

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

In re

ZIFF DAVIS MEDIA INC., et al.,¹

Debtors.

Chapter 11

Case No. 08-10768 (BRL)

Jointly Administered

**STIPULATION AND INTERIM ORDER (A) AUTHORIZING
THE DEBTORS' USE OF CASH COLLATERAL, (B) GRANTING
ADEQUATE PROTECTION PURSUANT TO SECTIONS 105, 361 AND
363 OF THE BANKRUPTCY CODE AND (C) SCHEDULING A FINAL
HEARING FOR APPROVAL OF THE DEBTORS' USE OF CASH COLLATERAL**

This matter came before the Court on the motion (the "Motion") of the above-captioned debtors (the "Debtors") for interim and final orders pursuant to 11 U.S.C. §§ 105, 361 and 363 and Fed. R. Bankr. P. 4001 and 9014, approving the stipulation among the parties hereto providing for the following relief on an interim basis only and, only if the parties hereto further agree or the Court so orders, after all parties in interest have been afforded notice and an opportunity to be heard in accordance with paragraph 32 below, on a final basis:

(i) authorizing the use of the Remaining Net Proceeds (as defined below) and "cash collateral" (the "Cash Collateral"), as such term is defined in section 363 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), in which the Collateral Trustee (as defined below) has an interest;

(ii) providing adequate protection to the Collateral Trustee and the holders of the Senior Secured Notes (each as defined below) for any diminution in value of the Collateral

¹ The Debtors in these cases include: Ziff Davis Media Inc. ("Ziff Davis"); Ziff Davis Development Inc.; Ziff Davis Holdings Inc.; Ziff Davis Intermediate Holdings Inc.; Ziff Davis Internet Inc.; Ziff Davis Publishing Inc.; and Ziff Davis Publishing Holdings Inc.

Trustee's interests in the Pre-Petition Collateral (as defined below), the Remaining Net Proceeds (as defined below) and Cash Collateral;

(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 Order; and

(iv) scheduling a hearing to approve the use of the Remaining Net Proceeds (as defined below) and Cash Collateral on a final basis.

This Court having considered the Motion and Exhibits attached thereto and the Affidavit of Mark Moyer, Chief Restructuring Officer of Ziff Davis Media Inc., in Support of First Day Motions (the "First Day Affidavit") in support thereof; and, in accordance with Rules 2002(a)(2), 4001(b), (c) and (d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and under the circumstances of the interim relief requested, due and proper notice of the Motion having been given; and a hearing to consider approval of the Motion having been held and concluded; and upon all of the pleadings filed with the Court and proceedings held before it; and after due deliberation and consideration and good and sufficient cause appearing therefor:

IT IS HEREBY STIPULATED BY THE UNDERSIGNED PARTIES, AND THE COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:

A. Petition Date. On March 5, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under the Bankruptcy Code commencing these chapter 11 cases (the "Cases").

B. Debtor in Possession. Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors have retained possession of their property and are authorized thereby, as debtors-in-possession, to continue the operation and management of their businesses. No request has been made for the appointment of a trustee or examiner and none has been appointed.

C. Jurisdiction and Venue. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a “core” proceeding within the meaning of 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are sections 105, 361, 362, 363 and 364 of the Bankruptcy Code and Bankruptcy Rules 4001(b), (c) and (d). Venue of these Cases and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

D. Committee Formation. Neither an official committee of unsecured creditors (the “Creditors’ Committee”) nor any other official committee has been appointed in these cases.

E. Debtors’ Acknowledgements and Agreements. After consultation with their attorneys and financial advisors, but without prejudice to the rights of parties in interest as set forth in paragraph 18 below, the Debtors admit, stipulate, acknowledge and agree as follows (collectively paragraphs E(i) through E(xxi) below shall be referred to herein as the “Debtors’ Stipulations”):

(i) Senior Secured Notes Indenture. Prior to the Petition Date, on or about April 22, 2005, pursuant to that certain Indenture dated as of the same date (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “Senior Secured Notes Indenture”), among Ziff Davis, as issuer, the other Debtors other than Ziff Davis Intermediate Holdings Inc., as guarantors (collectively, the “Guarantors”), and U.S. Bank National Association, as trustee (the “Indenture Trustee”), Ziff Davis issued senior secured floating rate notes due 2012 in the original aggregate principal amount of \$205,000,000 (the “Floating Rate Senior Secured Notes”). As of the Petition Date, the Debtors’ obligations under the Senior Secured Notes Indenture in respect of the Floating Rate Senior Secured Notes included \$205,000,000 in unpaid principal, accrued and unpaid interest in the amount of at least \$14,197,356, and fees, expenses and other amounts due under the Senior Secured Notes

Indenture and the Floating Rate Senior Secured Notes (collectively, the “Pre-Petition Indenture Obligations”).

(ii) First Lien Security Agreement. Pursuant to that certain First Lien Security Agreement, dated as of April 22, 2005 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “First Lien Security Agreement”) between each of the Debtors other than Ziff Davis Intermediate Holdings Inc. and U.S. Bank National Association, as collateral trustee for the holders of the Pre-Petition Senior Secured Debt Obligations (as defined below) (the “Collateral Trustee”), as security for the Debtors’ obligations under the Senior Secured Notes Indenture and the Floating Rate Senior Secured Notes, the Debtors granted to the Collateral Trustee, for the benefit of the holders of the Floating Rate Senior Secured Notes, valid and perfected first priority continuing liens on and security interests in (the “FRN Pre-Petition Liens”) substantially all of the Debtors’ property, including all proceeds thereof (collectively, the “Pre-Petition Collateral”), as more fully set forth in the First Lien Security Agreement.

(iii) Collateral Trust Agreement. Pursuant to a Collateral Trust Agreement, dated as of April 22, 2005 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “Collateral Trust Agreement”), among Ziff Davis, other pledgors from time to time party thereto (the “Pledgors”), the Indenture Trustee and the Collateral Trustee, Ziff Davis and the Pledgors granted the Collateral Trustee to hold in trust for the benefit of all holders of Pre-Petition Senior Secured Debt Obligations (as defined below) all right, title and interest to and under the Pre-Petition Collateral for the benefit of the holders of the Pre-Petition Senior Secured Debt Obligations (as defined below) and all cash and non-cash proceeds thereof. The Collateral Trust Agreement further provides, among other things, that the

Pre-Petition Senior Secured Debt Obligations shall be discharged in full prior to the discharge of any junior liens or the rights and remedies of any lienholders junior to the Pre-Petition Liens, including the Subordinated Notes (as defined below).

