

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

----- X
:
In re: : Chapter 11
:
LOEHMANN’S HOLDINGS INC., *et al.*,¹ : Case No. 13-14050 (MG)
:
Debtors. : (Jointly Administered)
:
----- X

**INTERIM ORDER UNDER 11 U.S.C. §§ 105, 361, 362, 363(c), 363(e),
507(b) and 552, BANKRUPTCY RULES 2002, 4001, 6003, 6004 and
9014 AND LOCAL BANKRUPTCY RULE 4001-2 (I) AUTHORIZING
THE DEBTORS TO USE CASH COLLATERAL AND (II) GRANTING
ADEQUATE PROTECTION AND (III) SCHEDULING A FINAL HEARING**

(First Priority Interim Order)

Upon consideration of the motion (the “Motion”)² of the Debtors requesting entry of an interim order (this “First Priority Interim Order”) pursuant to sections 105, 361, 362, 363, 507 and 552 of chapter 11 of title 11 of the United States Code (as amended, the “Bankruptcy Code”) and Rules 2002, 4001, 6003, 6004 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 4001-2 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York (the “Local Bankruptcy Rules”), *inter alia*:

(a) authorizing the Debtors’ use of Cash Collateral (as defined below) of Wells Fargo Bank, National Association, as administrative agent and collateral agent, and the Lenders party to the Credit Agreement (each as defined below) (collectively, the “Secured Creditor”), on an interim basis effective as of the Petition Date through the time of the final hearing on the Motion (the “Final Hearing”);

¹ The last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) Loehmann’s Holdings Inc. (9380); (ii) Loehmann’s, Inc. (1356); and (iii) Loehmann’s Operating Co. (6681). The Debtors’ executive headquarters are located at 2500 Halsey Street, Bronx, New York 10461.

(b) granting and affirming the adequate protection being given to the Secured Creditor as set forth hereinbelow;

(c) 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 this First Priority Interim Order; and

(d) scheduling the Final Hearing to consider entry of a final order (the “Final Order”) authorizing the Debtors’ use of the Secured Creditor’s Cash Collateral; and upon the Declaration of William Thayer in Support of the Debtors’ Chapter 11 Petitions and First Day Pleadings (the “Thayer Declaration”); and the Court having found that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest; and the Court having found that the Debtors’ notice of the Motion and the opportunity for a hearing on the Motion was appropriate and no other notice need be provided; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at the hearings before the Court on December 17 and 18, 2013 (collectively, the “Interim Hearing”); and the Court having determined that the legal and factual bases set forth in the Motion, the Thayer Declaration, and at the hearing to approve the Interim Order establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby:

FOUND, DETERMINED AND ADJUDGED:

A. Commencement of Case. On December 15, 2013 (the “Petition Date”), each Debtor commenced a case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the Clerk of this Court (the chapter 11 proceedings, the “Chapter 11 Cases”). Since the Petition

² Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in, (i) the Motion and, if not defined therein, (ii) the Credit Agreement (as defined below).

Date, the Debtors have continued in the possession, management and operation of their assets, properties and businesses in accordance with sections 1107 and 1108 of the Bankruptcy Code.

B. Joint Administration. On the Petition Date, the Debtors filed a motion seeking authorization to have the Chapter 11 Cases jointly administered for procedural purposes only.

C. No Trustee, Statutory Committee. As of the date of this First Priority Interim Order, no trustee or statutory committee has been appointed herein.

D. Jurisdiction. This Court has jurisdiction over the Chapter 11 Cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a “core” proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory and other predicates for the relief sought herein are §§ 105, 361, 362, 363, 507(b) and 552 of the Bankruptcy Code, Bankruptcy Rules 2002, 4001, 6003, 6004 and 9014 and Local Bankruptcy Rule 4001-2.

E. Notice of Interim Hearing Sufficient. Based on the affidavits and/or certificates of service on file with the Clerk of this Court, notice of the Interim Hearing has been given in accordance with Bankruptcy Rules 4001 and 9014. Given the nature of the relief sought in the Motion, this Court finds and concludes that the foregoing notice was sufficient and adequate under the circumstances and complies with the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Rules and any other applicable law, and no further notice relating to this proceeding and the hearing on this Motion is necessary or required. All objections, if any, to the relief requested in the Motion on an emergency interim basis have either been withdrawn, resolved or overruled by the Court as set forth herein.

F. Second/Third Lien Creditors’ Consent. In accordance with the agreements, terms, provisions and conditions contained in that certain Amended and Restated Subordination Agreement, dated as of June 27, 2011 (the “Subordination Agreement”), among (i) Wells Fargo Bank, National

Association, as administrative agent and collateral agent, (ii) Law Debenture Trust Company of New York, not in its individual capacity, but solely in its capacity as agent (the “Second Lien Agent”) for certain “Second Lien Lenders” (as defined in that certain Second Lien Security Agreement dated as of March 1, 2011 between the Loan Parties and the Second Lien Agent, as amended, supplemented or otherwise modified and in effect from time to time after the date hereof), (iii) Law Debenture Trust Company of New York, not in its individual capacity, but solely in its capacity as agent (the “Third Lien Agent”) for certain “Third Lien Lenders” (as defined in the Subordination Agreement), and (iv) Loehmann’s Operating Co., for itself and the Borrowers and Guarantors (collectively, the “Loan Parties”), and such Loan Parties, the Second Lien Agent and Third Lien Agent have consented to the entry of this First Priority Interim Order and the grant of the Adequate Protection Obligations (defined herein). By the Motion, the Debtors separately sought an order of the Court (the “Junior Priority Interim Order”) to use the Cash Collateral of the Second Lien Agent, Second Lien Lenders, Third Lien Agent and Third Lien Lenders (collectively, the “Junior Secured Parties”) and to provide the Junior Secured Parties with adequate protection including, among other things, in the form of replacement liens (to the extent approved by the Court).

G. Debtors’ Stipulations. Subject in all respects to the provisions set forth in Paragraph 4 below, and without prejudice to the rights of parties in interest as set forth in Paragraph 4 herein, the Debtors acknowledge, admit, stipulate and agree that:

(1) Wells Fargo Pre-Petition Credit Facility. On March 1, 2011, (a) Loehmann’s Operating Co., as Lead Borrower, (b) the other Borrowers, (c) the Guarantors, (d) the Lenders from time to time party thereto, (e) the Administrative Agent, (f) the Collateral Agent, and (g) the L/C Issuer, entered into that certain Credit Agreement (as amended by that certain (i) First Amendment to Credit Agreement, dated as of June 27, 2011, (ii) Second Amendment to Credit Agreement, dated as

of October 27, 2011, (iii) Third Amendment to Credit Agreement, dated as of May 24, 2012, (iv) Fourth Amendment to Credit Agreement, dated as of December 19, 2012, (v) Fifth Amendment to Credit Agreement dated as of March 14, 2013, (vi) Sixth Amendment to Credit Agreement dated as of June 4, 2013, and (vii) Seventh Amendment to Credit Agreement dated as of November 20, 2013; collectively as the same may be amended, restated, supplemented or otherwise modified from time to time, and in effect, the “Credit Agreement”). In connection with the Credit Agreement, the Lead Borrower and the other Loan Parties also executed and delivered, or caused to be executed and delivered to or for the benefit of the Secured Creditor certain other Loan Documents, including, but not limited to, promissory notes, deposit account control agreements, consents, assignments, security agreements, intellectual property security agreements, pledge agreements, subordination agreements, other agreements, instruments, guarantees and financing statements in connection with the indebtedness referred to in the Credit Agreement (all of the foregoing, together with the Credit Agreement, are hereinafter collectively referred to as the “Wells Fargo Pre-Petition Loan Documents”);

(2) Wells Fargo Revolving Line of Credit Claim. In accordance with the Wells Fargo Pre-Petition Loan Documents, prior to the Petition Date the Secured Creditor made certain revolving credit advances to the Debtors. As of the Petition Date, (x) approximately \$4,382,000 in revolving advances were outstanding under the Wells Fargo Pre-Petition Loan Documents, and (y) approximately \$8,825,000 in outstanding letter of credit commitments were issued under the Wells Fargo Pre-Petition Loan Documents. All Obligations (as defined in the Wells Fargo Pre-Petition Loan Documents), *plus* such other interest accruing from and after such date under the Wells Fargo Pre-Petition Loan Documents, *plus* all fees, costs, expenses, and costs of collection (including, without limitation, reasonable attorneys’ fees) as set forth in the Wells Fargo Pre-Petition Loan

Documents, and owing to the Secured Creditor as of the Petition Date shall be hereinafter referred to as the “Wells Fargo Revolving Line of Credit Claim”.

