

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

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In re)
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STEVE & BARRY'S) **Chapter 11 Case No.**
MANHATTAN LLC, et al.,) **08-12579 (ALG)**
)
) **(Jointly Administered)**
Debtors.)
-----)

**FINAL ORDER (i) AUTHORIZING USE OF CASH
COLLATERAL, (ii) GRANTING ADEQUATE PROTECTION,
AND (iii) MODIFYING THE AUTOMATIC STAY**

THIS MATTER having come before the Court upon the motion (the "Motion") of S&B Industries Inc. ("S&B"), and its direct and indirect subsidiaries, each as a debtor and debtor in possession (collectively the "Debtors" or "Debtors in Possession")¹ in the above-captioned chapter 11 cases (collectively, with any successor cases, the "Cases"), pursuant to sections 105, 361, 362, 363, and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended, the "Bankruptcy Code"), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Rule 4001-3 of the Local Bankruptcy

¹ The other Borrowers are: 4004 Incorporated; 4004 LLC; Baller Brands LLC; Favored Brands LLC; Pro Air LLC; S&B Retail China LLC; S&B Retail India LLC; Star Band LLC; Steel Bolt Construction LLC; Stellar Brands LLC; Steve & Barry's Alabama LLC; Steve & Barry's Arizona LLC; Steve & Barry's Arkansas LLC; Steve & Barry's California LLC; Steve & Barry's Colorado LLC; Steve & Barry's Connecticut LLC; Steve & Barry's CP LLC; Steve & Barry's Florida LLC; Steve & Barry's Georgia LLC; Steve & Barry's GLC LLC; Steve & Barry's Hawaii LLC; Steve & Barry's Idaho LLC; Steve & Barry's Illinois LLC; Steve & Barry's Indiana LLC; Steve & Barry's International LLC; Steve & Barry's Iowa LLC; Steve & Barry's Kansas LLC; Steve & Barry's Kentucky LLC; Steve & Barry's LLC; Steve & Barry's Louisiana LLC; Steve & Barry's Maine LLC; Steve & Barry's Manhattan LLC; Steve & Barry's Maryland LLC; Steve & Barry's Massachusetts LLC; Steve & Barry's Michigan LLC; Steve & Barry's Midwest LLC; Steve & Barry's Minnesota LLC; Steve & Barry's Mississippi LLC; Steve & Barry's Missouri LLC; Steve & Barry's Nebraska LLC; Steve & Barry's Nevada LLC; Steve & Barry's New Jersey LLC; Steve & Barry's New Mexico LLC; Steve & Barry's New York LLC; Steve & Barry's North Carolina LLC; Steve & Barry's Oakland LLC; Steve & Barry's Ohio LLC; Steve & Barry's Oklahoma LLC; Steve & Barry's Pennsylvania LLC; Steve & Barry's South Carolina LLC; Steve & Barry's South Michigan LLC; Steve & Barry's Tennessee LLC; Steve & Barry's Texas LLC; Steve & Barry's Utah LLC; Steve & Barry's Virginia LLC; Steve & Barry's Washington LLC; Steve & Barry's West Virginia LLC; Steve & Barry's Wisconsin LLC; Stone Barn LLC; Stone Barn Trading LLC; Striking Brands LLC; Swift Building LLC; and Symbolic Brands LLC.

Rules for the Southern District of New York and General Order M-274, seeking entry of a final order (this “Final Order”) *inter alia*:

(i) authorizing the Debtors’ use of “cash collateral” (as defined in section 363(a) of the Bankruptcy Code, “Cash Collateral”) of the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and Landlords (each as defined herein);

(ii) providing adequate protection to the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and Landlords for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein), including the Cash Collateral; and

(iii) 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 Final Order.

The Court having considered the Motion, the Affidavit of Gary Sugarman Pursuant to Rule 1007-2 of the Local Rules of Bankruptcy Procedure for the Southern District of New York in Support of First Day Motions and Applications, sworn to on July 9, 2008 (the “Sugarman Affidavit”), the exhibits attached thereto, the evidence submitted or adduced and the arguments of counsel made at the interim hearing held on July 10, 2008 (the “Interim Hearing”) and the final hearing held and concluded on August 4, 2008 (the “Final Hearing”); and the Court having entered on July 11, 2008 an interim order authorizing use of cash collateral on an interim basis and granting adequate protection on account of the interests of the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants; and adequate notice of the Final Hearing having been provided in accordance with Rules 4001 and 9014 of the Bankruptcy Rules; and all objections, if any, to the entry of this Final Order having been withdrawn, resolved or overruled

by the Court; and after due deliberation and consideration, and for good and sufficient cause appearing therefor;

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM AND FINAL HEARINGS, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. Petition Date: On July 9, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Court") commencing these Cases.

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

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

D. Statutory Committee. On July 17, 2008, the United States Trustee (the "U.S. Trustee") appointed an official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (a "Statutory Committee").

E. Interim Order. Based upon the Motion, the Sugarman Affidavit, and the evidence submitted by the Court at the Interim Hearing, on July 11, 2008, the Court approved and entered that certain Interim Order (i) Authorizing Use of Cash Collateral, (ii) Granting Adequate Protection, (iii) Modifying the Automatic Stay, and (iv) Scheduling a Final Hearing (the "Interim Order"). Pursuant to the Interim Order and Bankruptcy Rule 4001, the Debtors were authorized,

among other things, to use Cash Collateral and to provide adequate protection to the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants. Pursuant to the Interim Order, the Final Hearing was initially scheduled for July 29, 2008, and adjourned to July 31, 2008, August 1, 2008, and then to August 4, 2008.

F. *Debtors' Stipulations.* After consultation with their attorneys and financial advisors, and without prejudice to the rights of parties in interest as set forth in paragraph 18 herein, the Debtors and Debtors in Possession admit, stipulate, acknowledge and agree that (collectively, paragraphs F(i) through F(x) below are referred to herein as the "Debtors' Stipulations"):

(i) *Prepetition Revolver Facility.* Pursuant to that certain Credit Agreement dated as of February 1, 2008 (as may be amended, supplemented, restated or otherwise modified prior to the Petition Date, the "Prepetition Revolver Agreement"), among the Borrowers, General Electric Capital Corporation, as Agent, L/C Issuer and Lender (the "Prepetition Revolver Agent"), National City Bank, as L/C Issuer, National City Business Credit, Inc. as Co-Agent and GE Capital Markets, Inc., as Lead Arranger, and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Revolver Agent, but excluding the Prepetition Junior Participants (as defined herein), the "Prepetition Revolver Lenders"), the Prepetition Revolver Lenders provided credit and letter of credit facilities to the Borrowers and provided other financial accommodations to or for the benefit of the Borrowers (collectively, the "Prepetition Revolver Facility"). The Prepetition Revolver Facility is subject to those certain Forbearance Agreements dated June 20, 2008 and July 2, 2008, respectively (together with the Prepetition Revolver Agreement and all other loan and security documents executed in connection therewith, the "Prepetition Revolver Documents").

(ii) *Prepetition Obligations.* The Prepetition Revolver Facility provided the Borrowers with up to \$197,000,000 in aggregate maximum principal amount of revolving commitments, including letter of credit and swingline loan commitments, with a sublimit for letters of credit of \$35,000,000. As of the Petition Date, the approximate outstanding principal, interest and overadvance fees owing under the Prepetition Revolver Agreement, including the Prepetition Participation Obligations (as defined herein), was \$135,910,217.91 (collectively, together with any amounts paid, incurred or accrued prior to the Petition Date in accordance with the Prepetition Revolver Documents, principal, accrued and unpaid interest, any fees, expenses, and disbursements (including, without limitation, attorneys' fees, consultant fees, and related expenses and disbursements), indemnification obligations and other charges of whatever nature, whether or not contingent, whenever arising, due or owing in respect thereof, the "Prepetition Revolver Obligations"). The Prepetition Revolver Obligations are guaranteed by each of the Borrowers.

(iii) *Prepetition Participation Agreement.* Pursuant to that certain Junior Participation Agreement dated as of June 20, 2008 (as may be amended, supplemented, restated or otherwise modified prior to the Petition Date, the "Prepetition Participation Agreement"), among the Prepetition Revolver Agent, as Agent and as Seller, National City Business Credit, Inc., as Seller, and Mr. Steven Shore and Mr. Barry Prevor (together, the "Prepetition Junior Participants"), the Prepetition Junior Participants purchased a junior participation in the Prepetition Revolver Facility in the aggregate principal amount of \$5,000,000. As of the Petition Date, the outstanding principal amount of all loans under the Prepetition Participation Agreement was \$5,000,000 (together with any amounts paid, incurred or accrued prior to the Petition Date in accordance with the Prepetition Participation Agreement, principal, accrued and unpaid interest,

any fees, expenses, and disbursements (including, without limitation, attorneys' fees, related expenses and disbursements), indemnification obligations and other charges of whatever nature, whether or not contingent, whenever arising, due or owing in respect thereof, the "Prepetition Participation Obligations").

