

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

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

(Junior Priority Interim Order)

Upon consideration of the motion (the “Motion”)² of the Debtors requesting entry of an interim order (this “Junior 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”), 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) in which the Secured Creditors (as defined below) have an interest under their respective Loan

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.

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 Second Lien Credit Agreement or Third Lien Credit Agreement (each, as defined below), as applicable.

Documents (as defined below), on an interim basis effective as of the Petition Date (as defined below) through the time of the final hearing on the Motion (the “Final Hearing”);

(b) granting and affirming the adequate protection being given to the Secured Creditors as set forth herein below;

(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 Junior Priority Interim Order; and

(d) scheduling the Final Hearing to consider entry of a final order in form and substance acceptable to the Secured Lenders, acting in their sole discretion (the “Final Order”) authorizing the Debtors’ use of the Secured Creditors’ Cash Collateral;

and upon the *Declaration of William Thayer in Support of Debtors’ Chapter 11 Petitions and First Day Pleadings*, filed concurrently with the Motion (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 this Junior Priority 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 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 Junior 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 been withdrawn, resolved or overruled by the Court as set forth herein.

F. Wells Fargo Pre-Petition Credit Facility. On March 1, 2011, (a) Loehmann's Operating Co., as Lead Borrower, (b) the other borrowers party thereto, (c) the guarantors party thereto, (d) Wells Fargo Bank, National Association as administrative agent and collateral agent (the "First Lien Agent"), (e) the lenders from time to time party thereto (collectively, along with the First Lien Agent and the other Credit Parties (as defined in the First Lien Credit Agreement), the "First Lien Secured Creditor"), and (f) the letter of credit issuer thereunder, entered into that certain Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "First Lien Credit Agreement" and together with all loan documents and security documents delivered in connection therewith, the "First Lien Loan Documents"). The "First Lien Obligations" shall mean the Obligations (as defined in the First Lien Credit Agreement). By the Motion, the Debtors separately sought an order of the Court (the "First Priority Interim Order") to use the Cash Collateral of the First Lien Secured Creditor and to provide the First Lien Secured Creditor with adequate protection (collectively, the "First Lien Adequate Protection Obligations") including in the form of replacement liens (to the extent approved by the Court, "First Lien Replacement Liens") and superpriority claims (to the extent approved by the Court, "First Lien Superpriority Claims").

G. Subordination Agreement. On June 27, 2011, the following parties entered into that certain Amended and Restated Subordination Agreement: (the "Term Subordination Agreement"); (i) the First Lien Agent, (ii) the Second Lien Agent (as defined below); (iii) the Third Lien Agent as defined below), and (iv) Loehmann's Operating Co., for itself and the Borrowers and Guarantors. The rights of the Second Lien Secured Creditor and Third Lien

Secured Creditor under this Junior Priority Interim Order remain subject to any applicable provisions of the Term Subordination Agreement.

H. Debtors' Stipulations. Subject in all respects to the provisions set forth in Paragraph 7 below, and without prejudice to the rights of parties in interest as set forth in Paragraph 7 herein, the Debtors acknowledge, admit, stipulate and agree that:

(1) Law Debenture Second Lien Credit Facility. On June 27, 2011, (a) Loehmann's Operating Co., as lead borrower, (b) the other borrowers party thereto, (c) the other guarantors party thereto, (d) Law Debenture Trust Company of New York, in its capacity as administrative agent and collateral agent (in such capacities, the "Second Lien Agent"), and (e) the other lenders party thereto (collectively, along with the Second Lien Agent, the "Second Lien Secured Creditor"), entered into that certain Amended and Restated Second Lien Subordinated Credit Agreement (as the same has been and may be amended, restated, supplemented or otherwise modified from time to time, the "Second Lien Credit Agreement"). In connection with the Second Lien Credit Agreement, the borrowers executed and delivered to or for the benefit of the Second Lien Secured Creditor certain other Security Documents and Loan Documents (each, as defined in the Second Lien Credit Agreement) (the foregoing, together with the Second Lien Credit Agreement, are hereinafter collectively referred to as the "Second Lien Loan Documents").