(3) Wells Fargo Prepetition Liens. The Wells Fargo Revolving Line of Credit Claim is (a) secured by valid, perfected, and unavoidable first priority liens and security interests in, on and upon the Collateral (collectively, the “Wells Fargo Prepetition Liens”) and, therefore, constitutes an allowed secured claim pursuant to §§ 506(a) and (b) of the Bankruptcy Code for all purposes in connection with the Debtors’ Chapter 11 Cases, and (b) subject only to those liens explicitly permitted by the Wells Fargo Pre-Petition Loan Documents and any purchase money security interests with priority over the Wells Fargo Prepetition Liens (collectively, the “Priority Liens”) ³, (i) shall not be subject to avoidance, reductions, recharacterization, subordination (whether equitable, contractual or otherwise), counterclaims, cross-claims, defenses or any other challenges under the Bankruptcy Code or any other applicable law or regulation, and (ii) are subject and subordinate only to the Carveout (as defined below) and Priority Liens, if any. Based on the liens and security interests granted by the Debtors in favor of the Secured Creditor under the Wells Fargo Pre-Petition Loan Documents, the Debtors stipulate that all of the Debtors’ (and any other Loan Party’s) cash that constitutes proceeds of its Collateral, cash equivalents, negotiable instruments, investment property, and securities, including the cash, cash equivalents, negotiable instruments, investment property and securities in their deposit accounts is part of the Collateral and, therefore, is “cash collateral” of the Secured Creditor within the meaning of § 363(a) of the Bankruptcy Code;

(4) Validity, Perfection and Priority of Wells Fargo Prepetition Obligations and Prepetition Liens. Except as otherwise provided herein, (a) the Wells Fargo Revolving Line of Credit

³ Nothing herein shall constitute a finding or ruling by this Court that any such Priority 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 Secured Creditor, and any statutory committee to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such Priority Liens and/or security interest.

Claim is unconditionally due and owing by the Debtors to the Agent and Lenders, and (b) as of the Petition Date, (i) the Wells Fargo Revolving Line of Credit Claim constitutes the legal, valid, binding and nonavoidable obligation of the Debtors, (ii) is not, and shall not be, subject to any avoidance, disallowance, disgorgement, reductions, setoff, offset, recharacterization, subordination (whether equitable, contractual or otherwise), counterclaims, cross-claims, defenses or any other challenges of any kind or nature under the Bankruptcy Code or any other applicable law or regulation, (iii) as of the Petition Date, the Wells Fargo Prepetition Liens on the Collateral were valid, binding, enforceable, non-avoidable and properly perfected.

(5) Adequate Protection. The Secured Creditor is entitled to receive adequate protection to the extent of any diminution in value of its interests in the Collateral (including the Cash Collateral) resulting from the use, sale or lease of Collateral (including the Cash Collateral), the subordination of the Wells Fargo Prepetition Liens to the Carve Out, as described herein, and the imposition of the automatic stay (collectively the “Diminution in Value”) pursuant to §§ 361, 362, and 363 of the Bankruptcy Code. Pursuant to §§ 361, 363, and 507(b), as adequate protection the Adequate Protection Obligations (each as defined herein).

H. Immediate Need for Cash Collateral Use. In the Motion the Debtors have asserted that they do not have sufficient available sources of working capital and financing to carry on the normal course operation of their business without use of Secured Creditor’s Cash Collateral. The Debtors have further asserted that their ability to finance their day-to-day operations is essential to their ability to execute the strategies that will serve as the focal point of these Chapter 11 Cases. In addition, the Debtors have argued that their need for use of Cash Collateral is critical and immediate. In the absence of the use of the Secured Creditor’s Cash Collateral, the continued operation of the Debtors’

business and the completion of the sale or orderly liquidation strategy envisioned by them would not be possible, and serious and irreparable harm to the Debtors and their estates would occur.

I. Secured Creditor's Conditional Consent; Sections 506(c) and 552(b). Subject to the terms and conditions of this First Priority Interim Order, the Secured Creditor is willing to permit the Debtors to use its Cash Collateral solely for the purposes set forth in, and in accordance with the terms and conditions of, the Budget (subject to the Variance) (each, as defined below) and this First Priority Interim Order. In light of the Secured Creditors' agreement to subordinate their liens and claims to the Carveout, to permit the use of the Collateral and to permit the use of Cash Collateral for payments made in accordance with the Budget (subject to the Variance) and the terms of this First Priority Interim Order, subject to entry of a Final Order, the Secured Creditor is entitled to (a) a waiver of any "equities of the case" claims under § 552(b) of the Bankruptcy Code and (b) a waiver of the provisions of § 506(c) of the Bankruptcy Code.

J. Interim Cash Collateral Need. The Debtors' need to use the Secured Creditor's Cash Collateral is immediate and critical to enable the Debtors to administer their Chapter 11 Cases generally, continue to operate their businesses in the normal course, execute their orderly sale or liquidation strategy, and preserve the value of the estates for all stakeholders. The ability of the Debtors to finance operations, maintain business relationships with customers, pay employees and otherwise finance operations throughout the cases requires the availability of working capital from the use of the Secured Creditor's Cash Collateral, the absence of which would immediately and irreparably harm the Debtors, the estates, and the creditors. The Debtors do not have sufficient available sources of working capital and financing to operate their businesses or maintain their properties in the ordinary course of business, or to implement their announced orderly sale or liquidation strategy, without the authorized use of the Secured Creditor's Cash Collateral.

K. Good Faith. The terms of the Cash Collateral arrangement described herein are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. The terms concerning the Debtors' use of Cash Collateral as provided in this First Priority Interim Order were negotiated in good faith and at arms' length between the Debtors and the Secured Creditor, and the Secured Creditor's claims, superpriority claims, replacement liens and other protections granted pursuant to this First Priority Interim Order will have the protections provided in § 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument or reconsideration of this First Priority Interim Order or any other order.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED:

1. Motion Granted. Based upon the foregoing findings and conclusions, the representations contained in the Motion, and upon the record made before this Court by the Debtors at the Interim Hearing, and good and sufficient cause appearing therefor, the Motion is granted on an interim basis as provided herein. Any objections to the Motion that have not previously been withdrawn or resolved are hereby overruled on their merits. This First Priority Interim Order shall be valid, binding on all parties in interest, and fully effective immediately upon entry notwithstanding the possible application of Bankruptcy Rules 6004(a), 6004 (h), 7062 and 9014.

2. Cash Collateral Authorization; Interim Period.

a) The Debtors are authorized to continue their use of the Secured Creditor's Cash Collateral in accordance with the Budget attached hereto and made a part hereof as Exhibit "A" (the "Budget"); provided that, the Debtors shall be entitled to exceed the amounts set forth in the Budget by up to 10%, calculated on a cumulative basis, during the Interim Period (as defined herein) (the "Variance"). The Debtors and Secured Creditor may agree from time to time to modify the

Budget in the discretion of the Secured Creditor and without further order of the Court. In the event the Debtors and Secured Creditor agree to modify the Budget, the Debtors shall provide notice thereof to any statutory committee (if any), the U.S. Trustee, and such other parties as shall be entitled to notice thereof under Bankruptcy Rule 4001.

b) The Debtors' authorization to use the Secured Creditor's Cash Collateral shall be effective nunc pro tunc to the Petition Date and continue through and including the earliest to occur of the following (such usage period being hereinafter defined as the "Interim Period"; and the effective date of the termination of the Interim Period being defined herein as the "Termination"):

- (i) unless as otherwise provided in accordance with Paragraph 6 hereof, expiration of the Remedies Notice Period;
- (ii) 5:00 pm (prevailing eastern time) on January 13, 2014;
- (iii) the payment in full of the Wells Fargo Revolving Credit Claims;
- (iv) without the prior written consent of the Secured Creditor, the dismissal of any of the Chapter 11 Cases or conversion of the Chapter 11 Cases to a chapter 7 case, or the appointment of a chapter 11 trustee or examiner with duties in addition to those set forth in §§ 1106(a)(3) and (a)(4) of the Bankruptcy Code; or
- (v) the reversal, vacatur, or reconsideration of this First Priority Interim Order by the Court or any appellate court.