(iv) Validity and Priority of FRN Pre-Petition Liens, Claims and Pre-Petition Indenture Obligations. The FRN Pre-Petition Liens are valid, binding, enforceable, and perfected liens that have priority over any and all other security interests in the Pre-Petition Collateral except for (a) certain Permitted Liens (as defined and permitted under the Senior Secured Notes Indenture and the Note Purchase Agreement (as defined below)) (to the extent any valid, properly perfected, unavoidable, and senior Permitted Liens exist, they are referred to herein as the “Prior Liens”) and (b) the liens and security interests granted to the Collateral Trustee for the benefit of the holders of the New Notes (as defined below), which liens and security interests are equal in priority with the FRN Pre-Petition Liens. In addition, (a) the FRN Pre-Petition Liens are not subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law, (b) the Pre-Petition Indenture Obligations constitute legal, valid, binding and non-avoidable obligations of the Debtors that, except for the stay of enforcement arising from section 362 of the Bankruptcy Code, are enforceable in accordance with the terms of the Senior Secured Notes Indenture, the Floating Rate Senior Secured Notes, the First Lien Security Agreement, and the Collateral Trust Agreement, (c) no offsets, defenses, challenges, claims, or counterclaims of any kind or nature to any of the Pre-Petition Indenture Obligations exist, and no portion of the Pre-Petition Indenture Obligations is subject to avoidance, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law, (d) the Debtors and their estates have no offsets, defenses, claims, objections, challenges, causes of action, and/or choses in action,

including, without limitation, claims under chapter 5 of the Bankruptcy Code, against the Indenture Trustee, the Collateral Trustee, or holders of the Floating Rate Senior Secured Notes, and (e) any payments made or to be made on account of the Pre-Petition Indenture Obligations (i) have been or will be payments out of the Pre-Petition Collateral and (ii) have not and will not diminish any property otherwise available for distribution to unsecured creditors.

(v) The Unofficial Group of Holders of Floating Rate Senior Secured Notes.

Prior to the Petition Date, holders of in excess of 80% in principal amount of the Floating Rate Senior Secured Notes (the “Noteholder Group”) organized and retained counsel and a financial advisor, the fees and expenses of which have been paid by Ziff Davis out of Pre-Petition Collateral, pursuant to engagement letters executed pre-petition. Each of the members of the Noteholder Group and the Debtors executed a plan support agreement prior to the Petition Date pursuant to which, *inter alia*, each of the members of the Noteholder Group agreed, subject to the terms and conditions specified therein, to support and vote in favor of, and the Debtors agreed to seek confirmation of, a plan of reorganization as described therein (the “Plan Support Agreement”).

(vi) Note Purchase Agreement. Pursuant to a Note Purchase Agreement, dated as of February 15, 2007 (as amended, supplemented, amended and restated, or otherwise modified and in effect from time to time, the “Note Purchase Agreement”), among Ziff Davis and the purchasers party thereto, Ziff Davis issued new Senior Secured Notes due 2012 (the “New Notes” and, together with the Floating Rate Senior Secured Notes, collectively, the “Senior Secured Notes”). As of the Petition Date, the Debtors’ obligations under the Note Purchase Agreement in respect of the New Notes included \$20,000,000 in unpaid principal, accrued and unpaid interest in the amount of at least \$3,357,291, and fees, expenses and other

amounts due and payable under the Note Purchase Agreement and the New Notes (collectively, the “Pre-Petition Note Purchase Agreement Obligations” and, together with the Pre-Petition Indenture Obligations, collectively the “Pre-Petition Senior Secured Debt Obligations”).

(vii) Pursuant to the First Lien Security Agreement and the Collateral Trust Agreement, the holders of Pre-Petition Note Purchase Agreement Obligations share equally and ratably in the same Pre-Petition Collateral that secures the Pre-Petition Indenture Obligations (“New Note Pre-Petition Liens”), and the Collateral Trustee serves as Collateral Trustee for both the holders of the Floating Rate Senior Secured Notes and the New Notes. (The loan and security documentation comprising the Pre-Petition Senior Secured Debt Obligations shall be collectively referred to herein as the “Pre-Petition Financing Documents”).)

(viii) Validity and Priority of New Note Pre-Petition Liens, Claims, and Pre-Petition Note Purchase Agreement Obligations. The New Note Pre-Petition Liens are valid, binding, enforceable, and perfected liens that have priority over any and all other security interests in the Pre-Petition Collateral except for (a) Prior Liens and (b) the FRN Pre-Petition Liens, which liens and security interests are equal in priority with the New Note Pre-Petition Liens. In addition, (a) the New Note Pre-Petition Liens are not subject to avoidance or recharacterization pursuant to the Bankruptcy Code or applicable non-bankruptcy law, (b) the Pre-Petition Note Purchase Agreement Obligations constitute legal, valid, binding and non-avoidable obligations of the Debtors that, except for the stay of enforcement arising from section 362 of the Bankruptcy Code, are enforceable in accordance with the terms of the Note Purchase Agreement, the New Notes, the First Lien Security Agreement, and the Collateral Trust Agreement, (c) no offsets, defenses, challenges, claims, or counterclaims of any kind or nature to any of the Pre-Petition Note Purchase Agreement Obligations exist, and no portion of the Pre-

Petition Note Purchase Agreement Obligations is subject to avoidance or recharacterization pursuant to the Bankruptcy Code or applicable non-bankruptcy law, (d) the Debtors and their estates have no offsets, defenses, claims, objections, challenges, causes of action, and/or choses in action, including, without limitation, claims under chapter 5 of the Bankruptcy Code, against the Collateral Trustee or holders of the New Notes, and (e) any payments made or to be made on account of the Pre-Petition Note Purchase Agreement Obligations (i) have been or will be payments out of the Pre-Petition Collateral and (ii) have not and will not diminish any property otherwise available for distribution to unsecured creditors. Notwithstanding anything to the contrary in the foregoing paragraph, the right of parties in interest to assert equitable subordination of the New Notes is expressly reserved.

(ix) The Subordinated Notes. Prior to the Petition Date, on August 12, 2002, pursuant to an indenture dated as of August 12, 2002 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the “Subordinated Notes Indenture”), Ziff Davis issued certain senior subordinated compounding notes due 2009 (the “Subordinated Notes”) in the aggregate principal amount of \$173,320,254. The Subordinated Notes Indenture was supplemented on September 18, 2002, October 25, 2002, and February 15, 2007.

(x) The Subordinated Notes are unsecured obligations of Ziff Davis and are subordinated and junior in right of payment to the prior payment in full of the Pre-Petition Senior Secured Debt Obligations in accordance with the Subordinated Notes Indenture.

(xi) Section 4.10 of the Subordinated Notes Indenture provides for, among other things, the application of certain net proceeds of Asset Sales (as defined in the Subordinated Notes Indenture) to the Pre-Petition Senior Secured Debt Obligations.

(xii) The Enterprise Sale. Prior to the Petition Date, pursuant to that certain Purchase and Sale Agreement, dated as of June 20, 2007, the Debtors sold certain of their assets and assigned certain of their liabilities to Enterprise Media Group, Inc. (the “Enterprise Sale”). The assets sold or otherwise transferred as part of the Enterprise Sale constituted Pre-Petition Collateral. The Enterprise Sale closed on July 31, 2007, at which time Enterprise Media Group, Inc. paid an aggregate cash purchase price of approximately \$150 million (\$17 million of which was placed in escrow accounts access to which is subject to the occurrence of certain conditions, and \$7.9 million of which was used to satisfy fees and expenses in connection with the sale) and agreed to pay up to an additional \$10 million in cash contingent upon earnings through December 31, 2007. Accordingly, the net sale proceeds from the Enterprise Sale were approximately \$125.1 million (the “Net Proceeds”).