(iv) *Prepetition Term Loan Agreement.* Pursuant to that certain Term Loan Credit Agreement dated as of February 1, 2008 (as may be amended, supplemented, restated or otherwise modified prior to the Petition Date, the "Prepetition Term Loan Agreement"), among the Borrowers, and PrenSB, LLC, as Agent and Lender (the "Prepetition Term Loan Agent", and together with the Prepetition Revolver Agent, the "Prepetition Agents"), and the lenders that are parties thereto from time to time (collectively, together with the Prepetition Term Loan Agent, the "Prepetition Term Loan Lenders", and together with the Prepetition Revolver Lenders, the "Prepetition Lenders"), the Prepetition Term Loan Lenders provided a term loan to the Borrowers (the "Prepetition Term Loan"). The Prepetition Term Loan is subject to that certain Forbearance Agreement dated June 20, 2008 (together with the Prepetition Term Loan Agreement and all other loan and security documents executed in connection therewith, the "Prepetition Term Loan Documents", and together with the Prepetition Revolver Documents and Prepetition Participation Agreement, the "Prepetition Documents").

(v) *Prepetition Term Loan Obligations.* The Prepetition Term Loan provided the Borrowers with a term loan commitment up to \$30,000,000 in aggregate principal amount. As of the Petition Date, the outstanding principal amount owing under the Prepetition Term Loan Agreement was \$30,000,000 (together with any amounts paid, incurred or accrued prior to the Petition Date in accordance with the Prepetition Term Loan Documents, principal, accrued and unpaid interest, any fees, expenses, and disbursements (including, without limitation, attorneys'

fees, consultant fees, and related expenses and disbursements), indemnification obligations and other charges of whatever nature, whether or not contingent, whenever arising, due or owing in respect thereof, the “Prepetition Term Loan Obligations”, and together with the Prepetition Revolver Obligations, the “Prepetition Obligations”). The Prepetition Term Loan Obligations are guaranteed by each of the Borrowers.

(vi) *Prepetition Liens and Prepetition Collateral.* As more fully set forth in the Prepetition Revolver Documents and Prepetition Term Loan Documents, prior to the Petition Date, the Borrowers granted security interests in and liens on, among other things, substantially all assets of the Borrowers (collectively, the “Prepetition Collateral”) to: (a) the Prepetition Revolver Agent, for itself, the Prepetition Revolver Lenders, and the Prepetition Junior Participants (the “Prepetition Revolver Liens”); and (b) the Prepetition Term Loan Agent, for itself and the Prepetition Term Loan Lenders (the “Prepetition Term Loan Liens”, and together with the Prepetition Revolver Liens, the “Prepetition Liens”). The Prepetition Term Loan Liens on the Prepetition Collateral are subordinate to the Prepetition Revolver Liens on the Prepetition Collateral in accordance with and subject to the Intercreditor Agreement (as defined herein).

(vii) *Priority of the Prepetition Liens; Intercreditor Agreement.* The Prepetition Revolver Agent and Prepetition Term Loan Agent entered into that certain Intercreditor Agreement dated as of February 1, 2008 (as supplemented by that certain side letter between the Prepetition Revolver Agent and Prepetition Term Loan Agent dated June 20, 2008, the “Intercreditor Agreement”)² to govern the respective rights, interests, obligations, priority, and the positions of the Prepetition Revolver Agent and Prepetition Term Loan Agent with respect to the assets and properties of the Borrowers and other obligors. Pursuant to the

² Each of the Borrowers acknowledged and agreed to the Intercreditor Agreement.

Intercreditor Agreement, among other things, (a) the Prepetition Revolver Liens are senior and prior in right to the Prepetition Term Loan Liens and (b) the Prepetition Term Loan Liens are junior and subordinate to the Prepetition Revolver Liens, subject to and in accordance with the terms of the Intercreditor Agreement.

(viii) *Validity, Perfection and Priority of Prepetition Liens and Prepetition Obligations.* Subject to the provisions of paragraph 18 of this Order, the Debtors and Debtors in Possession, to the best of their information and belief, acknowledge and agree that: (a) as of the Petition Date, the Prepetition Liens on the Prepetition Collateral were valid, binding, enforceable, non-avoidable and properly perfected; (b) as of the Petition Date, the Prepetition Revolver Liens were senior in priority over any and all other liens on the Prepetition Collateral, subject only to certain liens otherwise permitted by the Prepetition Revolver Documents (to the extent any such permitted liens were valid, properly perfected, non-avoidable and senior in priority to the Prepetition Revolver Liens as of the Petition Date, the “Permitted Prior Liens”);³ (c) as of the Petition Date, the Prepetition Term Loan Liens were junior and subordinate to the Prepetition Revolver Liens and Permitted Prior Liens, and otherwise had priority over any and all other liens on the Prepetition Collateral; (d) the Prepetition Obligations and Prepetition Participation Obligations constitute legal, valid, binding, and non-avoidable obligations of the Debtors; (e) no offsets, challenges, objections, defenses, claims or counterclaims of any kind or nature to any of the Prepetition Liens, Prepetition Obligations or Prepetition Participation Obligations exist, and no portion of the Prepetition Liens, Prepetition Obligations or Prepetition

³ Nothing herein shall constitute a finding or ruling by this Court that any such Permitted Prior 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 Prepetition Agents, the Prepetition Lenders, the Prepetition Junior Participants, and the Statutory Committee to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such Permitted Prior Liens and/or security interests.

Participation Obligations is subject to any challenge or defense including, without limitation, avoidance, disallowance, disgorgement, recharacterization, or subordination (whether equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (f) the Debtors and their estates have no claims, objections, challenges, causes of actions, and/or choses in action, including without limitation, avoidance claims under chapter 5 of the Bankruptcy Code, against any of the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees arising out of, based upon or related to their respective loans to the Debtors; (g) as of the Petition Date, the value of the Prepetition Collateral securing the Prepetition Obligations and Prepetition Participation Obligations exceeded the amount of those obligations, and accordingly the Prepetition Obligations and Prepetition Participation Obligations are allowed secured claims within the meaning of section 506 of the Bankruptcy Code, in an amount of not less than \$135,910,217.91 in the case of the Prepetition Revolver Obligations and Prepetition Participation Obligations, and in a principal amount of not less than \$30,000,000 in the case of the Prepetition Term Loan Obligations, together with accrued and unpaid interest, fees (including, without limitation, attorneys' fees and related expenses), and any and all other charges of whatever nature owing in respect of such Prepetition Obligations; and (h) any payments made on account of the Prepetition Obligations and Prepetition Participation Obligations to or for the benefit of the Prepetition Agents, the Prepetition Lenders or the Prepetition Junior Participants prior to the Petition Date were on account of amounts in respect of which the Prepetition Agents, the Prepetition Lenders and the Prepetition Junior Participants were oversecured, were payments out of the Prepetition Collateral, and such payments did not diminish any property otherwise available for distribution to unsecured creditors.

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

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

G. *Adequate Protection.* The Prepetition Revolver Agent, for the benefit of itself, the Prepetition Revolver Lenders and the Prepetition Junior Participants, and the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders, are each entitled to receive adequate protection to the extent of any diminution in value of their respective interests in the Prepetition Collateral (including the Cash Collateral) resulting from the use of Cash Collateral, the use, sale or lease of Prepetition Collateral authorized herein, the subordination of the Prepetition Revolver Liens and the Prepetition Term Loan Liens to the Carve Out, as described herein, and the imposition of the automatic stay (collectively the "Diminution in Value") pursuant to sections 361, 362, and 363 of the Bankruptcy Code. Pursuant to sections 361, 363, and 507(b), as adequate protection: (i) the Prepetition Revolver Agent, for the benefit of itself, the Prepetition Revolver Lenders and the Prepetition Junior Participants, will receive (a) the Revolver Adequate Protection Liens; (b) the Revolver Adequate Protection Superpriority Claim; (c) the Revolver Adequate Protection Payments; and (d) the Prepetition Revolver Indemnity Account (each as defined herein), and (ii) the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders, will receive (a) the Term Loan Adequate Protection Liens; (b) the Term Loan Adequate Protection Superpriority

Claim; (c) the Term Loan Adequate Protection Payments; and (d) the Prepetition Term Loan Indemnity Account (each as defined herein).

H. Sections 506(c) and 552(b). In light of the Prepetition Agents', Prepetition Lenders' and Prepetition Junior Participants' agreement to subordinate their liens and superpriority claims to the Carve Out and to permit the use of their Cash Collateral for payments made in accordance with the Budget and the terms of this Final Order, each of the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants are entitled to (a) a waiver of any "equities of the case" claims under section 552(b) of the Bankruptcy Code and (b) a waiver of the provisions of section 506(c) of the Bankruptcy Code.

I. Necessity of Relief Requested. The ability of the Debtors to finance their operations has required the use of Cash Collateral, the absence of which would cause immediate and irreparable harm to the Debtors, their estates, their creditors, and the possibility for a successful chapter 11 case. In the absence of the use of Cash Collateral, the continued operation of the Debtors' businesses would not be possible and serious and irreparable harm to the Debtors, their estates and their creditors would occur. The Debtors have not had sufficient available sources of working capital and financing to operate their businesses in the ordinary course of business or to maintain their property without the use of Cash Collateral. The relief requested in the Motion is therefore necessary, essential, and appropriate for the continued operation of the Debtors' businesses and the management and preservation of their property. The Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and Debtors have negotiated at arms' length and in good faith regarding the Debtors' use of Cash Collateral to fund the continued operation of the Debtors' businesses during the Specified Period (as defined below). The Prepetition Agent, Prepetition Lenders and Prepetition Junior Participants have

agreed to permit the Debtors to use their Cash Collateral for the Specified Period, subject to the terms and conditions set forth herein, which terms and conditions are fair and reasonable and have been stipulated to by the Debtors in the exercise of their sound business judgment. Entry of this Final Order is in the best interests of the Debtors, their estates, and their creditors.