(2) Law Debenture Third Lien Credit Facility. On June 27, 2011, (a) Loehmann's Operating Co., as lead borrower, (b) the other borrowers party thereto, (c) the other guarantors party thereto, (d) Law Debenture Trust Company of New York, in its capacity as administrative agent and collateral agent (in such capacities, the "Third Lien Agent"), and (e) the other lenders party thereto (collectively, along with the Third Lien Agent, the "Third Lien

Secured Creditor”), entered into that certain Third Lien Subordinated Credit Agreement (as the same has been and may be amended, restated, supplemented or otherwise modified from time to time, the “Third Lien Credit Agreement”). In connection with the Third Lien Credit Agreement, the borrowers party thereto executed and delivered to or for the benefit of the Third Lien Secured Creditor certain other Security Documents and Loan Documents (each, as defined in the Third Lien Credit Agreement) (the foregoing, together with the Third Lien Credit Agreement, are hereinafter collectively referred to as the “Third Lien Loan Documents”). As used herein, the term “Secured Creditors” shall mean the Second Lien Secured Creditor and the Third Lien Secured Creditor together. Also, as used herein, the term “Loan Documents” shall mean the Second Lien Loan Documents and the Third Lien Loan Documents together.

(3) Pre-Petition Claims.

(a) Second Lien Pre-Petition Claim. Pursuant to the Second Lien Credit Agreement, the Second Lien Secured Creditor extended loans to the Debtors in an aggregate principal amount of \$13,750,000. As of December 7, 2013, the Debtors are liable to the Second Lien Secured Creditor in respect of the Second Lien Loan Documents in the amount of \$14,457,200 (which amount includes interest under the Second Lien Loan Documents previously added to the principal amount of the obligations thereunder), *plus* such other interest accruing from and after such date under the Second Lien Loan Documents, *plus* all fees, costs, expenses and costs of collection (including without limitation, reasonable attorney’s fees) as set forth in the Second Lien Loan Documents, owing to the Second Lien Secured Creditor as of the Petition Date (the “Second Lien Pre-Petition Claim”); and

(b) Third Lien Pre-Petition Claim. Pursuant to the Third Lien Credit Agreement, the Third Lien Secured Creditor extended loans to the Debtors in an aggregate

principal amount of \$70,000,000. As of December 7, 2013, the Debtors are liable to the Third Lien Secured Creditor in respect of the Third Lien Loan Documents in the amount of \$73,931,100, *plus* such other interest accruing from and after such date under the Third Lien Loan Documents, *plus* all fees, costs, expenses and costs of collection (including without limitation, reasonable attorney's fees) as set forth in the Third Lien Loan Documents, owing to the Third Lien Secured Creditor as of the Petition Date (the "Third Lien Pre-Petition Claim" and together with the Second Lien Pre-Petition Claim, the "Pre-Petition Secured Claims").

(4) Pre-Petition Liens.

(a) Second Lien Pre-Petition Liens. The Second Lien Pre-Petition Claim is secured by valid, perfected and unavoidable second priority liens and security interests (collectively, the "Second Lien Pre-Petition Liens") in, on and upon the Collateral (as defined in the Second Lien Loan Documents) (the "Second Lien Collateral") and, therefore, constitutes an allowed secured claim pursuant to § 506 of the Bankruptcy Code to the extent of the value of the Second Lien Secured Creditor's interest in the Debtors' interest in the Second Lien Collateral for all purposes in connection with the Chapter 11 Cases. Subject only to those liens expressly permitted by the Second Lien Loan Documents and the Carve-Out, the Second Lien Pre-Petition Liens are not 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. Based on the liens and security interests granted by the Debtors in favor of the Second Lien Secured Creditor under the Second Lien Loan Documents, the Debtors stipulate that all of the Debtors' (and any other Loan Party's) cash that constitutes proceeds of the Second Lien 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 Second Lien Collateral and, therefore, is “cash collateral” of the Second Lien Secured Creditor within the meaning of § 363(a) of the Bankruptcy Code; and