Except as may be limited by Paragraph 6 hereof, and as otherwise set forth in Paragraph 7 hereof, upon Termination, the Debtors shall immediately cease using the Secured Creditor's Cash Collateral; provided, however, nothing herein shall be deemed a waiver of (x) the Debtors' right to seek authority to continue their use of the Secured Creditor's Cash Collateral beyond the Termination (subject in all respects to Paragraph 6 below), in accordance with §§ 361 and 363 of the Bankruptcy

Code, or (y) the right of the Secured Creditor to object thereto. Nothing in this First Priority Interim Order shall constitute the Secured Creditor's consent to the disposition of any assets of the Debtors or their estates outside the ordinary course of business, or the Debtors' use of any Cash Collateral or other proceeds resulting therefrom, except as permitted in this First Priority Interim Order.

c) Anything herein to the contrary notwithstanding, in no event shall the Debtors use any of the Secured Creditor's Cash Collateral in a manner that is otherwise inconsistent with the terms and conditions of this First Priority Interim Order.

d) The Secured Creditor shall have no obligation with respect to the Debtors' use of the Cash Collateral and shall not be obligated to ensure or monitor the Debtors' compliance with the Budget or to pay any expenses incurred or authorized to be incurred pursuant to the Budget.

e) No Collateral (or proceeds thereof), or any Cash Collateral, may be used directly or indirectly by the Debtors, any statutory committee appointed in these Chapter 11 Cases, and any trustee appointed in the Chapter 11 Cases or any successor cases, or any other person, party or entity to (i) investigate, object, contest, or raise any defense to the validity, perfection, priority, extent, or enforceability of the Wells Fargo Revolving Line of Credit Claim or the Wells Fargo Prepetition Liens; (ii) investigate, assert or prosecute any claims and/or defenses against the Secured Creditor or its predecessors-in-interest, agents, affiliates, representatives, attorneys, or advisors or any action purporting to do the foregoing; (iii) prevent, hinder, or otherwise delay the Secured Creditor's assertion, enforcement, or realization with respect to the Wells Fargo Revolving Line of Credit Claim or the Wells Fargo Prepetition Liens, Cash Collateral, the Adequate Protection Obligations (including, but not limited to, the Replacement Liens, the Secured Creditor's Superpriority Claims, or any of the other the Adequate Protection Obligations (each as defined below)), in accordance with this First Priority Interim Order; (iv) seek to modify any of the rights granted to the Secured Creditor hereunder;

(v) apply to the Court for authority to approve superpriority claims or grant of liens on the Collateral or Post-Petition Collateral (defined below), or any portion thereof that are senior to, or on parity with, the Replacement Liens, Secured Creditor's Superpriority Claims, or Wells Fargo Prepetition Liens, or (vi) seek to pay any amount on account of any claims arising prior to the Petition Date unless such payments are provided for by other orders of this Court, agreed to in writing by the Secured Creditor or provided for by the Budget; provided, however, during the period commencing on the Petition Date and continuing through and including the earlier to occur of (x) the Termination or (y) the Challenge Period Termination Date (defined below), a statutory committee, if appointed, may use the Secured Creditor's Cash Collateral, in an amount not to exceed \$25,000 in the aggregate, for allowed fees and expenses incurred solely in investigating (but not objecting to, challenging, litigating, opposing, or seeking to subordinate or recharacterize) the validity, enforceability, perfection, priority, character or extent of the Secured Creditor's claims or liens, including, without limitation, the Replacement Liens.

3. Adequate Protection. In consideration of the Debtors' use of the Secured Creditor's Cash Collateral in accordance with the Budget (including the Variance) and the other terms and provision of this First Priority Interim Order, the Secured Creditor shall be and hereby is granted the following "adequate protection" for (a) any Diminution in Value of its interests in the Collateral from and after the Petition Date and/or (b) imposition of the automatic stay under § 362(a) of the Bankruptcy Code (collectively, the "Adequate Protection Obligations"):

a) Post-Petition Replacement Liens.

i. The Secured Creditor is hereby granted replacement liens (collectively, the "Replacement Liens"), not to exceed the value of its Collateral used during the Interim Period, to the extent of the amount of the Wells Fargo Revolving Line of Credit Claim *less* any post-petition reductions in the Wells Fargo Revolving Line of Credit Claim (as provided herein), as and to the

extent applicable, exceeds the value of the pre-petition Collateral as of the Petition Date (as agreed to by the Secured Creditor and Debtors, or as determined by the Court), in all of the Debtors' pre-petition and post-petition assets, as well as all products and proceeds thereof (collectively, the "Post-Petition Collateral"). The post-petition grant of the foregoing security interests shall be supplemental to and in addition to, the security interest which the Secured Creditor possesses pursuant to Wells Fargo Pre-Petition Loan Documents. For purposes of this First Priority Interim Order, the term "Post-Petition Collateral" shall include, without limitation, any and all prepetition and post-petition property, assets and interests in property and assets of the Debtors (or any successor trustee or other estate representative in the Chapter 11 Cases or successor cases), and all "property of the estate" (within the meaning of the Bankruptcy Code) of the Debtors (or any successor trustee or other estate representative in the Chapter 11 Cases or successor cases), of any kind or nature whatsoever, personal, tangible or intangible or mixed, now existing or hereafter acquired or created, whether existing prior to the Petition Date or arising after the Petition Date, including without limitation, all accounts, inventory, contracts, investment property, instruments, documents, chattel paper, patents, trademarks, copyrights, licenses, general intangibles, payment intangibles, machinery and equipment, real property (including all facilities), capital stock of each subsidiary of the Debtors, deposit accounts, commercial tort claims and other causes of action, Cash Collateral, all owned real estate of the Debtors, all proceeds from the disposition of real estate, and all proceeds from the disposition of real estate leases; provided that, with respect to the Debtors' non-residential real property leases, and notwithstanding anything to the contrary in this First Priority Interim Order or any financing agreements or documents, no liens or encumbrances shall be granted on or extend to the Debtors' real property leases themselves, but rather, any liens granted shall extend only to the proceeds realized upon the sale, assignment, termination, or other disposition of such real property lease(s) and all

proceeds of any of the collateral described above; provided, however, except as otherwise provided herein, the term “Post-Petition Collateral” shall not include any claims, causes of action or rights of recovery arising under Chapter 5 of the Bankruptcy Code (or any proceeds of any of the foregoing).

ii. The Replacement Liens granted to the Secured Creditor pursuant to this First Priority Interim Order shall be prior and senior to all liens and encumbrances of (a) all other secured creditors in and to such property granted, or arising, subsequent to the date of this First Priority Interim Order (including, without limitation, liens and security interests, if any, granted in favor of any federal, state, municipal or other governmental unit, commission, board or court for any liability of the Debtors other than taxes); and (b) any intercompany claim of the Debtors, or any parent, subsidiary or affiliate of the Debtors; and (c) any security interest or lien that is avoided or otherwise preserved for the benefit of the Debtors’ estate pursuant to § 551 of the Bankruptcy Code; provided, however, (x) that the Replacement Liens granted to the Secured Creditor pursuant to this First Priority Interim Order: (1) shall be subject to a carveout for (a) any quarterly or other fees payable to the U.S. Trustee pursuant to, inter alia, 28 U.S.C. § 1930(a); (b) an amount not to exceed \$100,000 for the reasonable fees and expenses incurred by any trustee appointed by the Court; provided, however that access to the carveout (up to the applicable cap) contained in this clause (1)(b) is conditioned upon such trustee being unable to recover payment for its reasonable fees and expenses incurred pursuant to the carveout contained paragraph 4(a)(ii)(1)(b) of the Junior Priority Interim Order; and (c) to the extent allowed by the Court at any time, all accrued and unpaid fees, disbursements, costs and expenses incurred by professionals or professional firms retained by (x) the Debtors and (y) any statutory committee appointed in the Chapter 11 Cases ((x) and (y) collectively, the “Professionals”) at any time before or on the date of the delivery by the Secured Creditor of a Carveout Notice (as defined below), whether allowed by the Court prior to or after delivery of a