J. Notice. Notice of the Final Hearing and the relief requested in the Motion has been provided by the Debtors, in accordance with the Interim Order, and whether by facsimile, email, overnight courier or hand delivery, to certain parties in interest, including: (i) the U.S. Trustee; (ii) the parties included on the Debtors' list of the thirty (30) largest unsecured creditors; (iii) counsel to the Statutory Committee, (vi) counsel to the Prepetition Revolver Agent for itself and for the Prepetition Revolver Lenders; and (v) counsel to the Prepetition Term Loan Agent for itself and for the Prepetition Term Loan Lenders. The parties have made reasonable efforts to afford the best notice possible under the circumstances and such notice is good and sufficient to permit the relief set forth in this Final Order, and no other or further notice is or shall be required.

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

IT IS HEREBY ORDERED that:

1. Motion Granted. The Motion is granted, and the use of Cash Collateral is authorized on a final basis, subject to the terms and conditions set forth in this Final Order.
2. Objections Overruled. All objections to the Motion to the extent not withdrawn or resolved are hereby overruled.
3. Authorization to Use Cash Collateral. Subject to the terms and conditions of this Final Order, and in accordance with the Budget, the Debtors are authorized to use Cash Collateral for the period (the "Specified Period") from the Petition Date through the date which

is the earliest to occur of (a) the expiration of the Remedies Notice Period (as defined herein), (b) 11:59 p.m. (Eastern time) on August 22, 2008, or (c) the Closing Date of a GC Sale or a Full Chain Liquidation (as defined on Exhibit B hereto). Except as otherwise expressly provided herein, Cash Collateral may be used during the Specified Period solely up to the amounts (not to exceed 110% of the amounts set forth in the Budget on a cumulative, aggregate rolling basis measured weekly as of the close of business on Friday of each week), at the times, and for the purposes identified in the cash collateral budget approved by the Prepetition Agents, each in its sole discretion (the “Budget”), a copy of which is attached hereto as Exhibit A; provided, however, that during the Remedies Notice Period, the Debtors may use Cash Collateral in accordance with the terms and provisions of the Budget solely to meet payroll obligations and to pay expenses critical to the preservation of the Debtors and their estates as agreed by the Prepetition Revolver Agent and Prepetition Term Loan Agent, each in its sole discretion. All Cash Collateral use must be strictly in accordance with the terms of the Budget, subject to the variance discussed above. The authorization for the Debtors to use Cash Collateral shall terminate at the expiration of the Specified Period. Nothing in this Final Order shall authorize the disposition of any assets of the Debtors or their estates outside the ordinary course of business, or any Debtor’s use of any Cash Collateral or other proceeds resulting therefrom, except as permitted in this Final Order or another “First Day” order of the Court (in each case consistent with this Final Order and the Budget), with the prior written consent of the Prepetition Agents and Prepetition Lenders, and in accordance with the Budget.

4. Budget Maintenance. The Budget and any modification to, or extension, amendment or update of, the Budget shall be in form and substance acceptable to and approved in writing by each Prepetition Agent, in its sole discretion. The Budget may be amended or

modified in writing from time to time only with the written consent of the Prepetition Agents, each in its sole discretion.

5. Adequate Protection Liens.

(a) *Revolver Adequate Protection Liens.* As adequate protection against any Diminution in Value in their respective interests in the Prepetition Collateral, pursuant to sections 361 and 363(e) of the Bankruptcy Code, the Debtors were authorized to grant and have granted to the Prepetition Revolver Agent, for the benefit of itself, the Prepetition Revolver Lenders and the Prepetition Junior Participants (and such grant is hereby ratified, confirmed and approved on a final basis), additional and replacement continuing valid, binding, enforceable, non-avoidable, and automatically perfected postpetition security interests in and liens (the “Revolver Adequate Protection Liens”) on any and all presently owned and hereafter acquired personal property, real property and all other assets of the Debtors, together with any proceeds thereof (collectively, the “Collateral”).⁴

(b) *Term Loan Adequate Protection Liens.* As adequate protection against any Diminution in Value in their respective interests in the Prepetition Collateral, pursuant to sections 361 and 363(e) of the Bankruptcy Code, the Debtors were authorized to grant and have granted to the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders (and such grant is hereby ratified, confirmed and approved on a final basis), additional and replacement continuing valid, binding, enforceable, non-avoidable, and automatically perfected postpetition security interests in and liens on the Collateral (the “Term Loan Adequate Protection Liens”).

(c) *Landlord Adequate Protection Liens.* To the extent any of landlords listed

⁴ The Adequate Protection Liens (as defined herein) shall attach solely to proceeds of leases and not directly to the leases themselves.

in Exhibit C attached hereto (each a “Landlord”) held valid, binding, enforceable, non-avoidable and perfected liens on and security interests in (collectively, the “Landlord Liens”) collateral located in their respective leased premises and proceeds and accounts receivables therefrom as of the Petition Date (the “Landlord Collateral”),⁵ pursuant to sections 361 and 363(e) of the Bankruptcy Code, such Landlord is hereby granted additional and replacement continuing valid, binding, enforceable, non-avoidable and automatically perfected postpetition security interests in and liens on the Landlord Collateral from and after the Petition Date as adequate protection against any Diminution in Value in their respective interests in such collateral (the “Landlord Adequate Protection Liens”, and together with the Revolver Adequate Protection Liens and Term Loan Adequate Protection Liens, the “Adequate Protection Liens”).

(d) *Priority of Adequate Protection Liens*

(i) The Revolver Adequate Protection Liens shall be junior only to:

(A) the Carve Out; (B) the Prepetition Revolver Liens; and (C) the Permitted Prior Liens.

The Revolver Adequate Protection Liens shall otherwise be senior to all other security interests in, liens on, or claims against any of the Collateral; provided, however, the Revolver Adequate Protection Liens shall not prime any existing, valid, senior, enforceable and unavoidable prior perfected liens.

(ii) The Term Loan Adequate Protection Liens shall be junior only to:

(A) the Carve Out; (B) the Prepetition Revolver Liens; (C) the Revolver Adequate

Protection Liens; (D) the Prepetition Term Loan Liens; and (E) the Permitted Prior Liens.

⁵ Nothing herein shall constitute a finding or ruling by this Court that any such Landlord 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 Prepetition Agents, the Prepetition Lenders, the Prepetition Junior Participants and the Statutory Committee to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such Landlord Liens and/or security interests.

The Term Loan Adequate Protection Liens shall otherwise be senior to all other security interests in, liens on, or claims against any of the Collateral; provided, however, that the Term Loan Adequate Protection Liens shall not prime any existing, valid, senior, enforceable and unavoidable prior perfected liens.

(iii) The Landlord Adequate Protection Liens shall be junior to (A) the Carve Out; (B) the Prepetition Revolver Liens; (C) the Revolver Adequate Protection Liens; (D) the Prepetition Term Loan Liens; (E) the Term Loan Adequate Protection Liens; and (F) the Permitted Prior Liens. The Landlord Adequate Protection Liens shall otherwise be senior to all other security interests in, liens on, or claims against any of the Landlord Collateral; provided, however, that the Landlord Adequate Protection Liens shall not prime any existing, valid, senior, enforceable and unavoidable prior perfected liens.

(iv) The Adequate Protection Liens shall be enforceable against the Debtors, their estates and any successors thereto, including without limitation, any trustee or other estate representative appointed in the Cases, or any case under chapter 7 of the Bankruptcy Code upon the conversion of any of the Cases, or in any other proceedings superseding or related to any of the foregoing (collectively, "Successor Cases"). Except as provided herein, the Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or security interest by any court order heretofore or hereafter entered in the Cases or any Successor Cases, and shall be valid and enforceable against any trustee appointed in any of the Cases or any Successor Cases, or upon the dismissal of any of the Cases or Successor Cases. The Adequate Protection Liens shall not be subject to sections 506(c), 510, 549, or 550 of the Bankruptcy Code. No lien or interest avoided

and preserved for the benefit of any estate pursuant to section 551 of the Bankruptcy Code shall be made *pari passu* with or senior to the Adequate Protection Liens.