(b) Third Lien Pre-Petition Liens. The Third Lien Pre-Petition Claim is secured by valid, perfected and unavoidable third priority liens and security interests (collectively, the “Third Lien Pre-Petition Liens”) in, on and upon the Collateral (as defined in the Third Lien Loan Documents) (the “Third Lien Collateral”) and, therefore, constitutes an allowed secured claim pursuant to § 506 of the Bankruptcy Code to the extent of the value of the Third Lien Secured Creditor’s interest in the Debtors’ interest in the Third Lien Collateral for all purposes in connection with the Chapter 11 Cases. Subject only to those liens expressly permitted by the Third Lien Loan Documents and the Carve-Out, the Third Lien Pre-Petition Liens are not 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. Based on the liens and security interests granted by the Debtors in favor of the Third Lien Secured Creditor under the Third Lien Loan Documents, the Debtors stipulate that all of the Debtors’ (and any Loan Party’s) cash that constitutes proceeds of the Third Lien 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 Third Lien Collateral and, therefore, is “cash collateral” of the Third Lien Secured Creditor within the meaning of § 363(a) of the Bankruptcy Code. As used herein, the term “Pre-Petition Liens” shall mean the Second Lien Pre-Petition Liens and the Third Lien Pre-Petition Liens. As

used herein, the term “Collateral” means the Second Lien Collateral and the Third Lien Collateral, together.

(5) Validity, Perfection and Priority of Pre-Petition Obligations and Pre-Petition Liens. Except as otherwise provided herein, the Pre-Petition Secured Claims are unconditionally due and owing by the Debtors to the Secured Creditors. As of the Petition Date, the Pre-Petition Secured Claims (i) constitute the legal, valid, binding and nonavoidable obligations of the Debtors, and (ii) are not, and shall not be, subject to any avoidance, disallowance, disgorgement, reductions, setoff, offset, recharacterization, subordination (whether equitable, contractual or otherwise, except as set forth in the Term Subordination Agreement), counterclaims, cross-claims, defenses or any other challenges of any kind or nature under the Bankruptcy Code or any other applicable law or regulation. As of the Petition Date, the Pre-Petition Liens on the Collateral were valid, binding, enforceable, non-avoidable and properly perfected.

I. Adequate Protection. The Secured Creditors are entitled to receive adequate protection to the extent of any diminution in value of their respective interests in the Collateral under the Loan Documents (including the Cash Collateral) resulting from the use, sale or lease of Collateral (including the Cash Collateral), the subordination of their respective Pre-Petition 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.

J. 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 the Secured Creditors’ 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 the 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 Creditors' 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.

K. Secured Creditors' Conditional Consent; Sections 506(c) and 552(b). Subject to the terms and conditions of this Junior Priority Interim Order, the Secured Creditors are willing to permit the Debtors to use their 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 Junior Priority Interim Order. In light of the Secured Creditors' agreement (subject to the terms of the Term Subordination Agreement) to subordinate their liens and claims to the Carve-Out, 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 Junior Priority Interim Order, subject to entry of a Final Order, the Secured Creditors are entitled to (a) waivers of any "equities of the case" claims under § 552(b) of the Bankruptcy Code and (b) waivers of the provisions of § 506(c) of the Bankruptcy Code.

L. Interim Cash Collateral Need. The Debtors' need to use the Secured Creditors' Cash Collateral is immediate and critical to enable the Debtors to administer the 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 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 Creditors' 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 Creditors' Cash Collateral.

M. 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 Junior Priority Interim Order, were negotiated in good faith and at arms' length between the Debtors and the Secured Creditors, and the Secured Creditors' respective claims, superpriority claims, replacement liens and other protections granted pursuant to this Junior 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 Junior 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 Junior 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 to use the Secured Creditors' Cash Collateral in accordance with this Junior Priority Interim Order and 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"). With the consent of the First Lien Agent (except that such consent shall not be necessary hereunder if the outstanding First Lien Obligations and First Lien Adequate Protection Obligations have been indefeasibly been paid in full), the Debtors and the Secured Creditors may agree from time to time to modify the Budget in the discretion of the Secured Creditors and without further order of the Court. In the event the Debtors and the Secured Creditors 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 Creditors' 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) the indefeasible payment in full of (A) the outstanding obligations owed to the First Lien Secured Creditor and (B) all First Lien Adequate Protection Obligations;

(ii) 5:00 pm (prevailing eastern time) on January 17, 2014;

(iii) unless as otherwise provided in accordance with Paragraph 9 hereof, expiration of the Remedies Notice Period;

(iv) without the prior written consent of the Secured Creditors, 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 Junior Priority Interim Order by the Court or any appellate court.