Carveout Notice; provided that, prior to entry of a Final Order, fees, disbursements, costs and expenses under this clause (1)(c) for purposes of the Carveout shall not exceed \$200,000; provided, further, that access to the carveout (up to the applicable cap) contained in this clause (1)(c) is conditioned upon the Professionals being unable to recover payment for their reasonable fees and expenses incurred (x) from assets for the estates and/or (y) pursuant to the carveout contained paragraph 4(a)(ii)(1)(c) of the Junior Priority Interim Order (the carveouts provided for in (1)(a), (1)(b) and (1)(c) hereof being collectively defined as the “Carveout”), (2) shall not attach to any claims for relief under Chapter 5 of the Bankruptcy Code or the proceeds thereof (other than claims arising under § 549 of the Bankruptcy Code); and (3) shall not prime any valid, perfected, and non-avoidable pre-petition lien held by, or granted to, any other party. For purposes of the foregoing, “Carveout Notice” shall mean a written notice delivered by the Secured Creditor to the Debtors and their counsel, counsel for the Second Lien Agent, counsel for the Third Lien Agent, the U.S. Trustee, and counsel to any statutory committee appointed in the Chapter 11 Cases, which notice may be delivered following a Termination. For the avoidance of doubt, the Carveout shall be senior to all liens and claims (including, without limitation, administrative and superpriority claims) of the Secured Creditor securing the Collateral and the Post-Petition Collateral and any and all other forms of adequate protection, liens, security interests and other claims granted herein.

iii. Prior to the occurrence of a Termination and subject in all respects to the Budget (and the Variance), the Debtors are authorized to pay compensation and reimbursement of fees and expenses that are authorized to be paid under section 330 and 331 of the Bankruptcy Code pursuant to an order of the Court, as the same may be due and payable. Upon receipt of the Carveout Notice, the right of the Debtors to pay Professionals’ fees and expenses outside of subparagraph (ii)(1)(c) above shall terminate, and, after receipt of the Carveout Notice, the Debtors shall provide

immediate notice to all Professionals informing them that such notice was delivered; provided, however, that all accrued and unpaid fees, disbursements, costs and expenses subject to subparagraph (ii)(1)(c) shall remain subject to and payable pursuant to any interim compensation procedures authorized by the Court or otherwise payable by final order of the Court.

iv. The Replacement Liens granted pursuant to this First Priority Interim Order shall constitute valid and duly perfected security interests and liens, and the Secured Creditor shall not be required to file or serve financing statements, notices of lien or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens; and the failure by the Debtors to execute any documentation relating to the Replacement Liens shall in no way affect the validity, perfection or priority of such Replacement Liens. If, however, the Secured Creditor, in its sole discretion, shall determine to file any such financing statements, notices of lien or similar instruments, or to otherwise confirm perfection of such Replacement Liens, the Debtors are directed to cooperate with and assist in such process, the stay imposed by § 362(a) of the Bankruptcy Code hereby is lifted to allow the filing and recording of a certified copy of this First Priority Interim Order or any such financing statements, notices of lien or similar instructions, and all such documents shall be deemed to have been filed or recorded at the time and date of this First Priority Interim Order.

v. The Replacement Liens will be first in priority if no other valid or non-avoidable pre-existing lien(s) exist on the subject Post-Petition Collateral, and junior in priority if valid and non-avoidable pre-existing lien(s) do exist on the subject Post-Petition Collateral. The Replacement Liens granted to the Secured Creditor herein may not be primed by any other lien or encumbrance, except by order of the Court pursuant to, and within the meaning of, §§ 364(d)(1) and (d)(2) of the Bankruptcy Code. All rights of the Secured Creditor to object to any priming are

expressly reserved. Notwithstanding anything contained herein, the Replacement Liens that are granted by this First Priority Interim Order shall not attach to any property that is being held by the Debtors on consignment under the Supply Agreement made as of June 20, 2013 by and between DSW Leased Business Division LLC a/k/a Affiliated Business Group (“DSW”) and Loehmann’s Operating Co. (the “Supply Agreement”), including but not limited to any Merchandise (as defined in the Supply Agreement) and/or the percentage of Net Revenue owing to DSW pursuant to Section 6 of the Supply Agreement; provided that, that any challenges as to what constitutes Merchandise under the Supply Agreement or Post-Petition Collateral under this First Priority Interim Order shall be raised by the Debtors, the Secured Creditor or any statutory committee appointed herein within one (1) business day before the Sale Hearing (as defined below) or shall be forever barred.

vi. The Replacement Liens and security interests created herein shall continue in full force and effect until the Wells Fargo Revolving Line of Credit Claim has been indefeasibly paid in full in cash, including all principal and, to the extent authorized by the Court pursuant to § 506(b) of the Bankruptcy Code, such interest, fees, costs, and expenses, including reasonable attorneys’ fees, whether currently existing or hereafter accrued and incurred, as provided for by the applicable documents. Except as otherwise provided herein, the liens and security interests granted and created herein, including, without limitation, the Replacement Liens, and the priorities of same shall not be affected by the incurrence of indebtedness pursuant § 364 of the Bankruptcy Code, or otherwise.

b) Superpriority Claims. If, and to the extent that, the Replacement Liens described in paragraphs (a) above and adequate protection payments described below are insufficient to provide adequate protection for the Secured Creditor, as additional adequate protection the Secured Creditor is hereby granted allowed superpriority claims against the Debtors’ estates pursuant to §

507(b) of the Bankruptcy Code (the “Secured Creditor’s Superpriority Claims”), with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, but not limited to, §§ 105, 326, 328, 330, 331, 503(b), 507(a), 507(b), 546(c), 546(d), 1113 and 1114 of the Bankruptcy Code, and shall at all times be senior to the rights of the Debtors, and any successor trustee or any creditor, in the Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code. No cost or expense of administration asserted against the Debtors’ estates under §§ 105, 503(b) and 507(b) of the Bankruptcy Code shall be senior to, or *pari passu* with, the Secured Creditor’s Superpriority Claims. Notwithstanding anything to the contrary set forth herein, (i) the foregoing shall be subject in all respects to the Carveout, and (ii) the Secured Creditor’s Superpriority Claims shall not be satisfied from the proceeds of any causes of action or rights of recovery arising under Chapter 5 of the Bankruptcy Code (other than claims arising under § 549 of the Bankruptcy Code).

c) Post-Petition Interest. As additional adequate protection, during the Interim Period the Debtors shall pay the Secured Creditor post-petition interest with respect to the Wells Fargo Revolving Line of Credit Claim at the contractual non-default rate, and at the times, set forth in the Wells Fargo Pre-Petition Loan Documents. Notwithstanding any provision of this First Priority Interim Order or the Wells Fargo Pre-Petition Loan Documents to the contrary, the Secured Creditor reserves, and this First Priority Interim Order is without prejudice to, the Secured Creditor’s rights to, among other things, claim additional interest, fees and expenses (including, without limitation, professional fees and expenses) in an amount greater than the amounts provided for in this First Priority Interim Order.