(v) Notwithstanding any provisions of the Interim Order or this Final Order, or any final orders pertaining to the sale of the Debtors' assets outside the ordinary course of business of any Collateral that is subject to a valid, senior, prior and perfected lien (the "Tax Authority Liens") of the taxing authorities listed in Exhibit D attached hereto (collectively, the "Tax Authorities"), or any agreements validated by any such orders, there shall be set aside by the Debtors from the proceeds of any sale located in the applicable jurisdictions of collateral subject to the Tax Authority Liens an amount equal to the claims (without double counting) of the Tax Authorities (as scheduled by the Debtors or as filed by the Tax Authorities) in a segregated account as adequate protection of the interests of the Tax Authorities. The Tax Authority Liens shall attach to such sale proceeds to the same extent and with the same priority as the Tax Authority Liens had on such collateral as of the Petition Date; provided that the Prepetition Agents', Prepetition Lenders' and Prepetition Junior Participants' respective liens on such collateral shall continue to the same extent and with the same priority as such liens had on such collateral as of the Petition Date. Any such segregated funds may not be distributed other than by agreement between the applicable Tax Authorities and the Debtors with the consent of the Prepetition Agents and Prepetition Lenders, or by subsequent order of the Court upon notice and hearing. Nothing herein shall constitute an allowance of the claims of the Tax Authorities, a cap on the amounts the Tax Authorities may be entitled to receive, or a finding or ruling by this Court that any such Tax Authority 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 Prepetition Agents, the Prepetition Lenders, the Prepetition Junior Participants and the Statutory Committee to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any such Tax Authority Liens and/or security interests.

6. Adequate Protection Superpriority Claims.

(a) *Revolver Adequate Protection Superpriority Claim.* As further adequate protection against any Diminution in Value of the interests of the Prepetition Revolver Agent, Prepetition Revolver Lenders and Prepetition Junior Participants in the Prepetition Collateral, the Debtors were authorized to grant and have granted to the Prepetition Revolver Agent, Prepetition Revolver Lenders and Prepetition Junior Participants (and such grant is hereby ratified, confirmed and approved on a final basis), as and to the extent provided by sections 503(b) and 507(b) of the Bankruptcy Code, an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (the “Revolver Adequate Protection Superpriority Claim”).

(b) *Term Loan Adequate Protection Superpriority Claim.* As further adequate protection against any Diminution in Value of the interests of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders in the Prepetition Collateral, the Debtors were authorized to grant and have granted to the Prepetition Term Loan Agent and the Prepetition Term Loan Lenders, as and to the extent provided by sections 503(b) and 507(b) of the Bankruptcy Code (and such grant is hereby ratified, confirmed and approved on a final basis), an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (the “Term Loan Adequate Protection Superpriority Claim”, and together with the Revolver Adequate Protection Superpriority Claim, the “Adequate Protection Superpriority Claims”).

(c) *Priority of Adequate Protection Superpriority Claims.* The Revolver

Adequate Protection Superpriority Claim shall be junior only to the Carve Out. The Term Loan Adequate Protection Superpriority Claim shall be junior only to the Carve Out and the Revolver Adequate Protection Superpriority Claim. Except for the Carve Out, the Adequate Protection Superpriority Claims shall have priority over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726 (to the extent permitted by law), 1113 and 1114 of the Bankruptcy Code.

7. Adequate Protection Payments and Protections. As further adequate protection, the Debtors were authorized and directed to provide (and such authorization and direction is hereby ratified, confirmed and approved on a final basis) adequate protection payments (a) to the Prepetition Revolver Agent, on behalf of itself, the Prepetition Revolver Lenders and the Prepetition Junior Participants (the “Revolver Adequate Protection Payments”), in the form of: (i) payments of interest, fees and other amounts due under the Prepetition Revolver Documents, at the times specified therein; (ii) ongoing payment of the reasonable fees, costs and expenses of the Prepetition Revolver Agent and Prepetition Revolver Lenders, including, without limitation, the fees and expenses of legal and other professionals retained by the Prepetition Revolver Agent and Prepetition Revolver Lenders, within three (3) business days of delivery of the invoice to the Debtors; and (iii) payment of all cash on hand as of the close of business on Friday of each week (the “Excess Cash Collateral”) in excess of \$2.5 million at or before 12:00 p.m. (Eastern time) on Monday of each week, which Excess Cash Collateral shall be applied to the principal of the Prepetition Revolver Obligations; and (b) to the Prepetition Term Loan Agent, on behalf of itself

and the Prepetition Term Loan Lenders (the “Term Loan Adequate Protection Payments” and collectively with the Revolver Adequate Protection Payments, the “Adequate Protection Payments”), ongoing payment of the reasonable fees, costs and expenses of legal and other professionals retained by the Prepetition Term Loan Agent and Prepetition Term Loan Lenders within three (3) business days of delivery of the invoice to the Debtors. In addition, the Debtors shall provide continued maintenance and insurance of the Collateral in the amounts and for the risks, and by the entities, required under the Prepetition Documents. The Prepetition Agents and Prepetition Lenders shall not be required to comply with the U.S. Trustee fee guidelines, but shall provide detailed statements (redacted if necessary for privilege) to the U.S. Trustee, counsel for the Statutory Committee, and counsel for the Debtors. The Revolver Adequate Protection Payments and the Term Loan Adequate Protection Payments each shall be subject to reapplication as may be ordered by the Court in the event a Challenge (as defined herein) pursuant to paragraph 18 below with respect to the validity, perfection, extent or priority of the respective Prepetition Obligations and/or Prepetition Participation Obligations is sustained, after notice and a hearing, pursuant to an order of this Court or any other court of competent jurisdiction to hear appeals therefrom, which order has not been stayed and has become final and non-appealable.

8. Prepetition Indemnity Accounts.

(a) *Prepetition Revolver Indemnity Account.* The Debtors shall establish an account in the control of the Prepetition Revolver Agent (the “Prepetition Revolver Indemnity Account”), into which at the end of the Specified Period \$250,000 shall be deposited as security for any reimbursement, indemnification or similar continuing obligations of the Debtors in favor of the Prepetition Revolver Agent and Prepetition Revolver Lenders under the Prepetition

Revolver Documents (the “Prepetition Revolver Indemnity Obligations”); provided, however, that the Prepetition Revolver Indemnity Account shall terminate and all remaining amounts held therein shall be released to the Debtors (and shall be applied in accordance with this Final Order) upon the expiration of the Challenge Period (as defined herein) if, as of such date, no party has filed or asserted (or sought to file or assert) an adversary proceeding, cause of action, objection, claim, defense or other challenge as contemplated in paragraph 18 herein. The Prepetition Revolver Agent and Prepetition Revolver Lenders are hereby granted a first priority lien on the Prepetition Revolver Indemnity Account to secure the Prepetition Revolver Indemnity Obligations and other Prepetition Revolver Obligations, and the Prepetition Revolver Indemnity Account shall otherwise be subject to a second priority lien in favor of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders.

(b) *Prepetition Term Loan Indemnity Account.* The Debtors shall establish an account in the control of the Prepetition Term Loan Agent (the “Prepetition Term Loan Indemnity Account”), into which, upon indefeasible payment in full of the Prepetition Revolver Obligations, and the cancellation, backing, or cash collateralization of letters of credit under the Prepetition Revolver Facility, \$250,000 shall be deposited as security for any reimbursement, indemnification or similar continuing obligations of the Debtors in favor of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders under the Prepetition Term Loan Documents (the “Prepetition Term Loan Indemnity Obligations”); provided, however, that the Prepetition Term Loan Indemnity Account shall terminate and all remaining amounts held therein shall be released to the Debtors (and shall be applied in accordance with this Final Order) upon the expiration of the Challenge Period if, as of such date, no party has filed or asserted (or sought to file or assert) an adversary proceeding, cause of action, objection, claim, defense or other

challenge as contemplated in paragraph 18 herein. The Prepetition Term Loan Agent and Prepetition Term Loan Lenders are hereby granted a first priority lien on the Prepetition Term Loan Indemnity Account to secure the Prepetition Term Loan Indemnity Obligations and other Prepetition Term Loan Obligations.

9. Modification of Automatic Stay. The automatic stay under Bankruptcy Code section 362(a) is hereby modified as necessary to effectuate all of the terms and provisions of this Final Order, including, without limitation, to: (a) permit the Debtors to grant the Adequate Protection Liens and Adequate Protection Superpriority Claims; (b) permit the Debtors to perform such acts as the Prepetition Agents or Prepetition Lenders each may request in its sole discretion to assure the perfection and priority of the liens granted herein; (c) permit the Debtors to incur all liabilities and obligations to the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants under the this Final Order; and (d) authorize the Debtors to pay, and the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants to retain and apply, payments made in accordance with the terms of the Interim Order or this Final Order.

10. Perfection of Adequate Protection Liens. This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the Adequate Protection Liens, the liens on the Prepetition Revolver Indemnity Account, and the liens on the Prepetition Term Loan Indemnity Account without the necessity of filing or recording any financing statement or other instrument or document which may otherwise be required under the law or regulation of any jurisdiction or the taking of any other action (including, for the avoidance of doubt, entering into any deposit account control agreement) to validate or perfect (in accordance with applicable non-bankruptcy law) the Adequate Protection Liens, the liens on the Prepetition Revolver Indemnity Account, and the liens on the Prepetition Term Loan Indemnity Account, or to entitle the

Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants to the priorities granted herein. Notwithstanding the foregoing, each of the Prepetition Agents and Landlords is authorized to file, as it deems necessary in its sole discretion, such financing statements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence the applicable Adequate Protection Liens, liens on the Prepetition Revolver Indemnity Account, and liens on the Prepetition Term Loan Indemnity Account, and all such financing statements, mortgages, notices and other documents shall be deemed to have been filed or recorded as of the Petition Date; provided, however, that no such filing or recordation shall be necessary or required in order to create or perfect the Adequate Protection Liens, the liens on the Prepetition Revolver Indemnity Account, or the liens on the Prepetition Term Loan Indemnity Account. The Debtors are authorized and directed to execute and deliver promptly upon demand to the Prepetition Agents all such financing statements, mortgages, notices and other documents as any of the Prepetition Agents, Prepetition Lenders or Prepetition Junior Participants may reasonably request. The Prepetition Agents and Landlords, each in its sole discretion, may file a photocopy of this Final Order as a financing statement with any filing or recording office or with any registry of deeds or similar office, in addition to or in lieu of such financing statements, notices of lien or similar instrument.