Except as may be limited by Paragraph 9 hereof, and as otherwise set forth in Paragraph 10 hereof, upon Termination, the Debtors shall immediately cease using any 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 a Secured Creditor's Cash Collateral beyond the Termination (subject in all respects to Paragraph 9 below), in accordance with §§ 361 and 363 of the Bankruptcy Code, or (y) the rights of the Secured Creditors to object thereto. Nothing in this Junior Priority Interim Order shall constitute any 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 Junior Priority Interim Order.

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

d) The Secured Creditors 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 the 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 Pre-Petition Secured Claims or the Pre-Petition Liens; (ii) investigate, assert or prosecute any claims and/or defenses against any of the Secured Creditors or their respective 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 Creditors' assertion, enforcement or realization with respect to the Petition Secured Claims, Pre-Petition Liens, Cash Collateral or the Adequate Protection Obligations (including, but not limited to, the Replacement Liens, Superpriority Claims or any of the other Adequate Protection Obligations (each, as defined below)), in accordance with this Junior Priority Interim Order; (iv) seek to modify any of the rights granted to any Secured Creditor hereunder; (v) except as permitted herein, 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, the Superpriority Claims, or the Pre-Petition 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 Creditors or provided for by the Budget (subject to the Variance) or this Junior Priority Interim Order; *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 (as defined below), a statutory committee, if appointed, may use the Secured Creditors' Cash Collateral, in an amount not to exceed \$50,000 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 Creditors' respective claims or liens, including, without limitation, the Replacement Liens and Superpriority Claims.

3. Adequate Protection. In consideration of the Debtors' use of the Secured Creditors' Cash Collateral in accordance with the Budget (including the Variance) and the other terms and provision of this Junior Priority Interim Order, the Secured Creditors shall be and hereby are granted the following "adequate protection" set forth in Paragraphs 4, 5, and 6 below for (a) any Diminution in Value of their respective 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").

4. Second Lien Adequate Protection.

a) Post-Petition Replacement Liens.

(i) The Second Lien Secured Creditor is hereby granted replacement liens (collectively, the "Second Lien Replacement Liens") 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 Second Lien Secured Creditor possesses pursuant to Second Lien Loan Documents. For purposes of this Junior Priority Interim Order, the term "Post-Petition Collateral" shall include, without limitation, any and all pre-petition 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 Junior 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 Second Lien Replacement Liens on Post-Petition Collateral granted to the Second Lien Secured Creditor pursuant to this Junior Priority Interim Order shall be subordinate to the First Lien Replacement Liens and otherwise 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 Junior 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*, that the Second Lien Replacement Liens granted to the Second Lien Secured Creditor pursuant to this Junior Priority Interim Order: (1) shall be subject, to a carve-out for (a) any quarterly or other fees payable to the U.S. Trustee pursuant to, *inter alia*, 28 U.S.C. § 1930(a); (b) the reasonable fees and expenses incurred by a chapter 7 trustee appointed by the Court, not to exceed \$100,000 in the aggregate and being solely payable hereunder to the extent the outstanding First Lien Obligations and First Lien Adequate Protection Obligations are indefeasibly paid in full in cash); (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 Second Lien Agent or Third Lien Agent of a Carve-Out Notice (as defined below), whether allowed by the Court prior to or after delivery of a Carve-Out Notice; *provided that*, prior to entry of a Final Order, fees, disbursements, costs and expenses under this clause (1)(c) for purposes of the Carve-Out shall not exceed \$500,000 (the carve-outs provided for in (1)(a) through (1)(c) hereof being collectively defined as the "Carve-Out"); (2) shall not attach to any claims for relief under Chapter 5 of the Bankruptcy Code (or any proceeds thereof); 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, "Carve-Out Notice" shall mean a written notice delivered by the Second Lien Agent or Third Lien Agent to the Debtors and their counsel, counsel for the First 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 Carve-Out shall be senior to all liens and claims (including, without limitation, administrative and superpriority claims) of the Second Lien Secured

Creditor and Third Lien 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. Notwithstanding anything contained herein, the Third Lien Replacement Liens that are granted by this Junior 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 Junior Priority Interim Order shall be raised by the Debtors, the Second Lien Secured Creditor or any statutory committee appointed herein within one (1) business day before the Sale Hearing (as defined in the First Priority Interim Order) or shall be forever barred.