(xiii) The assets sold in the Enterprise Sale constituted Pre-Petition Collateral pledged to the Collateral Trustee pursuant to the Pre-Petition Financing Documents. The Enterprise Sale constituted an “Asset Sale” for purposes of section 4.10 of the Senior Subordinated Indenture. None of the Net Proceeds from the Enterprise Sale were used to repay or purchase the Pre-Petition Senior Secured Debt Obligations. The Net Proceeds were instead deposited into Ziff Davis’s operating account (account no. 725-02093, the “Initial Account”) at Merrill Lynch, Pierce, Fenner & Smith Inc., (“Merrill Lynch”).

(xiv) The Segregated Account. The full amount of the Net Proceeds, less payment of accrued and unpaid interest in the amount of \$5,820,078 due pursuant to the Floating Rate Senior Secured Notes on August 1, 2007 and payment of accrued and unpaid interest in the amount of \$602,693 due pursuant to the New Notes on August 1, 2007 (the “Remaining Net”

Proceeds”), remained in the Initial Account at all times since their deposit therein and at no time since August 1, 2007 was the balance in the Initial Account less than \$118,744,591.

(xv) Pursuant to the terms of the Forbearance Agreement (defined below), the Debtors subsequently transferred all of the Remaining Net Proceeds held in the Initial Account to a separate, special-purpose, segregated, interest-bearing account at Merrill Lynch, account no. 725-02095 (the “Segregated Account”). All of the Remaining Net Proceeds received to date by the Debtors on account of the Enterprise Sale, including interest or other earnings thereon, but excluding funds currently held in escrow in connection with the Enterprise Sale, were transferred to the Segregated Account. Since the receipt thereof, no security interest in any of the Remaining Net Proceeds has been granted nor are the Debtors aware of any being asserted thereon other than the valid and perfected security interest of the Collateral Trustee.

(xvi) On February 12, 2008, the Debtors and the Collateral Trustee sent a joint letter of direction to Merrill Lynch authorizing and directing Merrill Lynch to make the following transfers from the Segregated Account to cover the Debtors’ payroll and payroll-related expenses, operating disbursements and certain professional fees and expenses of the Debtors, the Collateral Trustee and the Noteholder Group: \$2,493,000 to the Initial Account; and \$954,255 in the aggregate to Houlihan Lokey Howard & Zukin Capital; Paul, Weiss, Rifkind, Wharton & Garrison LLP; the Collateral Trustee; Winston & Strawn LLP; and Alvarez & Marsal (collectively the “February 12 Transfer”). Other than the February 12 Transfer, Debtors have not used or otherwise expended any portion of the Remaining Net Proceeds received by them on account of the Enterprise Sale and all such Remaining Net Proceeds have been and will be continuously on deposit in the Segregated Account. All Net Proceeds received hereafter by any of the Debtors, including any purchase price adjustment or earnout paid to the

Debtors or any escrowed funds that become available to the Debtors, shall be transferred to the Segregated Account within two (2) business days of receiving such Net Proceeds in the form received by the Debtors and, subject to entry of the Final Order, any such additional Net Proceeds immediately paid to the Collateral Trustee for distribution to holders of the Pre-Petition Senior Secured Debt Obligations.

(xvii) The Events of Default. On August 15, 2007, Ziff Davis failed to pay interest due pursuant to the Subordinated Notes Indenture. Such failure constituted an event of default under the Senior Secured Notes Indenture on September 14, 2007 (the “September 14 Event of Default”), and the Collateral Trustee notified Ziff Davis of such default on September 26, 2007. On November 1, 2007, Ziff Davis failed to pay interest due pursuant to the Senior Secured Notes Indenture. Such failure constituted an event of default under the Senior Secured Notes Indenture on December 1, 2007 (the “December 1 Event of Default,” and, together with the September 14 Event of Default, the “Events of Default”), and the Collateral Trustee notified Ziff Davis of such default on December 4, 2007. Each of the Events of Default entitled the Collateral Trustee to demand, pursuant to section 7(d) of the First Lien Security Agreement, that all Cash and Cash Proceeds (both as defined in the First Lien Security Agreement) be turned over to the Collateral Trustee. Further, pursuant to section 7(d) of the First Lien Security Agreement, since the occurrence of the initial Event of Default under the Senior Secured Notes Indenture, (i) all Cash and Cash Proceeds (both as defined in the Agreement) were to be held in trust by the Debtors for the Collateral Trustee, segregated from other funds and turned over to the Collateral Trustee in the exact form received, and (ii) the Remaining Net Proceeds have in fact been so held in the Segregated Account except for the February 12 Transfer. Additionally, pursuant to section 4.01 of the Senior Secured Notes Indenture, the September 15 Event of

Default obligated Ziff Davis to pay interest on the overdue installment of interest, without regard to the 30-day grace period, at the rate equal to 1% per annum in excess of the applicable interest rate on the Floating Rate Senior Secured Notes.

(xviii) The Forbearance Agreement. Pursuant to a letter agreement dated November 7, 2007 (the “Forbearance Agreement”) between Ziff Davis, the Grantors (as defined therein) and the Collateral Trustee, the Collateral Trustee, among other things, agreed to forbear from demanding immediate turnover of Cash and Cash Proceeds (each as defined in the Forbearance Agreement), including the Remaining Net Proceeds. Ziff Davis agreed, among other things, not to withdraw funds from the Segregated Account prior to providing 14 calendar days written notice to the Collateral Trustee; provided that no notice was required to withdraw funds for Permitted Purposes (as defined therein). The Forbearance Agreement provided for termination upon, among other things, written notice by the Grantors to transfer funds from the Segregated Account except for the Permitted Purposes.

(xix) Termination of the Forbearance Agreement. On January 25, 2008, Ziff Davis notified the Collateral Trustee (the “Withdrawal Notice”) of its intent to withdraw \$20,000,000 from the Segregated Account for a purpose other than a Permitted Purpose pursuant to the Forbearance Agreement. The Withdrawal Notice constituted a Termination Event (as defined in the Forbearance Agreement) resulting in termination of the Forbearance Agreement as of January 25, 2008.

(xx) Competing Claims to the Remaining Net Proceeds. By letter to Merrill Lynch dated January 29, 2008, the Collateral Trustee exercised its rights, as attorney-in-fact pursuant to section 6(iv) of the Collateral Trust Agreement, to control the Segregated Account and directed Merrill Lynch to transfer all funds held therein to the Collateral Trustee. By letter

to Merrill Lynch dated February 8, 2008, the Collateral Trustee agreed with the Debtors that no funds would be withdrawn or transferred from the Account unless the Debtors and the Collateral Trustee provided joint-written direction to Merrill Lynch or as ordered by a court of competent jurisdiction. The February 8th letter reserved for the Collateral Trustee the right to exercise control over the Segregated Account. By letter to Merrill Lynch dated February 9, 2008, the Collateral Trustee, pursuant to its rights under section 6(iv) of the Collateral Trust Agreement, provided written authorization to Merrill Lynch to transfer title to the Segregated Account from the Debtors to the Collateral Trustee.