11. Debtors' Obligations. The Debtors shall:

(a) Remit all Cash Collateral, as and when received, for deposit to Blocked Accounts and Lock Boxes (as defined in the Prepetition Revolver Documents) and for all available funds in such accounts to be swept daily (or as often as practicable) to the Disbursement Account (as defined in the Prepetition Revolver Documents) to be used in accordance with this Final Order and the Budget;

(b) Apply Cash Collateral and other sources of cash available to the Debtors hereunder to the expenses of the operation of their businesses as provided in the Budget;

(c) Deliver to the Prepetition Agents and counsel to the Statutory Committee on or before 12:00 p.m. (Eastern Time) on Tuesday of each week (and if such day is not a business day, then the next succeeding business day) a (i) comparison for the prior week of actual results of all items contained in the Budget to the amounts originally contained in the Budget and (ii) cumulative comparison for the period from the Petition Date through the end of the prior week of the actual results of all items contained in the Budget to the amounts originally contained in the Budget, in each case along with such supporting information as each Prepetition Agent may request;

(d) Provide the Prepetition Agents and counsel to the Statutory Committee with financial reports, including cash expenditures in relation to the Budget, when reasonably requested by the Prepetition Agents;

(e) Provide the Prepetition Agents and counsel to the Statutory Committee with daily loan balance and collateral reports on or before 3:00 p.m. on each business day;

(f) Serve the Prepetition Agents and their respective counsel and counsel to the Statutory Committee with a copy of each monthly report filed by the Debtors in these Cases as required by the Court, the U.S. Trustee or applicable law; and

(g) Comply with the Prepetition Documents, other than as modified herein or as prohibited by the Bankruptcy Code.

The Debtors are not required to provide the Prepetition Revolver Agent, and shall not provide to the Prepetition Revolver Agent, any Borrowing Base Certificate (as defined in the Prepetition

Revolver Documents) after July 10, 2008, and any such Borrowing Base Certificate delivered to the Prepetition Revolver Agent shall be void and of no force or effect.

12. Cash Management. Until the indefeasible payment in full in cash of all Prepetition Revolver Obligations and the cancellation, backing, or cash collateralization of letters of credit under the Prepetition Revolver Facility the Debtors shall maintain the cash management system which has first been agreed to by the Prepetition Revolver Agent, in its sole discretion, except as may be modified pursuant to a cash management order that is in form and substance acceptable to and approved in writing by the Prepetition Revolver Agent. Thereafter, and until the indefeasible payment in full in cash of all Prepetition Term Loan Obligations, the Debtors shall maintain the cash management system which has first been agreed to by the Prepetition Term Loan Agent, in its sole discretion, except as may be modified pursuant to a cash management order that is in form and substance acceptable to and approved in writing by the Prepetition Term Loan Agent.

13. Disposition of Collateral. The Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the Collateral without the prior written consent of the Prepetition Revolver Agent and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent (and no such consent shall be implied, from any other action, inaction or acquiescence); provided, however, that the Debtors are permitted to sell, transfer, convey, assign or otherwise dispose of any Collateral constituting the sale of Inventory (as defined in the Prepetition Revolver Documents) in the ordinary course of business.

14. Events of Default. The occurrence of any of the following events, unless waived by the Prepetition Revolver Agent and Prepetition Term Loan Agent (subject to and consistent with the Intercreditor Agreement) in writing, shall constitute an event of default (collectively, the

“Events of Default”):

- (a) the failure by the Debtors to perform, in any respect, any of the terms, provisions, conditions, covenants, or obligations under the Interim Order or this Final Order;
- (b) the obtaining of credit or the incurring of 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 Prepetition Agents and the Prepetition Lenders, or (ii) entitled to priority administrative status which is equal or senior to that granted to the Prepetition Agents and Prepetition Lenders herein;
- (c) the institution of a Challenge (other than any Challenge against the Prepetition Junior Participants) pursuant to paragraph 18 herein after a party in interest has been granted standing, upon notice and hearing, by order of the Court, which Challenge has not been withdrawn or dismissed within five (5) business days of the commencement of such Challenge;
- (d) any lien or security interest purported to be created under the Prepetition Documents shall cease to be, or shall be asserted by any Debtor not to be, a valid and perfected lien on or security interest in any Collateral, with the priority required by the Prepetition Documents or herein;
- (e) the entry of an order by the Court granting relief from or modifying the automatic stay of section 362 of the Bankruptcy Code (i) to allow any creditor to execute upon or enforce a lien on or security interest in any Collateral, or (ii) with respect to any lien of or the granting of any lien on any Collateral to any state or local environmental or regulatory agency or authority, which in either case would have a material adverse effect on the business, operations, property, assets, or condition, financial or otherwise, of the Debtors;
- (f) any of the Debtors’ return of goods constituting Collateral pursuant to

section 546(h) of the Bankruptcy Code;

(g) reversal, vacatur, or modification (without the express prior written consent of the Prepetition Agents, each in its sole discretion) of the Interim Order or this Final Order;

(h) dismissal of the Cases or conversion of the Cases to chapter 7 cases, or appointment of a chapter 11 trustee or examiner with enlarged powers or other responsible person;

(i) any material misrepresentation of fact made after the Petition Date by any of the Debtors or their agents to the Prepetition Agents or Prepetition Lenders, or to agents for the Prepetition Agents or Prepetition Lenders, about the financial condition of the Debtors, or any of them, the nature, extent, location or quality of any Collateral, or the disposition or use of any Collateral, including Cash Collateral;

(j) a default by any of the Debtors in reporting financial information as and when required herein or under the Prepetition Documents in the Interim Order or this Final Order, and the continuance of such default for a period of one (1) business day following written notice by the applicable Prepetition Agent to the Debtors of such default;

(k) the sale of any portion of any of the Debtors' assets outside the ordinary course of business without the prior written consent of the Prepetition Revolver Agent and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent;

(l) the Debtors' failure to perform the obligations (the "Sale Trigger Events") as set forth on and when required by Exhibit B attached hereto;

(m) the failure to comply with Prepetition Revolver Documents or Prepetition Term Loan Documents, other than as otherwise modified herein or as prohibited by the

Bankruptcy Code;

(n) the granting of any motion providing for reconsideration of the Interim Order or this Final Order;

(o) the failure to maintain cash receipts in an amount of at least 90% of the amount set forth in the Budget on a cumulative, aggregate rolling basis measured weekly as of the close of business on Friday of each week; or

(p) the failure to maintain Inventory levels at the amount set forth in the Budget on a cumulative, aggregate rolling basis measured weekly as of the close of business on Friday of each week (subject to an aggregate \$10 million variance).

15. Rights and Remedies Upon Event of Default. Immediately upon the occurrence and during the continuation of an Event of Default, the Prepetition Revolver Agent or Prepetition Term Loan Agent may declare a termination, reduction or restriction of the ability of the Debtors to use any Cash Collateral, except for the limited use of Cash Collateral provided in paragraph 3 (any such declaration, shall be referred to herein as a “Termination Declaration”). The Termination Declaration shall be given by facsimile (or other electronic means) to counsel to the Debtors, counsel to the Prepetition Agents, counsel to the Statutory Committee, and the U.S. Trustee (the earliest date any such Termination Declaration is made shall be referred to herein as the “Termination Declaration Date”). On the Termination Declaration Date, the Debtors’ right to use Cash Collateral shall automatically cease, except as provided in paragraph 3. Any automatic stay otherwise applicable to the Prepetition Agents or Prepetition Lenders is hereby modified so that five (5) business days after the Termination Declaration Date (the “Remedies Notice Period”), (a) the Prepetition Revolver Agent and the Prepetition Revolver Lenders shall be entitled to exercise their rights and remedies to satisfy the Prepetition Revolver Obligations,

Revolver Adequate Protection Superpriority Claim, Revolver Adequate Protection Liens, and any other obligation under this Final Order, and (b) subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent and Prepetition Term Loan Lenders shall be entitled to exercise their rights and remedies to satisfy the Prepetition Term Loan Obligations, Term Loan Adequate Protection Superpriority Claim, Term Loan Adequate Protection Liens, and any other obligations under this Final Order. During the Remedies Notice Period, the Debtors and the Statutory Committee shall be entitled to seek an emergency hearing with the Court. Unless the Court determines otherwise during the Remedies Notice Period, the automatic stay shall automatically be terminated at the end of the Remedies Notice Period without further notice or order, and the Debtors shall no longer have the right to use or seek to use Cash Collateral, and (i) the Prepetition Revolver Agent and Prepetition Revolver Lenders, and (ii) subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent and Prepetition Term Loan Lenders, shall be permitted to exercise all remedies set forth herein, in the Prepetition Revolver Documents or Prepetition Term Loan Documents, as applicable, and as otherwise available at law against the Collateral, without further order of or application or motion to the Court, and without restriction or restraint by any stay under sections 362 or 105 of the Bankruptcy Code, or otherwise, against the enforcement of the liens and security interest in the Collateral or any other rights and remedies granted to the Prepetition Agents and the Prepetition Lenders with respect thereto pursuant to the Prepetition Revolver Agreement, Prepetition Revolver Documents, Prepetition Term Loan Agreement, Prepetition Term Loan Documents, the Interim Order or this Final Order, as applicable. Any remedies taken by any of the Prepetition Agents or Prepetition Lenders affecting any leases or premises subject to any leases shall be in accordance with applicable federal and state law, the Bankruptcy Code,

the governing leases, consent of the applicable landlord, or as otherwise ordered (following notice and a hearing) by the Court. Nothing herein shall improve or impair any existing rights with respect to remedies that may be available under any leases.