(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 Carve-Out 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 Carve-Out 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 Second Lien Replacement Liens will be junior in priority to the First Lien Replacement Liens and any valid and non-avoidable pre-existing liens(s) that exist on the subject Post-Petition Collateral. The Second Lien Replacement Liens granted to the Second Lien 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 Second Lien Secured Creditor, subject to the terms and provisions of the Term Subordination Agreement, to object to any priming are expressly reserved.

(v) The Second Lien Replacement Liens and security interests created herein shall continue in full force and effect until the Second Lien Pre-Petition 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 Second Lien 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) Second Lien Superpriority Claims. If, and to the extent that, the Second Lien Replacement Liens described in paragraphs (a) above and adequate protection payments described below are insufficient to provide adequate protection for the Second Lien Secured Creditor, as additional adequate protection, the Second Lien Secured Creditor is hereby granted allowed superpriority claims against the Debtors' estates pursuant to § 507(b) of the Bankruptcy Code (the "Second Lien Superpriority Claims"), with, except as set forth below, 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 at all times, 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. Notwithstanding the foregoing, (i) the Second Lien Superpriority Claims shall be subject to the First Lien Superpriority Claims and the Carve-Out, and (ii) the Second Lien 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. No other 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 Second Lien Superpriority Claims.

c) The Second Lien 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 out-of-pocket costs and expenses incurred by the Second Lien Agent or any Pre-Petition Second Priority Lender to the extent permissible under the Second Lien Loan Documents (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)

14 days after submission of a reasonably detailed invoice to Debtors, Debtors' counsel, the U.S. Trustee, the First Lien Agent and counsel for any statutory committee and in accordance with such payment instructions as shall accompany any such invoice (such invoices to be sent no more frequently than monthly), *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 Junior Priority Interim Order or the Second Lien Loan Documents to the contrary, this Junior 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 a Secured Creditor (the "Section 506(b) Rights"). 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 Second Lien Secured Creditor; nothing in this Junior Priority Interim 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 Second Lien Secured Creditor's pre-petition obligations outstanding as of the Petition Date. Retained professionals of the Second Lien Agent or any Pre-Petition Second Priority Lender shall not be required to comply with the U.S. Trustee fee guidelines for the payment of fees and expenses. Notwithstanding the foregoing, prior to the indefeasible payment in full of the outstanding First Lien Obligations and the First Lien Adequate Protections Obligations, the payment of out-of-pocket costs and expenses hereunder shall be limited to \$75,000 (the "Initial Payment Cap"). For the avoidance of doubt, notwithstanding the foregoing, amounts accruing and owed to the Second Lien Agent or any Pre-Petition Second Priority Lender under this section 4(c) may exceed the Initial Payment Cap even

prior to the indefeasible payment in full of the First Lien Obligations and the First Lien Adequate Protection Obligations; the preceding sentence solely governing the payment of costs, fees and expenses hereunder prior to such date.

d) Application of Proceeds of Collateral. As additional adequate protection, and (i) subject to the Challenge Period rights of certain third parties under Paragraph 7 hereof, and (ii) except as may be required to indefeasibly pay in full the First Lien Obligations and the First Lien Adequate Protection Obligations and fund expenses provided for under the Budget (subject to the Variance) or this Junior Priority Interim Order, all proceeds of any sale or other disposition of the Collateral, shall be applied to reduce permanently the Second Lien Pre-Petition Claim in accordance with the Second Lien Loan Documents. Payment of the Second Lien Pre-Petition Claim, the making of adequate protection payments on account of the Second Lien Pre-Petition Claim and the Debtors' use of the Secured Creditor's Cash Collateral in accordance with this Junior Priority Interim Order is necessary to obtain the Second Lien Secured Lender's agreements herein. 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 7 below.

e) In addition, the Debtors shall (i) provide continued maintenance and insurance of the Second Lien Collateral and Post-Petition Collateral in the amounts and for the risks, and by the entities, required under the Second Lien Loan Documents, and (ii) pay all post-petition real estate and other taxes on the Second Lien Collateral and Post-Petition Collateral as and when due.