d) The Secured Creditor’s Post-Petition Costs and Expenses. As additional adequate protection, and without further order of or application to the Court, the Debtors are directed

and authorized to pay the reasonable post-petition out-of-pocket costs and expenses incurred by the Secured Creditor (including, without limitation, reasonable fees and expenses of counsel; any dispute as to the reasonableness of such fees shall be subject to the jurisdiction of this Court), with any such payment to be made 14 days after submission of a reasonably detailed invoice to Debtors, Debtors' counsel, the U.S. Trustee, and counsel for any statutory committee and in accordance with such payment instructions as shall accompany any such invoice, provided no objection has been raised by any party, in which case, the amounts that have not been objected to shall be paid after the 14 days, and the dispute with regard to amounts objected to shall be resolved by the Court. Notwithstanding any provision of this First Priority Interim Order or the Wells Fargo Pre-Petition Loan Documents to the contrary, this First Priority Interim Order is without prejudice to the rights of the Debtors to contest under § 506(b) of the Bankruptcy Code the allowance or payment of those amounts to the Secured Creditor (the "Section 506(b) Rights"). Such invoices shall be sent no more frequently than bi-weekly. Nothing contained herein shall be deemed to be a waiver by any party in interest, including any statutory committee, of the right to object to the reasonableness of any fees, costs and charges incurred by the Secured Creditor; nothing in this Order shall affect the right of any party in interest (other than the Debtors) to assert that any payments authorized hereunder should be recharacterized as a payment on account of the principal amount of the Secured Creditor's pre-petition obligations outstanding as of the Petition Date. The Secured Creditor's retained professionals shall not be required to comply with the U.S. Trustee fee guidelines for the payment of fees and expenses.

e) Payment of Principal. As additional adequate protection, during the Interim Period the Secured Creditor is hereby authorized to apply, on a weekly basis, excess Cash Collateral (*i.e.*, amounts not required to fund ongoing expenses as provided for in the Budget (including the

Variance and an appropriate cushion)), if any, as a permanent, partial principal reduction and payment toward the Wells Fargo Revolving Line of Credit Claim, including in order to cash collateralize any letters of credit that are undrawn and outstanding as of any Termination; provided that at no time shall the Debtors be authorized to use any Cash Collateral that constitutes funds held by the Secured Creditor as cash collateral for any such undrawn and outstanding letters of credit.

f) Application of Proceeds of Collateral. As additional adequate protection, and (i) subject to the Challenge Period rights of certain third parties under Paragraph 4 hereof, and (ii) except as may be required to fund expenses provided for under the Budget, all proceeds of the sale or other disposition of the Collateral (including, but not limited to, any payments made under and pursuant to that Acquisition and Agency Agreement among the Debtors and a joint venture among SB Capital Group, LLC, Tiger Capital Group, LLC and A & G Realty Partners, LLC, dated December 16, 2013 (or such other higher and/or better offeror as may be determined to the successful bidder following the auction contemplated under Paragraph 5(s) hereof)), shall be applied to reduce permanently the Obligations under and in accordance with the Wells Fargo Pre-Petition Loan Documents, including, but not limited to, to cash collateralize any letters of credit that are undrawn and outstanding as of any Termination. Payment of the Wells Fargo Revolving Line of Credit Claim and the making of adequate protection payments on account of the Wells Fargo Revolving Line of Credit Claim and the Debtor's use of the Secured Creditor's Cash Collateral in accordance with this First Priority Interim Order is necessary as the Secured Creditor will not otherwise consent to the priming of the Wells Fargo Prepetition 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 4 below.

g) Indemnity Account. Incidental to the payment in full in cash of the Wells Fargo Revolving Line of Credit Claim in accordance with the terms of this First Priority Interim Order, the Debtors shall establish an account in the “control” (as defined in the UCC) of the Secured Creditor (the “Pre-Petition Indemnity Account”), into which the sum of \$250,000 shall be deposited as security for any reimbursement, indemnification or similar continuing obligations of the Debtors in favor of the Secured Creditor under the Wells Fargo Pre-Petition Loan Documents (the “Pre-Petition Indemnity Obligations”); provided, however, that the Pre-Petition Indemnity Account shall terminate and all remaining amounts held therein shall be released to the Debtors if the Wells Fargo Revolving Line of Credit Claim shall have been indefeasibly paid in full in cash and the earliest to occur of: (i) the Challenge Period Termination Date (as defined below) 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 4 hereof providing for such release; (ii) the successful defense by the Secured Creditor of any such challenge; or (iii) the date this Court enters a final order closing the Chapter 11 Cases. The Pre-Petition Indemnity Obligations shall be secured by a first priority lien on the Pre-Petition Indemnity Account. The Pre-Petition Indemnity Account and the amounts therein shall remain property of the Debtors and the Debtors’ estates under § 541 of the Bankruptcy Code and shall secure payment of the Pre-Petition Indemnity Obligations and the Wells Fargo Revolving Line of Credit Claim. The Secured Creditor may be paid its costs and expenses incurred in defending any such challenge from the funds on deposit in the Indemnity Account at such times and in such amounts as is provided in this First Priority Interim Order and/or the Wells Fargo Pre-Petition Loan Documents.

h) In addition, the Debtors shall (i) provide continued maintenance and insurance of the Collateral and Post-Petition Collateral in the amounts and for the risks, and by the entities,

required under the Wells Fargo Prepetition Loan Documents, and (ii) pay all post-petition real estate and other taxes on the Collateral and Post-Petition Collateral as and when due.

4. Statutory Committee Claims/Lien Challenge Period.

a) The provisions of this First Priority Interim Order are without prejudice to the rights of the U.S. Trustee to appoint a statutory committee, or any rights of a duly appointed committee to challenge: (i) the amount of the Wells Fargo Revolving Line of Credit Claim, and/or (ii) the validity, priority or extent of any Wells Fargo Prepetition Liens (including, without limitation, any lien(s) asserted against Cash Collateral), subject to the provisions of this First Priority Interim Order and subparagraph (b) below.

b) Any subsequently appointed statutory committee, any trustee, or any other party in interest with requisite standing claiming by, through or under the Debtors, may file an objection to the amount of the Wells Fargo Revolving Line of Credit Claim, or file (or seek authority to file, as the case may be) a complaint on behalf of the estate under §§ 544, 547, 548, 549, 550, or 553 of the Bankruptcy Code, inter alia, challenging the validity, priority, or extent of Secured Creditor's security interests in the Collateral, or otherwise seeking to avoid or recover any transfers received by the Secured Creditor with respect to the Wells Fargo Revolving Line of Credit Claim. Any such objection or complaint (as is applicable) shall set forth the basis for the objection or complaint, and the reason why the Wells Fargo Revolving Line of Credit Claim should not be allowed in full as a secured claim. If no such objection or complaint (as is applicable) is filed: (i) by a statutory committee on or before sixty (60) days after the date of entry of a Final Order, provided that, unless otherwise agreed by the Secured Creditor, in no event shall the Final Hearing (defined below) be later than January 31, 2014; or (ii) by a trustee on or before sixty (60) days following the date of entry of a Final Order (as applicable, the "Challenge Period"; and the date that is the next

calendar day after the termination of the Challenge Period, in the event no contested matter or adversary proceeding, as applicable, is commenced during the Challenge Period shall be referred to as the “Challenge Period Termination Date”), any and all challenges by any party to the Wells Fargo Revolving Line of Credit Claim, the Secured Creditor’s security interests or liens against the Collateral, and/or transfers received by the Secured Creditor in respect of the Wells Fargo Revolving Line of Credit Claim, as and to the extent applicable, including, but not limited to, those under §§ 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code (including, without limitation, any such challenge or any such claim as described herein including, but not limited to, claims seeking to subordinate or recharacterize the Secured Creditor’s claims or liens), shall be forever barred, and the Wells Fargo Revolving Line of Credit Claim shall be deemed an allowed secured claim for all purposes in the Debtors’ Chapter 11 Cases. The Challenge Period may only be extended with the written consent of the Secured Creditor, or by order of the Court.

c) Nothing in this First Priority Interim Order vests or confers on any statutory committee or any other party standing or authority to bring, assert, commence, continue, prosecute, or litigate any cause of action belonging to the Debtors or their estates.