16. Carve Out.

(a) *Carve Out.* As used in this Final Order, the “Carve Out” means the following expenses: (i) statutory fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6); (ii) the allowed wind-down costs and expenses of a chapter 7 trustee appointed in any of the Cases or Successor Cases in an aggregate amount not to exceed \$100,000; and (iii) \$2,500,000 less (x) the allowed and paid professional fees and disbursements (“Allowed Professional Fees”) incurred by the Debtors and Statutory Committee for any professional (the “Case Professionals”) retained by final order of the Court (which order has not been vacated, stayed or appealed) by the Debtors and the Statutory Committee under sections 327 or 1103(a) of the Bankruptcy Code) (the “Case Professionals Carve Out”) and (y) expenses and disbursements incurred by members of the Statutory Committee. Notwithstanding anything to the contrary herein, the Carve Out shall be senior in priority to the Prepetition Revolver Liens, the Prepetition Term Loan Liens, the Revolver Adequate Protection Liens, the Term Loan Adequate Protection Liens, the Landlord Adequate Protection Liens, the Revolver Adequate Protection Superpriority Claim and the Term Loan Adequate Protection Superpriority Claim.

(b) *No Direct Obligation to Pay Professional Fees.* The Prepetition Agents and Prepetition Lenders shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Case Professionals incurred in connection with the Cases or any Successor Cases. Nothing in the Interim Order, this Final Order or otherwise shall be construed (i) to obligate the Prepetition Agents or Prepetition Lenders, in any way to pay compensation to

or to reimburse expenses of any Case Professional, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement, (ii) to increase the Carve Out if actual Allowed Professional Fees are higher in fact than \$2,500,000, (iii) as consent to the allowance of any professional fees or expenses of any Case Professionals, or (iv) to affect the right of the Prepetition Agents or Prepetition Lenders, to object to the allowance and payment of such fees and expenses.

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

by foreclosure, credit bid, further order of the Court or otherwise) by the Prepetition Agents or Prepetition Lenders upon any of the Collateral; (b) to make any distribution under a plan of reorganization in any of the Cases; (c) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of the Prepetition Agents, unless otherwise ordered by the Court; (d) to pay any fees or similar amounts to any person who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the Prepetition Agents, (e) subject to the limited use of Cash Collateral set forth in paragraph 3 and 15 above, objecting to, contesting, or interfering with in any way the enforcement or realization upon any of the Collateral once an Event of Default has occurred by the Prepetition Revolver Agent or Prepetition Revolver Lenders (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent or Prepetition Term Loan Lenders); (f) using or seeking to use Cash Collateral or selling or otherwise disposing of Collateral without the consent of the Prepetition Revolver Agent and Prepetition Revolver Lenders (and, subject to and consistent with the terms of the Intercreditor Agreement, the Prepetition Term Loan Agent and Prepetition Term Loan Lenders); (g) using or seeking to use any insurance proceeds constituting Collateral without the consent of the Prepetition Revolver Agent and Prepetition Revolver Lenders (and, subject to and consistent with the terms of the Intercreditor Agreement, the Prepetition Term Loan Agent and Prepetition Term Loan Lenders); (h) incurring Indebtedness (as defined in the Prepetition Revolver Agreement) outside the ordinary course of business without the prior consent of the Prepetition Revolver Agent and Prepetition Revolver Lenders (and, subject to the terms of the Intercreditor Agreement, the Prepetition Term Loan Agent and Prepetition Term Loan Lenders); (i) objecting to or challenging in any way the claims, liens, or interests (including interests in the Collateral)

held by or on behalf of any Prepetition Agent or Prepetition Lender; (j) asserting, commencing or prosecuting any claims or causes of action whatsoever, including, without limitation, any actions under chapter 5 of the Bankruptcy Code, against any Prepetition Agent, or Prepetition Lender; (k) prosecuting an objection to, contesting in any manner, or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the Prepetition Obligations or Prepetition Liens or any other rights or interests of any Prepetition Agent or Prepetition Lender; or (l) preventing, hindering or otherwise delaying the exercise by any Prepetition Agent or Prepetition Lender of any rights and remedies granted under the Interim Order or this Final Order. Notwithstanding the foregoing, the Cash Collateral and the Case Professionals Carve Out may be used by the Statutory Committee (x) in an amount not to exceed \$100,000 in the aggregate on any such investigations (the “Investigation Cap”), provided, however, that the Investigation Cap shall not apply to any investigation of the Prepetition Junior Participants by the Statutory Committee, which may use the Cash Collateral and Case Professionals Carve Out to finance any such investigation in its entirety with respect to the Prepetition Junior Participants; and (y) to finance any Challenge or any other litigation in its entirety with respect to the Prepetition Junior Participants. Upon indefeasible payment in full of the Prepetition Revolver Obligations and the cancellation, backing, or cash collateralization of letters of credit under the Prepetition Revolver Facility, the rights and benefits of the Prepetition Revolver Agent and Prepetition Revolver Lenders in this paragraph 17 shall inure to the benefit of the Prepetition Term Loan Agent and Prepetition Term Loan Lenders.

18. Reservation of Certain Third Party Rights and Bar of Challenges and Claims.

Nothing in this Final Order shall prejudice the rights of the Statutory Committee or a successor trustee (other than the Debtors) to seek to object to or to challenge the Debtors’ Stipulations,

including, but not limited to those in relation to: (a) the validity, extent, priority, or perfection of the mortgage, security interests, and liens of any Prepetition Agent, Prepetition Lender or Prepetition Junior Participants; or (b) the validity, allowability, priority, full secured status or amount of the Prepetition Obligations or Prepetition Participation Obligations; provided, however, that any objection or challenge to the validity, extent, priority or perfection of the mortgage, security interests, and liens of the Prepetition Junior Participants, and/or the validity allowability, priority, fully secured status or amount of the Prepetition Participation Obligations shall be directed solely against the Prepetition Junior Participants and shall not be directed against or affect the Prepetition Revolver Agent or the Prepetition Revolver Lenders. The Statutory Committee must commence, as appropriate, a contested matter or adversary proceeding raising such objection or challenge, including, without limitation, any claim in the nature of a setoff, counterclaim or defense to the applicable Prepetition Obligations and/or Prepetition Participation Obligations (each, a “Challenge”) within the earlier of: (i) with respect to the Prepetition Agents or Prepetition Lenders, sixty (60) calendar days from the effective date of retention of counsel to the Statutory Committee, and (ii) with respect to the Prepetition Junior Participants, one hundred twenty (120) calendar days from the effective date of retention of counsel to the Statutory Committee (together, the “Challenge Period”). The Statutory Committee shall have automatic standing to file a Challenge without further order of this Court. The applicable Challenge Period may only be extended for cause shown on motion and hearing brought prior to its expiration or by written consent of the applicable Prepetition Agent or Prepetition Junior Participant. With respect to those Prepetition Agents, Prepetition Lenders (and/or Prepetition Obligations or Prepetition Liens) against whom no Challenge has been filed, upon the expiration of the Challenge Period (the “Challenge Period Termination Date”): (A) any

and all such Challenges by any party (including, without limitation, the Statutory Committee, any chapter 11 trustee, and/or any examiner or other estate representative appointed in these Cases, and any chapter 7 trustee and/or examiner or other estate representative appointed in any Successor Case), shall be deemed to be forever waived, released and barred, and (B) all of the Debtors' Stipulations, waivers, releases, affirmations and other stipulations as to the priority, extent, and validity as to each Prepetition Agent's, each Prepetition Lender's and each Prepetition Junior Participant's claims, liens, and interests shall be of full force and effect and forever binding upon the Debtors, the Debtors' bankruptcy estates and all creditors, interest holders, and other parties in interest in these Cases and any Successor Cases. Upon entry of a final nonappealable order sustaining any Challenge brought pursuant to this paragraph, payments made to the Prepetition Agents or the Prepetition Lenders may be subject to appropriate reversal or reapplication as this Court may determine on notice and hearing. Upon entry of a final nonappealable order determining any Prepetition Lender to be undersecured, payment of interest or fees to that Prepetition Lender under the Interim Order or this Final Order shall be reapplied to principal.