(xxi) The Debtors believe that the Remaining Net Proceeds constitute the Collateral Trustee's Cash Collateral. In addition, the Debtors admit that any cash not in the Segregated Account, including cash in other deposit accounts, wherever located, whether as original collateral or proceeds or products of other Pre-Petition Collateral, and whether now existing, or hereafter arising, constitutes Cash Collateral of the Collateral Trustee (collectively, the "Cash Collateral").

(xxii) The Collateral Trustee and the Noteholder Group, on the other hand, believe that the Remaining Net Proceeds are not Cash Collateral or otherwise property of the Debtors' estates. Instead, the Collateral Trustee and the Noteholder Group believe that the Remaining Net Proceeds are being held at Merrill Lynch in trust for the Collateral Trustee, pursuant to section 7(d) of the First Lien Security Agreement. Alternatively, the Collateral Trustee and the Noteholder Group believe that title to the Segregated Account and the Remaining Net Proceeds was transferred to the Collateral Trustee prior to the Petition Date. The Debtors believe the Remaining Net Proceeds are property of the Debtors' estates and that any effort by the Collateral Trustee to transfer title to the Remaining Net Proceeds was not legally

effective. Rather than dispute ownership of the Remaining Net Proceeds at the initial Cash Collateral hearing in these cases, the Debtors, the Collateral Trustee and the Noteholder Group have determined to permit the Debtors to use a portion of the Remaining Net Proceeds and any Cash Collateral in accordance with the terms of this Order pending the final hearing on the Debtors' use of Cash Collateral. Nothing herein, however, shall prejudice each party's right to assert ownership or control over the Remaining Net Proceeds; provided, however, that the Collateral Trustee and the Noteholder Group agree not to assert such rights until after a Termination Event. If it is determined by a final order pertaining to the use of Cash Collateral and the Remaining Net Proceeds following the occurrence of a Termination Event that the Remaining Net Proceeds are not property of the Debtors' estates, then the Debtors' use of such Remaining Net Proceeds shall be treated as borrowings, pursuant to section 364 of the Bankruptcy Code, and as such shall continue to be entitled to the protections afforded herein as though such protections were granted pursuant to section 364 as well.

F. Waivers. Subject to this Order becoming a Final Order and in light of their agreement to subordinate their liens and superpriority claims to the Carve Out, the Collateral Trustee is entitled to a waiver of any "equities-of-the-case" claims under section 552(b) of the Bankruptcy Code and a waiver of the provisions of section 506(c) of the Bankruptcy Code.

G. Lenders' Adequate Protection. As a result of the use of its Cash Collateral, the use, sale or lease of other Pre-Petition Collateral authorized herein, subordination to the Carve Out, and the imposition of the automatic stay, the Collateral Trustee is entitled to receive, for the benefit of itself and the holders of Senior Secured Notes, adequate protection pursuant to sections 361, 362 and 363 of the Bankruptcy Code to the extent of any diminution in the value of its interests in the Pre-Petition Collateral (including the Remaining Net Proceeds and Cash

Collateral) resulting from the Debtors' use, sale or lease of the Pre-Petition Collateral (including the Remaining Net Proceeds and Cash Collateral) during these cases, subordination to the Carve Out, or imposition of the automatic stay. As adequate protection, the Collateral Trustee, for the benefit of itself and the holders of Senior Secured Notes, will receive: (1) the Adequate Protection Liens; (2) the Superpriority Claim; and/or (3) the Adequate Protection Payments (each as defined below).

H. Minimizing Litigation. It appears that the interim arrangement requested by the Debtors and provided by this Order will minimize disputes and litigation over collateral values and the use of Cash Collateral and the Remaining Net Proceeds.

I. Notice. The Debtors have certified that a copy of the Motion, this Order and notice of the hearing before this Court each have been served by electronic mail or facsimile transmission and hand delivery or overnight courier upon the United States Trustee, the Collateral Trustee and its counsel, Merrill Lynch, the Debtors' 30 largest unsecured creditors (on a consolidated basis); counsel to the Noteholder Group, counsel to MHR Institutional Partners III LP, the Internal Revenue Service and all other parties (if any) known by the Debtors to have liens on, or security interests in, the Debtors' assets. The Court finds that notice of the Motion, as it relates to this Order, is, under the circumstances, sufficient under the Bankruptcy Code and the Bankruptcy Rules, including, without limitation, sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rules 4001(b), (c) and (d).

J. Good Cause. Good cause has been shown for the entry of this Order. Among other things, entry of this Order will minimize disruption of the Debtors' business and operations and permit the Debtors to meet payroll and other operating expenses, obtain needed supplies and retain customer and supplier confidence by demonstrating the ability to maintain normal

operations. The disbursement of funds and use of Cash Collateral and the Remaining Net Proceeds as contemplated hereby and by the Cash Collateral Budget (as defined below) are intended by the Debtors to enable them to continue the operation of their business pending a final hearing on the use of Cash Collateral and the Remaining Net Proceeds and to maximize the value of their estates.

K. Good Faith. The Debtors represent and it appears that the interim adequate protection arrangements authorized hereunder have been negotiated in good faith and at arm's length, and the terms of such adequate protection arrangements are fair and reasonable under the circumstances, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties and are supported by reasonably equivalent value and fair consideration.

L. Best Interests of Debtors and Their Estates. The Debtors have requested prompt entry of this Order pursuant to Bankruptcy Rules 4001(b) and (d). The permission granted hereby to enter into the adequate protection arrangements set forth herein is vital to avoid irreparable harm to the Debtors and their estates. This Court concludes that entry of this Order is in the best interests of the Debtors and their estates and creditors as its implementation will, among other things, allow for the continued operation of the Debtors' existing business.

THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. Grant of Motion. The Motion is granted with respect to the matters covered by this Order on an interim basis.

2. Authorization to Use the Remaining Net Proceeds and Cash Collateral; Limitations on Use. Pursuant to the terms and conditions of this Order, the Debtors are authorized to use up to \$5,000,000 of the Remaining Net Proceeds and Cash Collateral for the period (the "Specified Period") from the Petition Date through the Termination Date (as defined

below) (the “Interim Cash Collateral Cap”). Except as otherwise expressly provided herein, Cash Collateral may be used during the Specified Period solely up to the amounts (subject to the 15% line item variance and 10% aggregate variance described below), at the times, and substantially for the purposes identified, in the cash collateral budget approved by the financial advisor to the Noteholder Group (as such budget may be amended or extended by agreement of the Debtors, members of the Noteholder Group constituting a majority in number of the Noteholder Group and holding in the aggregate greater than 50% of the aggregate principal amount of the Floating Rate Senior Secured Notes held by the Noteholder Group (any such combination of members of the Noteholder Group, the “Majority Noteholder Group”), and the Collateral Trustee after three (3) business days notice the “Cash Collateral Budget”);² provided, however, that upon notice of a Termination Event (as defined below) and prior to the termination of the Specified Period, the Debtors may use Remaining Net Proceeds or Cash Collateral solely to meet payroll obligations, pay the Carve Out, pay expenses essential to the preservation of the Debtors and their estates or as agreed by the Collateral Trustee in its sole discretion, provided that any such payments are made in a manner consistent with the terms and provisions of the Cash Collateral Budget. All Remaining Net Proceeds and Cash Collateral must be used in accordance with the terms of the Cash Collateral Budget. The Debtors shall not, without the prior written consent of the Collateral Trustee, (i) use the Remaining Net Proceeds or Cash Collateral with respect to any one line item in the Cash Collateral Budget in an amount in excess of fifteen percent (15%) of the amount originally identified for such line item in the Cash Collateral Budget in any week, so long as the aggregate amount of the variance from the

² The initial Cash Collateral Budget is attached hereto as Exhibit A.