5. Events of Default. For purposes of this First Priority Interim Order, any of the following shall constitute an “Event of Default”:

(a) the Debtors fail to perform, in any respect, any of the terms, provisions, conditions, covenants, or obligations under this First Priority Interim Order (including, without limitation, the payment by the Debtors of administrative expenses other than as set forth in the Budget (subject to the Variance));

(b) other than as provided herein, after the Petition Date, the Debtors obtain credit or incur indebtedness that is (i) secured by a security interest, mortgage or other lien on all or any

portion of the Collateral which is equal or senior to any security interest, mortgage or other lien of the Secured Creditor, or (ii) entitled to priority administrative status which is equal or senior to that granted to the Secured Creditor herein;

(c) the entry of an order by the Court (without the prior written consent of the Secured Creditor) for relief from the automatic stay in favor of any party, other than the Secured Creditor, with respect to any portion of the Secured Creditor's Collateral (including, but not limited to, any Cash Collateral) with value greater than \$100,000;

(d) the entry of any bidding procedures order which does not contain a provision that is in form and substance reasonably satisfactory to the Secured Creditor validating and confirming the Secured Creditor's credit bidding rights consistent with § 363(k) of the Bankruptcy Code (subject to the Challenge Period);

(e) the commencement of any action by the Debtors against the Secured Creditor with respect to the Wells Fargo Revolving Line of Credit Claim or the Wells Fargo Prepetition Liens;

(f) the withdrawal, amendment, modification of, or filing of a pleading by the Debtors seeking to withdraw, amend or modify the proposed sale process and bidding procedures (as described in the sale motion filed on the first day of these Chapter 11 Cases), in a manner that is adverse to the Secured Creditor (and which the Secured Creditor does not otherwise consent, such consent not to be unreasonably withheld);

(g) the making of any representation or warranty by the Debtors under this First Priority Interim Order, or any pleading, certificate, report or financial statement delivered to the Secured Creditor in these Chapter 11 Cases which proves to have been false or misleading in any material respect as of the time when made or given (including by omission of material information necessary to make such representation, warranty or statement not misleading);

(h) the filing of a motion by the Debtors (without the prior written consent of the Secured Creditor) seeking to grant a third party a security interest or lien upon all or part of any property of the Debtors that has a priority which is senior to, or equal with, the Secured Creditor's pre-petition liens or the Replacement Liens in all or any of a portion of such property;

(i) the filing of a motion by the Debtors (without the prior written consent of the Secured Creditor) seeking to grant a third party a claim that has a priority which is senior to, or equal with, the Wells Fargo Revolving Line of Credit Claims, the Wells Fargo Prepetition Liens, the Replacement Liens and/or the Secured Creditor's Superpriority Claims;

(j) the filing of a motion by the Debtors (without the prior written consent of the Secured Creditor) seeking to amend or modify the terms of this First Priority Interim Order in a manner that is adverse to the Secured Creditor;

(k) the returns of goods (other than damaged goods) by a Debtor constituting Collateral pursuant to § 546(h) of the Bankruptcy Code (other than with the prior written consent of the Secured Creditor);

(l) any misrepresentation of a material fact made after the Petition Date by any of the Debtors to the Secured Creditor about the financial condition of the Debtors, the nature, extent, location or quality of any Collateral, or the disposition or use of any Collateral, including Cash Collateral;

(m) a default by the Debtors in reporting after the Petition Date financial information as and when required herein;

(n) without the prior written consent of the Secured Creditor, the sale after the Petition Date of any portion of any of the Debtors' assets outside of the ordinary course of business without an order of this Court, after notice and a hearing;

(o) the entry of an order by the Court (without the prior written consent of the Secured Creditor) granting reconsideration of this First Priority Interim Order;

(p) the payment by the Debtors of amounts in excess of 110% of “Total Disbursements” set forth in the Budget, tested weekly on a cumulative basis as of the close of business on Saturday of each week;

(q) the failure to make when due any payment in respect of the Adequate Protection Obligations or other payments to the Secured Creditor as set forth in the Budget and in this First Priority Interim Order;

(r) the failure of the Debtors to file a motion seeking approval of the Debtors’ entry into an agency or other agreement for the sale of the Debtors’ inventory and equipment on terms acceptable to the Secured Creditor by December 17, 2013;

(s) the failure of the Debtors to obtain an order of the Court approving the bidding procedures in form and substance satisfactory to the Secured Creditor within 5 days after the Petition Date, which order shall provide, among other things, that (1) the Debtors shall conduct a competitive bid auction no later than January 3, 2014, (2) the sale approval hearing (the “Sale Hearing”) shall be conducted by the Court no later than January 7, 2014, and (3) the sale approval order shall be entered on or before January 13, 2014;

(t) the failure of the Debtors to obtain an order of the Court approving the Debtors’ entry into an agency or other agreement for the sale of the Debtors’ inventory and equipment by January 13, 2014 on terms reasonably acceptable to the Secured Creditor (it being understood that the provisions of the Acquisition and Agency Agreement among the Debtors and a joint venture among SB Capital Group, LLC, Tiger Capital Group, LLC and A & G Realty Partners, LLC furnished to the Secured Creditors is acceptable);

(u) the failure of the Debtors to have closed such sale by January 13, 2014; or

(v) the failure of the Debtors to obtain proceeds from the liquidation sale of described in clause (u) above in an amount sufficient to pay, and used to pay, all Obligations and Adequate Protection Obligations in full by January 14, 2014; or

(w) the failure of the Court to enter the Final Order on or prior to January 31, 2014.

6. Rights and Remedies Upon Event of Default. Upon the occurrence and during the continuation of an Event of Default, the Secured Creditor shall give written notice (including by facsimile or other electronic means) of such Event of Default to counsel to the Debtors, the Second Lien Agent, the Third Lien Agent, counsel to any statutory committee(s), and the U.S. Trustee (such written notice, the “Default Notice”), and stating as to whether the Secured Creditor intends to terminate, reduce or otherwise restrict the ability of the Debtors to use any Cash Collateral as a result of such Event of Default. Upon the receipt of the Default Notice by the Debtors, the Debtors shall have two (2) business days (the “Remedies Notice Period”) to cure such Event of Default or otherwise seek an emergency hearing with the Court. The Debtors shall be allowed to continue to use the Secured Creditor’s Cash Collateral in an amount not to exceed \$500,000 during the Remedies Notice Period (pursuant to the Budget (including the Variance)). Unless the Debtors cure such Event of Default or the Court determines otherwise during the Remedies Notice Period, upon expiration of the Remedies Notice Period, and without further act or action by the Secured Creditor who delivered the Default Notice, the Debtors’ ability to use Cash Collateral shall immediately be limited to the extent set forth in the Default Notice. In addition, unless the Court orders otherwise, the automatic stay shall automatically be terminated five (5) business days after receipt by the Debtors of the Default Notice terminating the Debtors use of Cash Collateral without further notice or order, and the Secured Creditor shall be permitted to exercise all remedies set forth herein in the Wells Fargo Pre-

Petition Loan Documents and as otherwise available at law against the Collateral and Post-Petition Collateral, without further order of or application or motion to the Court, and without restriction or restraint by any stay under §§ 362 or 105 of the Bankruptcy Code, or otherwise, against the enforcement of the liens and security interest in the Collateral or Post-Petition Collateral or any other rights and remedies granted to the Secured Creditor with respect thereto pursuant to the Credit Agreement or other Wells Fargo Pre-Petition Loan Documents, or this First Priority Interim Order, as applicable; provided, however, that the right of the Secured Creditor to use or occupy a leased location upon an Event of Default shall be limited to (i) existing rights under applicable non-bankruptcy law, (ii) express written consent of the relevant landlord, or (iii) pursuant to further order of this Court upon motion and notice to the relevant landlord with an opportunity to respond that is reasonable under the circumstances.