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

20. Section 506(c) Claims. No costs or expenses of administration which have been or may be incurred in the Cases at any time shall be charged against any Prepetition Agent, Prepetition Lender or Prepetition Junior Participants or any of their respective claims or the Collateral pursuant to sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the applicable Prepetition Agent Prepetition Lender, or Prepetition

Junior Participants, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

21. No Marshaling/Applications of Proceeds. Except as otherwise previously agreed to in writing by the Prepetition Agents, the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants shall not be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the Collateral, as the case may be, and proceeds shall be received and applied in accordance with this Final Order notwithstanding any other agreement or provision to the contrary.

22. Section 552(b). The Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants shall each be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the “equities of the case” exception under section 552(b) of the Bankruptcy Code shall not apply to any of the Prepetition Agents, Prepetition Lenders or Prepetition Junior Participants with respect to proceeds, product, offspring or profits of any of the Prepetition Collateral.

23. Rights Preserved. Notwithstanding anything herein to the contrary, the entry of this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly: (a) the Prepetition Agents’, any Prepetition Lender’s, any Prepetition Junior Participant’s or any Landlord’s right to seek any other or supplemental relief in respect of any Debtor, including the right to seek additional adequate protection (without prejudice to any other person’s right to object to or otherwise oppose such additional adequate protection); (b) any of the rights of any Prepetition Agent, Prepetition Lender, Prepetition Junior Participant or Landlord under the Bankruptcy Code or under non-bankruptcy law, including, without limitation, the right to (i) request modification of the automatic stay of section 362 of the

Bankruptcy Code, (ii) request dismissal of any of the Cases or Successor Cases, conversion of any of the Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with expanded powers, or (iii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a chapter 11 plan or plans.

24. Section 507(b) Reservation. Nothing herein shall impair or modify the application of section 507(b) of the Bankruptcy Code in the event that the adequate protection provided to any of the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and/or Landlords hereunder is insufficient to compensate for any Diminution in Value of their respective interests in the Prepetition Collateral during the Cases or any Successor Cases. Nothing contained herein shall be deemed a finding by the Court, or an acknowledgment by the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants or Landlords, that the adequate protection granted herein does in fact adequately protect the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and Landlords against any Diminution in Value of their respective interests in the Prepetition Collateral (including Cash Collateral).

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

26. Proofs of Claim. The Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants will not be required to file proofs of claim in any of the Cases or Successor Cases for any claim allowed herein. Notwithstanding any order entered by the Court in relation

to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, each of (a) the Prepetition Revolver Agent on behalf of itself, the Prepetition Revolver Lenders and the Prepetition Junior Participants and (b) the Prepetition Term Loan Agent on behalf of itself and the Prepetition Term Loan Lenders are hereby authorized and entitled, each in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim allowed herein. Any proof of claim filed by a Prepetition Agent shall be deemed to be in addition and not in lieu of any other proof of claim that may be filed by any of the Prepetition Lenders or Prepetition Junior Participants, respectively. Any order entered by the Court in relation to the establishment of a bar date for any claim (including without limitation administrative claims) in any of the Cases or Successor Cases shall not apply to the Prepetition Agents, Prepetition Lenders or Prepetition Junior Participants.

27. Good Faith. The Prepetition Agents, Prepetition Lenders, and the Prepetition Junior Participants each have acted in good faith in connection with the Interim Order and this Final Order and their reliance on the Interim Order and this Final Order is in good faith.

28. Continuing Effect of Intercreditor Agreement and Prepetition Participation Agreement. The Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants each shall be bound by and be subject to all the terms, provisions and restrictions of the Intercreditor Agreement. Nothing in the Interim Order or this Final Order is meant to or shall be deemed to alter or otherwise modify the rights, including consent rights, contained in the Intercreditor Agreement as between and among the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants. The Prepetition Junior Participants each shall be bound by and subject to all the terms, provisions and restrictions of the Prepetition Participation Agreement and Prepetition

Revolver Documents. Nothing in the Interim Order or this Final Order is meant to or shall be deemed to grant or confer additional rights, or to improve the rights, including consent rights, of the Prepetition Junior Participants that are otherwise subject to the provisions of the Prepetition Participation Agreement and Prepetition Revolver Documents.

29. Binding Effect of Final Order. Immediately upon entry by this Court (notwithstanding any applicable law or rule to the contrary), the terms and provisions of this Final Order shall become valid and binding upon and inure to the benefit of the Debtors, the Prepetition Agents, the Prepetition Lenders, the Prepetition Junior Participants, all other creditors of any of the Debtors, any committee appointed in the Cases, and all other parties in interest and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in any of the Cases, any Successor Cases, or upon dismissal of any Case or Successor Case. The Interim Order is incorporated herein by reference. In the event of any inconsistency between the provisions of this Final Order and the Interim Order or any other order (including any “First Day” order), the provisions of this Final Order shall govern and control. Any payments to be made under any order (including any “First Day” order) shall be made in accordance with this Final Order and the Budget.

30. No Modification of Final Order. The Debtors irrevocably waive any right to seek any amendment, modification or extension of this Final Order without the prior written consent of the Prepetition Agents and Prepetition Lenders, and no such consent shall be implied by any other action, inaction or acquiescence of the applicable Prepetition Agent or Prepetition Lenders. In the event any or all of the provisions of this Final Order are hereafter modified, amended or vacated by a subsequent order of this Court or any other court, such modification, amendment or vacatur shall not affect the validity, perfection, priority, allowability, enforceability or non-

avoidability of any advances previously made or made hereunder, or lien, claim or priority authorized or created hereby. Any liens or claims granted to the Prepetition Agents, Prepetition Lenders, Prepetition Junior Participants and Landlords hereunder arising prior to the effective date of any such modification, amendment or vacatur of this Final Order shall be governed in all respects by the original provisions of this Final Order, including entitlement to all rights, remedies, privileges and benefits granted herein.

31. Survival. The provisions of this Final Order and any actions taken pursuant hereto shall survive entry of any order which may be entered: (a) confirming any plan of reorganization in any of the Cases; (b) converting any of the Cases to a case under chapter 7 of the Bankruptcy Code; (c) dismissing any of the Cases or any Successor Cases; or (d) pursuant to which this Court abstains from hearing any of the Cases or Successor Cases. The terms and provisions of this Final Order, including the claims, liens, security interests and other protections granted to the Prepetition Agents, Prepetition Lenders and Prepetition Junior Participants pursuant to this Final Order, notwithstanding the entry of any such order, shall continue in the Cases, in any Successor Cases, or following dismissal of the Cases or any Successor Cases, and shall maintain their priority as provided by this Final Order until all Prepetition Obligations and Prepetition Participation Obligations have been indefeasibly paid in full in cash and all letters of credit under the Prepetition Revolver Facility shall have been cancelled, backed, or cash collateralized in accordance with the terms thereof, notwithstanding the expiration of the Specified Period or any earlier termination of the Debtors' authorization to use Cash Collateral.

32. Effect of this Final Order. This Final Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and shall take effect and be enforceable *nunc pro tunc* to the Petition Date immediately upon execution thereof.

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

SO ORDERED by the Court this 4th day of August, 2008.

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE

Exhibit A

Budget

Stora & Barry's
Daily/Weekly Cash Flow Forecast - In Court
(if approved)

	June Court			276		
	276	276	276	276	276	276
	Week Ending 8/1/08	Week Ending 8/8/08	Week Ending 8/15/08	8/18/08	8/25/08	8/29/08
RECEIPTS						
Sales Receipts, gross	9,230	11,542	11,766	4,804	2,402	3,391
Tax Refund	-	-	-	-	-	-
Total Receipts	9,230	11,542	11,766	4,804	2,402	3,391
DISBURSEMENTS						
Store-related Expenses:						
Salaries & Payroll Taxes	4,402	-	5,188	-	-	-
Employee Benefits	154	-	154	-	-	-
Rent	8,255	-	-	-	-	-
Utilities & Telephone	611	625	625	125	125	125
Bank Charges	110	110	139	60	30	42
Other Store Expenses	618	624	624	125	125	125
Liquorator Reimbursement	-	-	-	-	-	-
Subtotal	14,151	1,358	6,730	330	280	282
Corporate Expenses:						
Salaries & Payroll Taxes	1,657	-	1,657	-	-	-
Payroll Fees	59	-	59	-	-	-
Employee Benefits	159	-	159	-	-	-
Rent	165	-	-	-	-	-
Utilities & Telephone	19	19	19	4	4	4
Bank Charges	18	23	23	6	6	6
Insurance	472	-	-	-	-	-
Royalty Payments	285	10	-	-	-	-
Other Corporate Expenses	450	432	432	86	86	86
Subtotal	2,654	484	1,750	96	96	96
DC Expense:						
Salaries & Payroll Taxes (Inc. Benefit)	331	-	331	-	-	-
Rent	243	-	-	-	-	-
Utilities & Telephone	21	26	26	5	5	5
Other Expenses	36	61	61	12	12	12
Subtotal	631	87	418	17	17	17
Overseas Office	561	592	177	177	-	-
Inventory Purchases	-	-	-	-	-	-
Domestic Freight	76	76	95	25	25	25
Total Operating Disbursements	18,474	2,597	9,170	625	418	430
Non-Operating Disbursements						
Taxes / Sales Taxes	-	24	24	-	-	2,280
Interest Expense/Fees	1,676	-	-	-	-	-
Capital Lease Payments	385	-	-	-	-	-
Capital Expenditures	59	59	59	12	12	12
Total Non-Operating Disbursements	2,069	82	82	12	12	2,292
Restructuring-Related Items						
Critical Vendor Payments	625	-	-	-	-	-
Corporate Restructuring	-	-	-	-	-	-
Severance & Vacation Payout	-	-	-	-	-	-
Professional Fees	-	-	2,500	-	-	-
DIP Fees	-	-	-	-	-	-
Adequate Assurance Payments	-	250	-	-	-	-
Total Bankruptcy Disbursements	625	250	2,500	0	0	0
Total Disbursements	21,390	2,930	11,752	637	429	2,722
Float	(10,150)	10,810	(1,534)	974	956	(610)
NET CASH FLOW	(1,809)	(2,197)	1,548	3,193	1,066	1,289
Loan Balance						
Beginning Loan Balance	159,376	161,052	161,052	161,052	161,052	161,052
Payments	-	-	-	-	-	-
Draw	1,676	-	-	-	-	-
Ending Loan Balance	161,052	161,052	161,052	161,052	161,052	161,052
Cash Collateral						
Beginning Cash Balance	8,324	8,191	5,994	7,542	10,736	11,752
Net Cash Flow	(132)	(2,197)	1,548	3,193	1,016	1,289
Loan Borrowing/(Payments)	-	-	-	-	-	-
Ending Cash Balance	8,191	5,994	7,542	10,736	11,752	13,041