5. Third Lien Adequate Protection.

a) Post-Petition Replacement Liens.

(i) The Third Lien Secured Creditor is hereby granted replacement liens (collectively, the "Third Lien Replacement Liens") and together with the Second

Lien Replacement Liens, the “Replacement Liens”) in 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 Third Lien Secured Creditor possesses pursuant to Third Lien Loan Documents.

(ii) The Third Lien Replacement Liens granted to the Third Lien Secured Creditor pursuant to this Junior 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 Junior 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); (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*, that the Third Lien Replacement Liens granted to the Third Lien Secured Creditor pursuant to this Junior Priority Interim Order: (1) shall be subject to the Carve-Out; (2) shall not attach to any claims for relief under Chapter 5 of the Bankruptcy Code (or any proceeds thereof); (3) shall not prime any valid, perfected and non-avoidable pre-petition lien held by, or granted to, any other party; and (4) shall be subordinate to the First Lien Replacement Liens and the Second Lien Replacement Liens. Notwithstanding anything contained herein, the Third Lien Replacement Liens that are granted by this Junior Priority Interim Order shall not attach to any property that is being held by the Debtors on consignment under 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 Junior Priority Interim Order shall be raised by the Debtors, the Third Lien Secured Creditor or any statutory committee appointed herein within one (1) business day before the Sale Hearing (as defined in the First Priority Interim Order) or shall be forever barred.

(iii) The Third Lien Replacement Liens will be junior in priority on the Post-Petition Collateral, subject to the First Lien Replacement Liens, the Second Lien Replacement Liens and any valid or non-avoidable pre-existing lien(s) that exist on the subject Post-Petition Collateral. The Third Lien Replacement Liens granted to the Third Lien 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 Third Lien Secured Creditor, subject to the terms of the Term Subordination Agreement, to object to any priming are expressly reserved.

(iv) The Third Lien Replacement Liens and security interests created herein shall continue in full force and effect until the Third Lien Pre-Petition Secured 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 Third Lien 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) Third Lien Superpriority Claims. If, and to the extent that, the Third Lien Replacement Liens described in paragraphs (a) above and adequate protection payments described below are insufficient to provide adequate protection for the Third Lien Secured Creditor, as additional adequate protection, the Third Lien Secured Creditor is hereby granted allowed superpriority claims against the Debtors' estates pursuant to § 507(b) of the Bankruptcy Code (the "Third Lien Superpriority Claims" and together with the Second Lien Superpriority Claims, the "Superpriority Claims"), with, except as set forth below, 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 at all times 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. Notwithstanding the foregoing, (i) the Third Lien Superpriority Claims shall be subject to the First Lien Superpriority Claims and the Second Lien Superpriority Claims and the Carve-Out, and (ii) the Third Lien 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. 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 Third Lien Superpriority Claims.

c) In addition, the Debtors shall (i) provide continued maintenance and insurance of the Third Lien Collateral and Post-Petition Collateral in the amounts and for the

risks, and by the entities, required under the Third Lien Loan Documents, and (ii) pay all post-petition real estate and other taxes on the Third Lien Collateral and Post-Petition Collateral as and when due.

6. Perfection. The Replacement Liens granted pursuant to this Junior Priority Interim Order shall constitute valid and duly perfected security interests and liens, and no Secured Creditor shall 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, a 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 Junior 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 Junior Priority Interim Order.

7. Statutory Committee Claims/Lien Challenge Period.

a) The provisions of this Junior 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 any of the Pre-Petition Secured Claims; and/or (ii) the validity, priority or extent of any of the Pre-Petition Liens (including, without