Budget for any week on a rolling net basis is not exceeded by more than ten percent (10%), or
(ii) make payment of any cost or expense in advance of the time for payment as reflected in the
Cash Collateral Budget.

3. [Intentionally omitted.]

4. Turnover of Remaining Net Proceeds. If the Final Order approved by the Court so provides, no later than three (3) Business Days from the entry of the Final Order approving the use of the Remaining Net Proceeds and Cash Collateral, the Debtors shall turn over all Remaining Net Proceeds to the Collateral Trustee (for distribution to holders of the Pre-Petition Senior Secured Debt Obligations) other than the Remaining Net Proceeds the Debtors are authorized to use pursuant to such Final Order (which shall include the balance of the Interim Cash Collateral Cap remaining at the time the Final Order is entered); *provided that* the Debtors shall retain in the Segregated Account \$7,500,000 of the Remaining Net Proceeds, none of which shall be available for use by the Debtors hereunder or under the Final Order.

5. Adequate Protection Liens. As adequate protection in accordance with section 363(e) of the Bankruptcy Code, in order to secure the Adequate Protection Obligations (as defined below), the Collateral Trustee is hereby granted, effective as of the Petition Date, for the benefit of itself and the holders of the Pre-Petition Senior Secured Debt Obligations, a perfected replacement security interest in and valid, binding, enforceable and perfected liens on (the “Adequate Protection Liens”) all Post-Petition Collateral (as defined below), which liens and security interests shall be subject only to the Carve Out to the extent provided in this Order. The term “Post-Petition Collateral” shall mean all of each Debtor’s assets (real and personal), including, without limitation, all of each Debtor’s cash, accounts, inventory, equipment, fixtures, general intangibles, documents, instruments, chattel paper, deposit accounts, letter-of-

credit rights, commercial tort claims, investment property, and books and records relating to any assets of a Debtor and all proceeds (including insurance proceeds) and products of the foregoing, whether in existence on the Petition Date or thereafter created, acquired or arising and wherever located (all such real and personal property, and the proceeds and products thereof, other than Pre-Petition Collateral, being collectively hereinafter referred to as the “Post-Petition Collateral”); provided that pending entry of the Final Order, the Post-Petition Collateral shall not include Excluded Assets; provided, however, that if the Final Order approved by the Court so provides, then the Post-Petition Collateral shall include the Excluded Assets. “Excluded Assets” means from now until the entry of the Final Order (if such Final Order so provides) any of the following property (at which time all such Excluded Assets shall constitute Post-Petition Collateral that shall be subject to the Adequate Protection Liens): (x) any claims pursuant to sections 502(d), 544, 545, 547, 548, 549, 550 or 553 of the Bankruptcy Code (“Avoidance Claims”), and (y) any monies or other property recovered in connection with the successful prosecution or settlement of Avoidance Claims (“Avoidance Proceeds”). The security interests granted to the Collateral Trustee hereunder shall not be subject to any security interest or lien that is avoided and preserved for the benefit of the estates of any of the Debtors under section 551 of the Bankruptcy Code. Except for the Adequate Protection Liens or as otherwise provided in this Order, pursuant to section 552(a) of the Bankruptcy Code, all property acquired by the Debtors after the Petition Date is not and shall not be subject to any lien of any person resulting from any security agreement entered into by the Debtors prior to the Petition Date, except to the extent that such property constitutes proceeds of property of the Debtors that is subject to a valid, enforceable, perfected and unavoidable lien existing as of the Petition Date.

6. Adequate Protection Obligations. The Debtors shall be obligated to compensate the Collateral Trustee in an amount equal to the amount by which the value of the Remaining Net Proceeds and Cash Collateral diminishes during the term of this Order by virtue of the Debtors' use thereof (other than by payment of any amount of Pre-Petition Senior Secured Debt Obligations), the imposition of the automatic stay as provided in section 362 of the Bankruptcy Code and/or subordination to the Carve Out (the "Adequate Protection Obligations").

7. Superpriority Claim. The Collateral Trustee shall have an allowed superpriority administrative expense claim (the "Superpriority Claim"), which shall have priority in these chapter 11 cases and in any cases under chapter 7 of the Bankruptcy Code upon conversion of these cases or any other action, case or proceeding related to or arising out of any of the foregoing (collectively, the "Successor Case"), under sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code and otherwise over all administrative expense claims and unsecured claims against the Debtors and 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, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726(b) (to the extent permitted by law), 1113 and 1114 of the Bankruptcy Code and shall be subordinate only to the Carve Out only to the extent provided in this Order. Except for the Carve Out, no costs or expenses of administration including, without limitation, professional fees allowed and payable under Bankruptcy Code sections 328, 330 and 331, or otherwise, that have been or may be incurred in these Cases or in any Successor Case, and no priority claims are, or will be, senior to, prior to, or on parity with the Superpriority Claim.

8. Additional Adequate Protection; Fees and Expenses. As additional adequate protection, the Debtors shall promptly pay (the “Adequate Protection Payments”) the reasonable fees, costs and expenses (whether incurred prior to or on or after the Petition Date) of (a) Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to the Noteholder Group, and Houlihan Lokey Howard & Zukin, financial advisor to the Noteholder Group, and (b) the Collateral Trustee (including the reasonable fees and out-of-pocket expenses of its counsel, Faegre & Benson LLP and Kelley Drye & Warren LLP), in accordance with the applicable Senior Secured Notes Indenture; provided, however, that, one (1) week prior to the Debtors’ payment of any Adequate Protection Payment, the party requesting such Adequate Protection Payment shall provide to counsel for the Debtors and counsel for the Creditors’ Committee a copy of its relevant fee statement. No recipient of any such payment shall be required to file with respect thereto any interim or final fee application with this Court or otherwise seek Court approval of any such payments. The payments made pursuant to this paragraph shall be without prejudice to the ultimate application of such payments, in accordance with the Bankruptcy Code, including, without limitation, section 506(b) of the Bankruptcy Code.

9. Post-Petition Lien Perfection. This Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of the Adequate Protection Liens without the necessity of filing or recording any financing statement or other instrument or document (including, without limitation any mortgages or leasehold mortgages), or the taking of any other action whatsoever which may otherwise be required under the law of any jurisdiction to validate or perfect the Adequate Protection Liens or to entitle the Collateral Trustee to the protections and priorities granted herein. Notwithstanding the foregoing, the Collateral Trustee may, in its sole discretion, file such financing statements, mortgages, leasehold mortgages,

notices of liens and other similar documents, and is hereby granted relief from the automatic stay of section 362 of the Bankruptcy Code in order to do so, and all such financing statements, mortgages, leasehold mortgages, notices and other documents shall be deemed to have been filed or recorded at the time and on the date of the commencement of these chapter 11 cases. The Debtors shall execute and deliver to the Collateral Trustee all such financing statements, mortgages, leasehold mortgages, notices and other documents as the Collateral Trustee may reasonably request to evidence, confirm, validate or perfect, or to ensure the contemplated priority of, the Adequate Protection Liens granted pursuant hereto. The Collateral Trustee, in its sole discretion, may file a copy of this Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which the Debtors have real or personal property, and in such event, the subject filing or recording officer shall file or record such copy of this Order.