Steve & Barry's
Daily/Weekly Availability Roll-forward
(\$ in thousands)

	Week Ending 8/1/08	Week Ending 8/8/08	Week Ending 8/15/08	8/18/08	8/19/08	8/20/08
Beginning Stock Ledger Inventory Balance	221,249	213,981	207,392	200,803	196,692	195,914
Purchases	-	-	-	-	-	-
COGS	(7,268)	(6,589)	(6,589)	(4,110)	(779)	(846)
Ending Stock Ledger Inventory Balance	213,981	207,392	200,803	196,692	195,914	195,068
Ending Inventory	213,981	207,392	200,803	196,692	195,914	195,068
Ineligible Inventory	(7,995)	(7,995)	(7,995)	(7,995)	(7,995)	(7,995)
Eligible Inventory	205,986	199,397	192,808	188,697	187,919	187,073
Eligible Intransit (excludes inv received above)	-	-	-	-	-	-
Shrink Reserve	(5,409)	(5,645)	(5,880)	(6,027)	(6,055)	(6,085)
Total Inventory	200,577	193,752	186,928	182,671	181,864	180,988
NOLV	78.1%	78.1%	78.1%	78.1%	78.1%	78.1%
Net Orderly Liquidation Value of Inventory	156,651	151,320	145,991	142,666	142,036	141,351
Advance Rate	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Available Inventory	140,985	136,188	131,392	128,399	127,832	127,216
Eligible Credit Card Receivables	954	954	954	954	954	954
Advance Rate	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Available Credit Card Receivables	859	859	859	859	859	859
Borrowing Base Before Reserves	141,844	137,047	132,250	129,258	128,691	128,075
Reserves:						
Rent Reserve	(1,723)	(1,723)	(1,723)	(1,723)	(1,723)	(1,723)
Texas Ad Taxes Reserve	(153)	(153)	(153)	(153)	(153)	(153)
Insurance Reserve	(629)	(629)	(629)	(629)	(629)	(629)
Royalties Reserve	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Freight & Duty	-	-	-	-	-	-
Gift Cards (50%)	(1,017)	(1,017)	(1,017)	(1,017)	(1,017)	(1,017)
Return Reserve	(736)	(736)	(736)	(736)	(736)	(736)
Second Lien Deficiency Amount	(11,154)	(11,794)	(12,433)	(12,832)	(12,908)	(12,990)
Other	-	-	-	-	-	-
Total Reserves	(17,112)	(17,752)	(18,391)	(18,790)	(18,866)	(18,948)
Total Borrowing Base	124,732	119,295	113,859	110,467	109,825	109,127
Maximum Amount	197,000	197,000	197,000	197,000	197,000	197,000
Lesser of A or B	124,732	119,295	113,859	110,467	109,825	109,127
Plus Second Lien Loan	30,000	30,000	30,000	30,000	30,000	30,000
Borrowing Base with Second Lien Loan	154,732	149,295	143,859	140,467	139,825	139,127
Revolving Loan	131,052	131,052	131,052	131,052	131,052	131,052
Second Lien Loan	30,000	30,000	30,000	30,000	30,000	30,000
Minimum Borrowing Availability	30,000	30,000	30,000	30,000	30,000	30,000
	191,052	191,052	191,052	191,052	191,052	191,052
Borrowing Availability	(36,320)	(41,757)	(47,194)	(50,585)	(51,227)	(51,926)
Loan Balance	161,052	161,052	161,052	161,052	161,052	161,052
Second Lien Availability Calculation						
Eligible Inventory	200,577	193,752	186,928	182,671	181,864	180,988
NOLV	78.1%	78.1%	78.1%	78.1%	78.1%	78.1%
Net Orderly Liquidation Value of Inventory	156,651	151,320	145,991	142,666	142,036	141,351
Advance Rate	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Available Inventory	18,798	18,158	17,519	17,120	17,044	16,962
Eligible Credit Card Receivables	954	954	954	954	954	954
Advance Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Available Credit Card Receivables	48	48	48	48	48	48
Second Lien Loan Availability	18,846	18,206	17,567	17,168	17,092	17,010
Second Lien Loan Outstanding	30,000	30,000	30,000	30,000	30,000	30,000
Second Lien Deficiency Reserve Amount	(11,154)	(11,794)	(12,433)	(12,832)	(12,908)	(12,990)

Exhibit B
Sale Trigger Events

Definitions for the purposes of this Exhibit B:

“**Sale Transaction**” means any or all of the GC Sale or Full Chain Liquidation, on terms reasonably acceptable to the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent) in all respects.

“**Full Chain Liquidation**” means a liquidation, in one or a series of related transactions, of substantially the entire chain of store locations of the Debtors and all of the assets relating thereto. The agency documents and all other relevant documents executed in connection with the Full Chain Liquidation shall be in form and substance satisfactory to the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent).

“**GC Sale**” means a sale, in one or a series of related transactions, of the business of the Debtors as a going concern under section 363 of the Bankruptcy Code with respect to the Debtors and/or all or any substantial portion of the assets of the Debtors. The purchase documents and all other relevant documents executed in connection with the GC Sale shall be in form and substance satisfactory to the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent).

Sale Trigger Events:

(a) On or before July 24, 2008, unless the Prepetition Revolver Agent and the Debtors agree otherwise, the Debtors, after consultation with the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent) shall have accepted a stalking horse bid (the “*Stalking Horse Bid*”) from a stalking horse bidder (the “*Stalking Horse Bidder*”) that is reasonably acceptable to Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent).

(b) On or before August 4, 2008, the Bankruptcy Court shall have approved and entered a sales procedures order with respect to the Sale Transaction. The proposed orders and the bidding procedures with respect to the Sale Transaction shall be in form and substance satisfactory to the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent).

(c) On or before August 18, 2008, the Debtors shall complete the auction for the Sale Transaction.

(d) On or before August 19, 2008, the Debtors shall receive the approval of the Bankruptcy Court for the Sale Transaction and the order approving such Sale Transaction shall be in

form and substance satisfactory to the Prepetition Revolver Agent (and, subject to and consistent with the Intercreditor Agreement, the Prepetition Term Loan Agent).

(e) On or before August 20, 2008 (the "*Closing Date*"), the Debtors shall have executed all of the agency documents (to the extent applicable in the event a bidder other than the Stalking Horse Bidder is the successful bidder at any auction) or purchase agreements and all other relevant documents in connection with the Sale Transaction (the "*Closing*").

(f) On or before August 20, 2008, to the extent applicable, the GC Sale shall have been consummated, or the Full Chain Liquidation shall have commenced.

Exhibit C

Landlords

Carousel Center Company, L.P.
Pyramid Mall of Glens Falls NewCo, L.L.C.
Riverside Enterprises, L.L.C.
Salmon Run Shopping Center, L.L.C.
Pyramid Walden Company, L.P.
Lanesborough Enterprises NewCo, LLC
Pyramid Mall of Hadley NewCo, L.L.C.
Independence Center, LLC

Exhibit D
Tax Authorities

Bell County
County of Brazos
Taylor County
Fort Bend County
Harris County
Katy ISD
Bexar County
Cameron County
Dallas County
Eagle Pass
Eagle Pass ISD
Harlingen
Harlingen CISD
Irving ISD
Jefferson County
Maverick County
Tarrant County
Arlington ISD
City of Grapevine
City of Haltom City
Grapevine-Colleyville ISD
Brazoria County
Alief ISD
Harris-FB MUD #4
City of Katy
County of San Bernardino