limitation, any lien(s) asserted against Cash Collateral), subject to the provisions of this Junior 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 any of the Pre-Petition Secured Claims, 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 a Secured Creditor's security interests in its Collateral, or otherwise seeking to avoid or recover any transfers received by a Secured Creditor with respect to such creditor's Pre-Petition Secured Claim. Any such objection or complaint (as is applicable) shall set forth the basis for the objection or complaint, and the reason why the Pre-Petition Secured Claim subject to the objection or complaint should not be allowed in full as a secured claim. If no such objection or complaint (as is applicable) is filed as to the Pre-Petition Secured Claim or Pre-Petition Liens of a Secured Creditor: (i) by a statutory committee, on or before the date that is the later of sixty (60) days after (x) the date of appointment of the first such committee in the Chapter 11 Cases and (y) the date of entry of a Final Order, or (ii) by a trustee or any other party in interest with requisite standing 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 such Secured Creditor's Pre-Petition Secured Claim, security interests or Pre-Petition Liens, and/or transfers received by a Secured Creditor in respect of a Pre-Petition Secured 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 a Secured Creditor's claims or liens), shall be forever barred, and the applicable Pre-Petition Secured Claims shall be deemed allowed secured claims for all purposes in the Chapter 11 Cases. The Challenge Period as to any Pre-Petition Secured Claim or Pre-Petition Lien may only be extended with the written consent of the Secured Creditor asserting such claim or lien, or by order of the Court.

c) Nothing in this Junior 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.

8. Events of Default. For purposes of this Junior 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 Junior 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 Creditors, or (ii) entitled to priority administrative status which is equal or senior to that granted to the Secured Creditors herein;

(c) the entry of an order by the Court (without the prior written consent of the Secured Creditors) for relief from the automatic stay in favor of any party, other than the Secured

Creditors or the First Lien Agent, 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 Creditors validating and confirming the Secured Creditors' respective 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 a Secured Creditor with respect to a Pre-Petition Secured Claim or Pre-Petition Lien;

(f) the making of any representation or warranty by the Debtors under this Junior Priority Interim Order, or any pleading, certificate, report or financial statement delivered to a 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);

(g) the filing of a motion by the Debtors (without the prior written consent of a 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, such Secured Creditor's pre-petition liens or the Replacement Liens in all or any of a portion of such property;

(h) the filing of a motion by the Debtors (without the prior written consent of a Secured Creditor) seeking to grant a third party a claim that has a priority which is senior to, or equal with, such Secured Creditor's Pre-Petition Secured Claim, Pre-Petition Liens, Replacement Liens and/or Superpriority Claims;

(i) the filing of a motion by the Debtors (without the prior written consent of a Secured Creditor) seeking to amend or modify the terms of this Junior Priority Interim Order in

a manner that is adverse to such Secured Creditor;

(j) 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 Creditors);

(k) any misrepresentation of a material fact made after the Petition Date by any of the Debtors to a 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;

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

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

(n) 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;

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

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

9. Rights and Remedies upon Event of Default. Upon the occurrence and during the continuation of an Event of Default, a Secured Creditor shall give written notice (including by facsimile or other electronic means) of such Event of Default to counsel to the Debtors, the

First Lien Agent, counsel to any statutory committee(s), and the U.S. Trustee (such written notice, the “Default Notice”), and stating as to whether such 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 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 that delivered the Default Notice shall be permitted to exercise all remedies set forth in its applicable 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 such Secured Creditor with respect thereto pursuant to its applicable Loan Documents, or this Junior 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.

10. Consumer Privacy Ombudsman Reserve Account. In connection with the Ombudsman Reserve Account (as defined in the First Priority Interim Order) established pursuant to the First Priority Interim Order, the Secured Creditors consent 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 Junior 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 (as defined in the First Priority Interim Order) shall survive a Termination.

11. Cash Management Systems. During the Interim Period, the cash management systems required by the 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 Creditors, which consent shall not be unreasonably withheld, and any order approving such cash management system shall be reasonably acceptable to the Secured Creditors. Anything herein to the contrary notwithstanding, the Debtors and Secured Creditors 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 Junior Priority Interim Order to insure Debtors' access to Cash Collateral.

12. 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 Creditors, or any of their claims or the Collateral pursuant to §§ 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the affected Secured Creditors, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

13. No Marshaling. The Secured Creditors 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, Secured Creditors 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 Creditors with respect to proceeds, product, offspring or profits of any of the Collateral, to the extent such relief is granted.

14. Financial Reporting. During the Interim Period, the Debtors shall furnish to the Second Lien Agent and the Third Lien Agent such financial and other information as the Second Lien Agent and the Third Lien Agent shall reasonably request, including, but not limited, on or before the close of business on each Wednesday during the Interim Period, all reports and financial information required to be provided to the First Lien Secured Creditor under the interim order granting the First Lien Adequate Protection Obligations (notwithstanding the existence of any default or termination thereunder).