7. Consumer Privacy Ombudsman Reserve Account. Upon entry of this First Priority Interim Order, the Debtors shall establish an account (the "Ombudsman Reserve Account"), into which the sum of \$50,000 (the "Ombudsman Reserve Amount") shall be deposited for the reasonable fees and expenses incurred by any consumer privacy ombudsman appointed in these Chapter 11 Cases. The Secured Creditor consents to any necessary adjustments to the Budget in order to account for the funding of the Ombudsman Reserve Account. Notwithstanding anything to the contrary set forth in this First Priority Interim Order, the Debtors ability to pay the reasonable fees and expenses incurred by such consumer privacy ombudsman in an amount up to the Ombudsman Reserve Amount shall survive a Termination.

8. Cash Management Systems. During the Interim Period, the cash management systems required by the Wells Fargo Pre-Petition Loan Documents, including, without limitation, any existing cash/collections sweep, lockbox and blocked account arrangements, shall remain in place during the

Chapter 11 Cases. From and after the Petition Date, the Debtors shall not seek approval of any alternative cash management system without the prior approval of the Secured Creditor, which consent shall not be unreasonably withheld, and any order approving such cash management system shall be reasonably acceptable to the Secured Creditor. Anything herein to the contrary notwithstanding, the Debtors and Secured Creditor shall modify the existing cash management systems and implement such procedures and mechanisms as shall be appropriate to implement the terms and provisions of this First Priority Interim Order to insure Debtors' access to Cash Collateral.

9. No Section 506(c) Surcharge. Subject to and upon entry of the Final Order and the terms thereof, no costs or expenses of administration which have been or may be incurred in the Chapter 11 Cases at any time shall be charged against the Secured Creditor, or any of its claims or the Collateral pursuant to §§ 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the Secured Creditor, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

10. No Marshaling. The Secured Creditor shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Collateral (whether pre-petition or post-petition). Additionally, upon entry of a Final Order the Secured Creditor shall be entitled to all of the rights and benefits of § 552(b) of the Bankruptcy Code, and the "equities of the case" exception under § 552(b) of the Bankruptcy Code shall not apply to the Secured Creditor with respect to proceeds, product, offspring or profits of any of the Collateral, to the extent such relief is granted.

11. Financial Reporting. During the Interim Period, the Debtors shall furnish to the Secured Creditor such financial and other information as the Secured Creditor shall reasonably request, including, but not limited to the following:

a) On or before the close of business on each Wednesday during the Interim

Period, each of the following financial reports:

i. A report showing the Debtors' cash receipts and disbursements for the immediately preceding weekly period covered by the Budget, as well as a report showing any and all variances (on a line item basis, whether a positive or negative variance);

ii. A rolling updated 13-week cash flow forecast and budget;

iii. Any financial information and pleadings filed with the Court shall be served upon the Secured Creditor and their counsel simultaneously with the filing of such information or pleading with the Court;

iv. All other financial information and reports prepared by the Debtors in the ordinary course of their business, including any financial information required by the Court or by any applicable operating guidelines and/or reporting requirements of the U.S. Trustee; subject, however, to any applicable attorney-client and/or work-product privileges; and

v. All other reports and financial information required to be provided to the Secured Creditor by the Wells Fargo Pre-Petition Loan Documents or historically provided to the Secured Creditor, including, without limitation, borrowing base certificates, at such times and in the form customarily provided, and any additional reports as may be reasonably requested by the Secured Creditor from time to time.

12. Access to Records and Premises. Upon reasonable notice, and provided that it does not unreasonably interfere with the business of the Debtors, the Debtors shall grant to the Secured Creditor access to the Debtors' personnel, business records and premises for review and inspection.

13. Insurance. The Debtors shall maintain all necessary insurance (including, without limitation, life, fire, hazard, comprehensive, public liability, and workmen's compensation) for their properties, including, but not limited to, the Collateral and the Post-Petition Collateral, in accordance with the obligations under Wells Fargo Pre-Petition Loan Documents and as may be required under any applicable operating guidelines of the U.S. Trustee, naming the Secured Creditor as loss payee with respect thereto. The Debtors shall provide the Secured Creditor, upon entry of this First Priority Interim Order, with proof of all such coverage, as well as prompt notification of any change in such coverage which may hereafter occur.

14. Without Prejudice. This First Priority Interim Order is without prejudice to: (a) any subsequent request by a party in interest (including, but not limited to the Secured Creditor) for modified adequate protection or restrictions on use of Cash Collateral; or (b) any other right or remedy which may be available to the Secured Creditor.

15. Second/Third Lien Intercreditor/Subordination Agreement. Nothing herein shall operate to modify, amend or supersede any agreement, term provision or condition contained in the Subordination Agreement.

16. Miscellaneous.

a) Any stay, modification, reversal or vacation of this First Priority Interim Order shall not affect the validity of any obligation of the Debtors to the Secured Creditor incurred pursuant to this First Priority Interim Order. Notwithstanding any such stay, modification, reversal or vacation, all use of Cash Collateral and all obligations incurred by the Debtors pursuant hereto prior to the effective date of such stay, modification, reversal or vacation, shall be governed in all respects by the original provisions hereof and the Secured Creditor shall be entitled to all the rights, privileges and benefits, including without limitation, the Replacement Liens and Secured Creditor's Superpriority Claims granted herein.

b) The provisions of this First Priority 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 the Chapter 11 Cases, (b) converting one or more of the Chapter 11 Cases to a chapter 7 case(s), or (c) dismissing one or more of the Chapter 11 Cases, and the terms and provisions of this First Priority Interim Order, as well as the Secured Creditor's Superpriority Claims and Replacement Liens granted pursuant to this First Priority Interim Order, shall continue in full force

and effect notwithstanding the entry of such order, and such Secured Creditor's Superpriority Claims and Replacement Liens shall maintain their priority as provided by this First Priority Interim Order.

c) Nothing contained in the Motion or this First Priority Interim Order shall constitute a waiver by the Secured Creditor of its rights to seek other or additional adequate protection, or other or additional relief from the Court as the circumstances may dictate, including, but not limited to, the right to seek additional adequate protection, relief from the automatic stay, dismissal or conversion of one or more of the Chapter 11 Cases, or the appointment of one or more of trustees or examiners (including a trustee or examiner with duties in addition to those set forth in §§ 1106(a)(3) and (a)(4) of the Bankruptcy Code).

d) The Debtors are authorized to perform all acts that are deemed reasonably necessary by it and the Secured Creditor to effectuate the terms and conditions of this First Priority Interim Order.

17. Extension of First Priority Interim Order. The Secured Creditor and the Debtors may extend the term of this First Priority Interim Order, upon the terms and conditions set forth herein, without further hearing or further order of the Court. The Debtors shall provide written notification of any such extension to all parties-in-interest entitled to notice under Bankruptcy Rule 2002 or as may otherwise be prescribed by the Court.

18. Successors and Assigns. The provisions of this First Priority Interim Order shall be binding upon the Debtors, the Secured Creditor, and each of their respective successors and assigns, and shall inure to the benefit of the Debtors, the Secured Creditor and each of their respective successors and assigns including, without limitation, any trustee, responsible officer, estate administrator or representative, or similar person appointed in a case for the Debtors under any chapter of the Bankruptcy Code. The provisions of this First Priority Interim Order shall also be

binding on all of the Debtors' creditors, equity holders, and all other parties in interest including any statutory committee appointed in the Chapter 11 Cases.

19. Priority of Terms. To the extent of any conflict between or among (a) the Motion, any other order of this Court, or any other agreements, on the one hand; and (b) the terms and provisions of this First Priority Interim Order, on the other hand, the terms and provisions of this First Priority Interim Order shall govern.

20. Entry of First Priority Interim Order; Effect. This First Priority Interim Order shall take effect and be fully enforceable *nunc pro tunc* to the Petition Date immediately upon entry hereof, notwithstanding the possible application of Bankruptcy Rules 6004(a), 6004(h), 7062, 9014, or otherwise, and the Clerk of this Court is hereby directed to enter this First Priority Interim Order on this Court's docket in the Chapter 11 Cases. Bankruptcy Rule 6003(b) has been satisfied.

21. Waiver of Requirement to File Proofs of Claim. The Secured Creditor shall not be required to file a proof(s) of claim with respect to the Wells Fargo Revolving Line of Credit Claim and/or Wells Fargo Prepetition Liens.

