not consent to any release of the liens granted to the Term B 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 or other disposition shall be made free and clear of any liens of the Term B Agent 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 the Term B

Lenders shall have the right to object to any sale or other disposition of the Term B Priority Collateral.

47. Interim Order Controls. In the event of any inconsistency between the terms and conditions of the DIP Loan Documents or this Interim Order, the provisions of this Interim Order shall govern and control.

48. Survival. The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered: (a) confirming any plan of reorganization in any of the Cases; (b) converting any of the Cases to a case under Chapter 7 of the Bankruptcy Code; (c) dismissing any of the Cases or any Successor Cases; or (d) pursuant to which this Court abstains from hearing any of the Cases or Successor Cases, provided however that the various superpriority claims or other administrative expenses shall survive only to the extent permitted by applicable law. The terms and provisions of this Interim Order, including the claims, liens, security interests and other protections granted to the DIP Agents, DIP Lenders, Prepetition Agents and Prepetition Lenders pursuant to this Interim Order and/or the DIP Loan Documents, notwithstanding the entry of any such order, shall continue in the Cases, in any Successor Cases, or following dismissal of the Cases or any Successor Cases, and shall maintain their priority as provided by this Interim Order until all DIP Obligations have been paid in full and all letters of credit under the DIP Facility shall have been cancelled or cash collateralized in accordance with the terms thereof and all commitments to extend credit under the DIP Facility are terminated. The terms and provisions concerning the indemnification of the DIP Agents and/or DIP Lenders shall continue in the Cases, in any Successor Cases, following dismissal of the Cases or any Successor Cases, following termination of the DIP Loan Documents and/or the repayment of the DIP Obligations.

49. Final Hearing. The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for March 15, 2011 at 10:00 a.m. before the Honorable Martin Glenn, United States Bankruptcy Judge, Courtroom 501, at the United States Bankruptcy Court for the Southern District of New York located at One Bowling Green, New York, New York. On or before February 25, 2011, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the “Final Hearing Notice”), together with a copy of this Interim Order and the DIP Motion, on: (a) the Office of the United States Trustee for the Southern District of New York (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (b) those creditors holding the thirty largest unsecured claims against the Debtors’ estates; (c) Morgan, Lewis & Bockius LLP (Attn: Wendy S. Walker, Esq.) and Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), attorneys for the lenders under the proposed Debtor in Possession Revolving Credit Agreement; (d) the other parties having been given notice of the Interim Hearing; (e) any party which has filed prior to such date a request for notices with this Court; (f) counsel for any Statutory Committee; (g) the Securities and Exchange Commission; and (h) the Internal Revenue Service. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Court no later than on March 8, 2011 at 4:00 p.m. (Eastern), which objections shall be served so as to be received on or before such date by: (i) Kasowitz, Benson, Torres & Friedman LLP (counsel to the Debtors), (ii) the Office of the United States Trustee for the Southern District of New York (Attn: Tracy Davis, Esq. and Linda Riffkin, Esq.); (iii) counsel to any Statutory Committee; and (iv) Morgan, Lewis & Bockius LLP (Attn: Wendy S. Walker, Esq.) and Riemer & Braunstein LLP (Attn: Donald E. Rothman, Esq.), attorneys for the DIP Agents under the proposed Debtor in Possession Revolving Credit

Agreement, and (v) Bingham McCutchen LLP (Attn: Julia Frost-Davies, Esq. and Andrew Gallo, Esq.) attorneys for the Prepetition Revolver Agent.

50. Effect of this Interim Order. This Interim Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and shall take effect immediately, notwithstanding anything to the contrary proscribed by applicable law.

51. Retention of Jurisdiction. The Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

SO ORDERED by the Court this 17th day of February, 2011.

/s/ Arthur J. Gonzalez

ARTHUR J. GONZALEZ

United States Bankruptcy Judge