10. Debtors' Obligations. Until the expiration of the Specified Period or any earlier termination of the Debtors' authorization to use the Remaining Net Proceeds or Cash Collateral hereunder, the Debtors shall:

(a) remit all additional proceeds received on account of the Enterprise Sale, as and when received, for deposit into the Segregated Account within 2 Business Days after the receipt thereof by the Debtors and, if the Final Order approved by the Court so provides, immediately transfer all such additional proceeds to the Collateral Trustee for distribution to holders of the Pre-Petition Senior Secured Debt Obligations;

(b) apply the Remaining Net Proceeds and Cash Collateral and other sources of cash available to the Debtors hereunder to the expenses of the operation of their business as provided in the Cash Collateral Budget;

(c) deliver to the Collateral Trustee, counsel and the financial advisor to the Noteholder Group and counsel to the holders of the New Notes on or before 2:00 p.m. (Eastern Time) on Tuesday of each week (unless such day is not a business day, in which event the next succeeding business day) (i) a comparison for the prior week of actual results of all items contained in the Cash Collateral Budget to the amounts originally contained in the Cash Collateral Budget and (ii) a 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 Cash Collateral Budget to the amounts originally contained in the Cash Collateral Budget, in each case along with such supporting information as the Collateral Trustee or counsel and the financial advisor to the Noteholder Group may reasonably request; and

(d) provide the Collateral Trustee and counsel and the financial advisor to the Noteholder Group with updated Cash Collateral Budgets as and when requested by the Collateral Trustee or counsel and the financial advisor to the Noteholder Group, as the case may be.

11. Insurance/Cash Management. Until the Pre-Petition Senior Secured Debt Obligations have been indefeasibly paid in full in cash, and notwithstanding the expiration of the Specified Period or any earlier termination of the Debtors' authorization to use the Remaining Net Proceeds and Cash Collateral hereunder, the Debtors shall:

(a) insure the Pre-Petition Collateral in amounts and for the risks, and by the entities, as required under the First Lien Security Agreement and the Collateral Trust Agreement; and

(b) maintain the Segregated Account and the cash management system in effect as of the Petition Date, as modified by any order reasonably acceptable in form and substance to the Collateral Trustee and the Noteholder Group and approved by this Court.

12. Carve Out. The term “Carve Out” means, after a Termination Date (as defined below), the following: (i) in respect of allowed unpaid fees and expenses payable under sections 330 and 331 of the Bankruptcy Code to (a) professionals (including attorneys, accountants, appraisers, consultants, claims agents and investment bankers) retained by the Debtors (the “Debtors’ Professionals”) in an amount not to exceed \$1 million (plus all unpaid professional fees and expenses allowed by this Court that were incurred prior to the Termination Date); (b) professionals retained by a Creditors’ Committee (the “Creditors’ Committee Professionals,” and, collectively with the Debtors’ Professionals, the “Professional Persons”), in an amount not to exceed \$250,000 (plus all unpaid professional fees and expenses allowed by this Court that were incurred prior to the Termination Date); (ii) fees required to be paid to the Clerk of the Court; (iii) quarterly fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6) and, if applicable, accrued statutory interest pursuant to 31 U.S.C. § 3717; and, (iv) \$50,000 to any chapter 7 trustee appointed after a Termination Date. Prior to the Termination Event, fees and expenses incurred by Professional Persons shall be paid as and when they become allowed pursuant to Court order and fees referred to in clauses (ii) and (iii) of the foregoing sentence shall be paid as they become due; such payments shall not reduce the amount of the Carve Out. The obligations provided for under the Carve Out shall be added to and made a part of the Pre-Petition Senior Secured Debt Obligations and the Superpriority Claim, secured by the Pre-Petition Liens and the Adequate Protection Liens and shall be entitled to all of the rights, claims, liens, priorities and protections under this Order, the First Lien Security Agreement, the

Bankruptcy Code and/or other applicable law in connection therewith. No proceeds of the Pre-Petition Collateral or Post-Petition Collateral and no amounts received pursuant to the Carve Out shall be used to pay compensation or expense reimbursement of any Professional Person or any other costs incurred in connection with (1) commencing or continuing any claims, causes of actions or contested matters against the Collateral Trustee or any holders of the Senior Secured Notes, or any of their respective officers, directors, agents or employees, including, without limitation, discovery proceedings subsequent to the commencement of any such claims or causes of action; (2) preventing, hindering or delaying performance or enforcement by the Collateral Trustee of its rights or remedies under this Order or any of the Pre-Petition Financing Documents; or (3) challenging the liens pursuant to the Pre-Petition Financing Documents, Adequate Protection Liens or Superpriority Claims of the Collateral Trustee (in each case, other than reasonable fees incurred by the Creditors' Committee in investigating Claims and Defenses as provided in paragraph 18).

13. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any of the Debtors, the Creditors' Committee or of any person or shall affect the right of the Collateral Trustee, the Noteholder Group or the holders of the New Notes to object to the allowance and payment of such fees and expenses.

14. Payment of Proceeds From Sales. Without prejudice to the provisions of paragraph 5 hereof:

(a) Subject to the rights, if any, of any (i) pre-Petition Date lien holder, and (ii) the Carve Out to the extent described in this Order, all proceeds from the sale, collection or other disposition of Pre-Petition Collateral (other than the Remaining Net Proceeds and Cash Collateral that is permitted to be used hereunder) out of the ordinary course shall be paid to the

Collateral Trustee to be applied in reduction of any outstanding Pre-Petition Senior Secured Debt Obligations.

(b) Subject to the rights, if any, of any (i) pre-Petition Date lien holder, and (ii) the Carve Out to the extent described in this Order, all proceeds from the sale, collection or other disposition of Post-Petition Collateral (other than the Remaining Net Proceeds and Cash Collateral that is permitted to be used hereunder) out of the ordinary course that does not also constitute Pre-Petition Collateral shall be paid to the Collateral Trustee to be applied to the payment of the Adequate Protection Obligations.

15. Accrual of Interest and Original Issue Discount. Interest and original issue discount, if any, shall accrue (but shall not be paid on a current basis) on the Pre-Petition Senior Secured Debt Obligations on and after the Petition Date at the contractual default rate (to the extent such interest and/or original issue discount is allowable under section 506(b) of the Bankruptcy Code).

16. Modification of Automatic Stay. The automatic stay extant under section 362(a) of the Bankruptcy Code shall be, and it hereby is, modified to the extent necessary (i) to permit the Collateral Trustee, for the benefit of the holders of Pre-Petition Senior Secured Debt Obligations, to receive, collect and apply the Remaining Net Proceeds, Cash Collateral and payments and proceeds in respect of the Pre-Petition Collateral and the Post-Petition Collateral as provided herein and in the Final Order and (ii) to permit the Debtors to grant the Adequate Protection Liens and the Superpriority Claim, all in accordance with the terms and provisions of this Order.