22. Inadvertent Application of Proceeds of Collateral. In the event after the Petition Date the Secured Creditor inadvertently applies any proceeds of Collateral, including Cash Collateral, to the Obligations other than as provided in this First Priority Interim Order, then the Secured Creditor shall promptly reverse such application without penalty, and any such reversal shall not constitute a new advance of funds, and the Wells Fargo Revolving Line of Credit Claim shall be adjusted to account for any such reversal.

23. Final Hearing; Notice. The Final Hearing to consider entry of the Final Order and final approval of the Debtors' request for use of the Secured Creditor's Cash Collateral is scheduled for January 16, 2014 at 2:00 p.m. (ET). On or before December 23, 2013, the Debtors shall serve, by

United States mail, first-class postage prepaid, notice of the entry of this First Priority Interim Order and of the Final Hearing, together with copies of this First Priority Interim Order and the Motion, on: (a) the parties having been given notice of the Interim Hearing; (b) any party which has filed prior to such date a request for notices with this Court; and (c) counsel for any statutory committee, if appointed by such date. Any objection to the relief requested in the Motion on a permanent basis must (a) be filed in writing with the Court, at One Bowling Green, New York, New York 10004-1408, by 4:00 p.m. (ET) on January 9, 2014 (the "Objection Deadline") and (b) served so as to be actually received by the following parties by the Objection Deadline: (i) the Office of the United States Trustee, U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, New York 10014 (Attn: Paul K. Schwartzberg, Esq.); (ii) proposed counsel to the Debtors, Stroock & Stroock & Lavan LLP, 180 Maiden Lane New York, New York 10038-4982 (Attn: Kristopher M. Hansen, Esq., Sayan Bhattacharyya, Esq. and Jonathan D. Canfield, Esq.); (iii) counsel to the Secured Creditor; (iv) counsel to the Junior Secured Parties; and (v) counsel to the official committee of unsecured creditors appointed in these Chapter 11 Cases.

24. Enforcement. The Court shall retain jurisdiction to enforce the terms of this First Priority Interim Order.

Dated: December 19, 2013
New York, New York

/s/Martin Glenn
MARTIN GLENN
United States Bankruptcy Judge

EXHIBIT A

Debtors' 13-Week Cash Flow Budget

In 000's

DRAFT

(Cash Flow) - B3 Last Updated: 12/15/2013	Week #	45	46	47	48	Total Dec	49	50	51	52	Total Jan	1	2	3	4	Total Feb	5	6			
		Projected	Forecast	Forecast	Forecast		Forecast	Forecast	Forecast	Forecast		Forecast	Forecast	Forecast	Forecast		Forecast	Forecast	Forecast	Forecast	Forecast
		12/14/2013	12/21/2013	12/28/2013	1/4/2014		1/11/2014	1/18/2014	1/25/2014	2/1/2014		2/8/2014	2/15/2014	2/22/2014	3/1/2014		3/8/2014	3/15/2014			
Total Cash Collected		5,396.9	5,227.1	5,872.7	4,128.2	30,518.9	15,221.0	44.1	3,289.7	2,398.8	20,953.5	5,692.7	357.7	3,253.8	2,625.6	11,929.8	1,582.1	475.5			
Cash Disbursements																					
Total Employee Related		1,460.1	232.0	1,210.1	286.0	3,366.4	1,200.0	186.2	1,200.0	186.2	2,772.4	1,228.3	183.5	1,228.3	183.5	2,823.6	174.3	1,133.2			
Total Occupancy		-	-	-	1,433.3	1,550.0	1,395.0	1,704.7	0.3	-	3,100.0	1,447.7	1,769.0	0.3	-	3,217.0	1,032.5	1,917.5			
Total Sales Taxes		11.8	470.2	862.1	69.4	1,425.6	3.8	388.2	159.1	490.3	1,041.4	-	-	-	-	-	-	-			
Total Merch. - Cost of Goods		1,190.3	9,056.7	185.4	124.9	11,335.4	35.9	-	-	-	35.9	-	-	-	-	-	0.0	0.0			
Total Other Non-Merch. Expenses		1,114.8	150.6	680.1	877.9	3,846.2	1,354.2	885.0	885.0	882.6	4,006.7	602.8	602.8	602.8	658.5	2,466.9	817.5	817.5			
Professional Fees																					
Estate Professionals		545.0	-	-	17.5	637.5	77.5	-	612.6	-	690.1	6.0	6.0	733.0	6.0	751.0	6.0	5.0			
Non-Estate Professionals		130.0	5.0	-	-	135.0	277.5	15.0	-	-	292.5	7.5	12.5	70.0	-	90.0	-	12.5			
Total Professional Fees		675.0	5.0	-	17.5	772.5	355.0	15.0	612.6	-	982.6	13.5	18.5	803.0	6.0	841.0	6.0	17.5			
Total Disbursements		4,452.1	9,914.5	2,937.8	2,809.1	22,296.1	4,343.9	3,179.1	2,857.0	1,559.1	11,939.1	3,292.2	2,573.9	2,634.4	848.0	9,348.6	2,030.3	3,885.7			
Net Cash Flow		944.7	(4,687.4)	2,934.9	1,319.1	8,222.9	10,877.0	(3,135.0)	432.7	839.7	9,014.4	2,400.5	(2,216.2)	619.4	1,777.6	2,581.3	(448.3)	(3,410.2)			
Second Lien		(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)	(14,457.2)			
Third Lien		(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)	(71,931.0)			
Availability																					
Accounts Receivable availability		1,695.8	1,700.9	1,905.3	1,352.9	1,352.9															
Inventory Availability		19,992.9	16,771.0	13,478.5	10,478.7	10,478.7															
Advance rates used		85.0%	85.0%	85.0%	85.0%	85.0%															
NOLV rates used		71.6%	65.9%	61.5%	54.1%	54.1%															
Borrowing Base after Reserves		16,997.9	14,569.8	11,481.7	7,929.5	7,929.5															

Cash Collateral Roll-Forward

Beginning Cash Balance	-	900	250	950	6,058	2,923	3,356	4,196	6,596	4,380	5,000	6,777	6,329
Post-Petition Cash Receipts	5,227	5,873	4,128	15,221	44	3,290	2,399	5,693	358	3,254	2,626	1,582	476
Post-Petition Total Disbursements	(1,089)	(2,938)	(2,809)	(4,344)	(3,179)	(2,857)	(1,559)	(3,292)	(2,574)	(2,634)	(848)	(2,030)	(3,886)
Post-Petition Cash Balance Before WF Paydown	4,139	3,835	1,569	11,827	2,923	3,356	4,196	6,596	4,380	5,000	6,777	6,329	2,919
WF Paydown	(3,239)	(3,585)	(619)	(5,769)	-	-	-	-	-	-	-	-	-
Ending Cash Balance After WF Paydown	900	250	950	6,058	2,923	3,356	4,196	6,596	4,380	5,000	6,777	6,329	2,919
WF Pre-Petition Loan Line	(4,385)	0	0	0	0	0	0	0	0	0	0	0	0
WF Post-Petition LC Funding	(8,826)	0	0	0	0	0	0	0	0	0	0	0	0
Total WF Beginning Balance	(13,211)	(9,973)	(6,388)	(5,769)	0	0	0	0	0	0	0	0	0
WF Line Draw	0	0	0	0	0	0	0	0	0	0	0	0	0
WF Line Paydown	3,239	3,585	619	5,769	0	0	0	0	0	0	0	0	0
WF Line Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0
WF Ending Line Balance	(9,973)	(6,388)	(5,769)	0	0	0	0	0	0	0	0	0	0

Notes:

1-Cost of goods in week 46 reflects primarily expected factor LC draws (\$8.8M)

**The accompanying financial information is based on information provided by Loehmann's. Clear Thinking Group has not audited or otherwise verified the information provided to us, nor will we provide any assurances concerning the reliability, accuracy, or completeness of any materials provided by or on behalf of Loehmann's.