15. 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 Creditors access to the Debtors' personnel, business records and premises for review and inspection.

16. 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 Second Lien Loan Documents and as may be required under any applicable operating guidelines of the U.S. Trustee, naming the Secured Creditors as loss payees with respect thereto. The Debtors shall provide the Secured Creditors, upon entry of this Junior Priority Interim Order, with proof of all such coverage, as well as prompt notification of any change in such coverage which may hereafter occur.

17. Without Prejudice. This Junior Priority Interim Order is without prejudice to: (a) any subsequent request by a party in interest for modified adequate protection or restrictions on use of Cash Collateral; or (b) any other right or remedy which may be available to a Secured Creditor.

18. Miscellaneous.

a) Any stay, modification, reversal or vacation of this Junior Priority Interim Order shall not affect the validity of any obligation of the Debtors to the Secured Creditors incurred pursuant to this Junior 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 Creditors shall be entitled to all the rights, privileges and benefits, including without limitation, the Replacement Liens and Superpriority Claims granted herein.

b) The provisions of this Junior 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 Junior Priority Interim Order, as well as the Superpriority Claims and Replacement Liens granted pursuant to this Junior Priority Interim Order, shall continue in full force and effect notwithstanding the entry of such order, and such Superpriority Claims and Replacement Liens shall maintain their priority as provided by this Junior Priority Interim Order.

c) Nothing contained in the Motion or this Junior Priority Interim Order shall constitute a waiver by any 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 each of the Secured Creditors to effectuate the terms and conditions of this Junior Priority Interim Order.

19. Extension of Junior Priority Interim Order. The Secured Creditors and the Debtors may extend the term of this Junior 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.

20. Successors and Assigns. The provisions of this Junior Priority Interim Order shall be binding upon the Debtors, the Secured Creditors, 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 Junior 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.

21. 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 Junior Priority Interim Order, on the other hand, the terms and provisions of this Junior Priority Interim Order shall govern.

22. Entry of Junior Priority Interim Order; Effect. This Junior 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 Junior Priority Interim Order on this Court's docket in the Chapter 11 Cases. Bankruptcy Rule 6003(b) has been satisfied.

23. Waiver of Requirement to File Proofs of Claim. The Secured Creditors shall not be required to file a proof(s) of claim with respect to the Pre-Petition Secured Claims or Pre-Petition Liens.

24. Inadvertent Application of Proceeds of Collateral. In the event after the Petition Date, a Secured Creditor inadvertently applies any proceeds of Collateral, including Cash

Collateral, to the obligations under the Second Lien Loan Documents or Third Lien Loan Documents other than as provided in this Junior Priority Interim Order, then such Secured Creditor shall promptly reverse such application without penalty, and any such reversal shall not constitute a new advance of funds, and the Pre-Petition Secured Claim shall be adjusted to account for any such reversal.

25. 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 Creditors' 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 Junior Priority Interim Order and of the Final Hearing, together with copies of this Junior 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 Creditors; (iv) counsel to the First Lien Agent; (v) counsel to the First Lien Secured Creditors; and (vi) counsel to the official committee of unsecured creditors appointed in these Chapter 11 Cases.

26. Enforcement. The Court shall retain jurisdiction to enforce the terms of this Junior 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
		45	46	47	48		49	50	51	52		1	2	3	4		5	6
		Projected 12/14/2013	Forecast 12/21/2013	Forecast 12/28/2013	Forecast 1/4/2014		Forecast 1/11/2014	Forecast 1/18/2014	Forecast 1/25/2014	Forecast 2/1/2014		Forecast 2/8/2014	Forecast 2/15/2014	Forecast 2/22/2014	Forecast 3/1/2014		Forecast 3/8/2014	Forecast 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								
WF Post-Petition LC Funding			(8,826)	0	0		0	0	0	0								
Total WF Beginning Balance			(13,211)	(9,973)	(6,388)		(5,769)	0	0	0								
WF Line Draw			0	0	0		0	0	0	0								
WF Line Paydown			3,239	3,585	619		5,769	0	0	0								
WF Line Adjustment			0	0	0		0	0	0	0								
WF Ending Line Balance			(9,973)	(6,388)	(5,769)		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.