17. Termination. In the absence of a further order of this Court, and notwithstanding anything herein to the contrary, the Debtors shall no longer be authorized

pursuant to this Order to use the Remaining Net Proceeds and Cash Collateral after the earlier to occur of (i) April 4, 2008, and (ii) the date upon which any of the following events occurs (such date being referred to herein as the “Termination Date,” and each such event, a “Termination Event”):

- (i) the Debtors’ failure to comply with any of the terms or provisions of this Order;
- (ii) any stay, reversal, vacatur or rescission of the terms of this Order, or any other modification of the terms of this Order that is not acceptable to the Collateral Trustee and the Majority Noteholder Group in the exercise of their reasonable discretion;
- (iii) entry of an order by this Court or any other Court having jurisdiction over these chapter 11 cases approving any post-petition financing;
- (iv) entry of an order by this Court dismissing any of the Debtors’ chapter 11 cases or converting any of the Debtors’ chapter 11 cases to cases under chapter 7 of the Bankruptcy Code;
- (v) the appointment of a trustee or the appointment of an examiner with enlarged powers in any of the Debtors’ chapter 11 cases unless such appointment is approved by the Collateral Trustee and the Noteholder Group;
- (vi) any liens pursuant to the Pre-Petition Financing Documents or Adequate Protection Liens with respect to the Pre-Petition Collateral or Post-Petition Collateral that were valid, binding and perfected, first priority liens on the Petition Date or any liens granted pursuant to this Order shall cease to be valid, binding and perfected, first priority liens subject to the Carve Out as and to the extent provided in this Order;
- (vii) the Debtors shall seek approval for the payment of, or shall have paid other than inadvertently and in an amount not in excess of \$20,000, any pre-petition claims other than payments approved by the Collateral Trustee and the Majority Noteholder Group and ordered by the Bankruptcy Court;
- (viii) the Debtors shall seek approval for the payment of, or shall have paid, any employee stay, retention or performance bonus without the consent of the Collateral Trustee and the Majority Noteholder Group;

- (ix) the Debtors shall seek approval to modify or amend or otherwise modify or amend the Budget without the consent of the Collateral Trustee and the Majority Noteholder Group;
- (x) the Court shall not have entered within thirty (30) days of the Petition Date the Final Order with such modifications as are acceptable to the Collateral Trustee and the Noteholder Group in their reasonable discretion; or
- (xi) a “Termination Event” (as defined in the Plan Support Agreement) which is not waived shall occur under the Plan Support Agreement, other than a Termination Event caused by a breach by a Consenting Noteholder.

Notwithstanding the occurrence of the Termination Date, all of the rights, remedies, benefits and protections provided to the Collateral Trustee, the holders of the New Notes and the Noteholder Group under this Order as of such Termination Date shall survive the Termination Date. After the Termination Date, the Debtors shall be permitted to seek Court authority, after notice and a hearing, to use the Remaining Net Proceeds and Cash Collateral or other property of the Debtors; provided that the Collateral Trustee, the holders of the New Notes, the Noteholder Group and any other party in interest shall have the right to object to such use.

18. Claims and Defenses; Challenge Period. Notwithstanding anything herein to the contrary, no Pre-Petition Collateral or Post-Petition Collateral or proceeds of either is authorized hereunder to be used by any of the Debtors, any Creditors’ Committee or any other person or entity to prosecute any proceeding (i) to oppose or otherwise seek to prevent, hinder or delay remission of all additional proceeds received on account of the Enterprise Sale, as and when received, for deposit into the Segregated Account or turnover to the Collateral Trustee for distribution to the holders of the Pre-Petition Senior Secured Debt Obligations, or (ii) to object to or contest in any manner, or to raise any defenses to, the validity, perfection, priority or enforceability of the Pre-Petition Senior Secured Debt Obligations or liens pursuant to the First Lien Security Agreement or to prosecute any action for preferences, fraudulent conveyances,

other Avoidance Claims, equitable subordination or any other claims or causes of action against the Collateral Trustee or any holder of Senior Secured Notes or their counsel and/or financial advisor(s) with respect to the Pre-Petition Senior Secured Debt Obligations or the liens pursuant to the First Lien Security Agreement (collectively, the “Claims and Defenses”) and only reasonable fees incurred by the Creditors’ Committee (as expressly determined by the Court) may be incurred and paid in respect of the investigation of any such Claims and Defenses; provided, however, that the right of the Debtors to assert equitable subordination of the New Notes, subject to the Challenge Period (as defined below), is expressly reserved; provided further, however, the Debtors are authorized to use Pre-Petition Collateral or Post-Petition Collateral to assert equitable subordination of the New Notes. Without limitation of the foregoing, (i) any Creditors’ Committee or other person or entity shall have the right to assert Claims and Defenses (a) only in an action or other appropriate proceeding commenced in this Court on or before sixty (60) days from the date of selection of counsel by the Creditors’ Committee in the Debtors’ chapter 11 cases (or 75 days from March 15, 2008 if no Creditors’ Committee is appointed) (the “Challenge Period”), or such later date as may be ordered by the Court for cause shown on a motion filed within the Challenge Period, and (b) only to the extent that such other person or entity, as the case may be, would otherwise have legal standing to assert Claims and Defenses, (ii) if no such action or proceeding is commenced on or before such dates, (a) the liens pursuant to the First Lien Security Agreement shall have been deemed to have been, as of the Petition Date, legal, valid, binding, perfected, not subject to recharacterization and otherwise unavoidable, (b) the Pre-Petition Senior Secured Debt Obligations shall be deemed to be allowed in full and, to the extent of the value of the Pre-Petition Collateral on the Petition Date, shall be deemed to be allowed as fully secured claims

within the meaning of section 506 of the Bankruptcy Code for all purposes in connection with these Cases and any Successor Case, and the Debtors' Stipulations shall be binding on all creditors, interest holders and parties in interest in the Cases or any Successor Case and (c) all Claims and Defenses shall be deemed to have been forever relinquished and waived as to the Creditors' Committee and each other party in interest in these cases, and (iii) if such an action or proceeding is commenced on or before such dates, all Claims and Defenses shall be deemed to have been forever relinquished and waived as to the Debtors, the Creditors' Committee and other person or entity, except with respect to Claims and Defenses that are specifically asserted in such action or proceeding. The Debtors and their estates shall have no right to assert any such Claims and Defenses, except for the right of the Debtors to seek equitable subordination of the claims of the holders of the New Notes. If an action or proceeding described above is timely filed as of the applicable date, the findings contained in this Order shall nonetheless be binding and preclusive except to the extent that such findings are successfully challenged in such action or proceeding by the obtaining by such person bringing such action or proceeding of a final order rendered by a court of competent jurisdiction.

19. No Additional Waivers/Consents. Except as expressly provided for herein or by the Bankruptcy Code, nothing contained herein shall:

(a) constitute a waiver by the Collateral Trustee or any holder of the Pre-Petition Senior Secured Debt Obligations of any rights which may exist under the Pre-Petition Senior Secured Debt Obligations including, without limitation, (i) the right to exercise the rights and remedies of a secured party thereunder and under applicable law, or (ii) the right to seek additional adequate protection or to challenge any impairment of its respective claim or

liens, or (iii) the right to claim title to the Segregated Account and the Remaining Net Proceeds and/or to seek payment thereof following the occurrence of a Termination Event;

(b) constitute a waiver by the Collateral Trustee or any holder of Pre-Petition Senior Secured Debt Obligations of the right (i) to seek to dismiss or convert this Case, (ii) to move for the appointment of a chapter 11 trustee or examiner (with or without expanded powers), or (iii) to seek relief from the automatic stay or to exercise any other rights which it or they may have under the Bankruptcy Code;

(c) affect in any way any rights and obligations pursuant to the First Lien Security Agreement or the Collateral Trust Agreement;

(d) constitute consent by the Collateral Trustee to the use of the Remaining Net Proceeds and Cash Collateral other than as specifically provided herein; or

(e) obligate the Collateral Trustee to permit the use of the Remaining Net Proceeds and Cash Collateral other than as specifically provided herein or to advance funds to the Debtor for any reason, including, without limitation, for the payment of expenses of administration under the Bankruptcy Code.

20. Remedies. The Collateral Trustee shall provide the Debtors, counsel for the Creditors' Committee and the United States Trustee with written notice of the occurrence of a Termination Event. Upon the expiration of five (5) days after the Debtors, counsel for the Creditors' Committee and the United States Trustee's receipt of such notice (the "Remedies Notice Period"), the Collateral Trustee shall be entitled to take possession of the Remaining Net Proceeds and use them to repay the Pre-Petition Senior Secured Debt Obligations, foreclose on all or any portion of the Pre-Petition Collateral or the Post-Petition Collateral, collect accounts receivable and apply the proceeds thereof in satisfaction of the Pre-Petition Senior Secured Debt

Obligations and in accordance with this Order, occupy the Debtors' premises (including any premises leased by the Debtors) to fulfill orders or otherwise exercise remedies against the Pre-Petition Collateral or Post-Petition Collateral permitted by applicable nonbankruptcy law. During the Remedies Notice Period, the Debtors shall be entitled to an emergency hearing with the Bankruptcy Court and, unless ordered otherwise prior to the expiration of the Remedies Notice Period, the automatic stay as to the Collateral Trustee shall be automatically terminated at the end of the Remedies Notice Period and without further notice or order.

21. No Other Liens. Unless otherwise provided by further order of the Court, and except as otherwise expressly provided herein, the Debtors shall be enjoined and prohibited from at any time during their chapter 11 cases granting liens in the Remaining Net Proceeds, the Pre-Petition Collateral, the Post-Petition Collateral or any portion thereof to any other parties pursuant to section 364(d) of the Bankruptcy Code or otherwise.

22. No Marshalling. The Collateral Trustee shall not be subject to the equitable doctrine of "marshalling" or any similar doctrine with respect to any of the Pre-Petition Collateral.

23. Further Assurances. (a) The Debtors shall execute and deliver to the Collateral Trustee all agreements, financing statements, instruments and other documents as the Collateral Trustee may reasonably request to evidence, confirm, validate or perfect the liens granted pursuant hereto.

(b) The Debtors are authorized to do and to perform all acts, to make, execute and deliver all instruments and documents (including, without limitation, the execution of additional security agreements, mortgages and financing statements) and to pay costs and expenses which may be required or necessary for the Debtors' performance under this Order.

24. Monitoring of Collateral. The Debtors shall permit representatives, agents and/or employees of the Collateral Trustee to have reasonable access to their premises and their records during normal business hours (without unreasonable interference with the proper operation of the Debtors' business) and shall cooperate, consult with, and provide to such persons all such non-privileged information as they may reasonably request.

25. Financial Reports, Notices and Other Information. The Debtors shall furnish to the Collateral Trustee copies of all financial and other reports, notices and other financial analyses required to be delivered to the Collateral Trustee under the Pre-Petition Financing Documents, and such other financial statements, information and reports that the Collateral Trustee shall reasonably request, in each case subject to any confidentiality provisions in the applicable Pre-Petition Financing Documents.

26. No Filings Required. All liens granted herein to secure repayment of the Adequate Protection Obligations shall pursuant to this Order be, and they hereby are, deemed perfected effective as of the Petition Date, and no further notice, filing or other act shall be required to effect such perfection; provided, however, if the Collateral Trustee shall, in its sole discretion, choose to file such mortgages, financing statements, notices of liens and security interests and other similar documents, all such mortgages, financing statements or similar instruments shall be deemed to have been filed or recorded as of the Petition Date.

27. Survival; Successors and Assigns. The provisions of this Order shall be binding upon and inure to the benefit of the Collateral Trustee, the Noteholder Group and the Debtors and their respective successors and assigns (including, to the extent permitted by applicable law, any chapter 7 or chapter 11 trustee or other fiduciary hereafter appointed or elected for the estate or as a legal representative of the Debtors or with respect to the property of

the estates of the Debtors). If an order dismissing any of these chapter 11 cases under section 1112 of the Bankruptcy Code or otherwise is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code) that the Superpriority Claims, replacement security interests and liens and other protections afforded or granted to the Collateral Trustee pursuant to this Order as of the date of such dismissal shall continue in full force and effect and shall maintain their priorities as provided in this Order until all obligations in respect thereof shall have been paid and satisfied in full (and that such Superpriority Claims, replacement liens and other protections, shall, notwithstanding such dismissal, remain binding on all parties in interest). Notwithstanding any reversal, stay, modification or vacation of this Order, any use of the Remaining Net Proceeds and Cash Collateral prior to such reversal, stay, modification or vacation shall be governed in all respects by the original provisions of this Order, and the Collateral Trustee shall be entitled to all the rights, remedies, privileges and benefits granted herein with respect to such use. The Adequate Protection Liens and the Superpriority Claims against the Debtors in respect of the Adequate Protection Obligations shall not be discharged by the entry of an order confirming a chapter 11 plan in any of the Debtors' chapter 11 cases.

28. No Modification or Stay of this Order. Until the occurrence of a Termination Event, the Debtors irrevocably waive any right to seek any modification or extension of this Order without the prior written consent of the Collateral Trustee and the Majority Noteholder Group and no such consent shall be implied by any other action, inaction or acquiescence of the Collateral Trustee or the Majority Noteholder Group. The Debtors shall provide notice and an opportunity to be heard regarding any motion seeking any such

modification or extension of this Order to Akin Gump Strauss Hauer & Feld LLP, counsel to the holders of the New Notes, and counsel to the Creditors' Committee.

29. No Effect on Intercreditor Rights. No part of this or any other order entered by the Court on an interim basis or without the conduct of a final hearing shall in any way affect or impair the rights, claims or interests of the Collateral Trustee, the holders of the New Notes, the holders of the Floating Rate Senior Secured Notes or the holders of the Subordinated Notes with respect to such holders' rights vis-à-vis one another or the Debtors.

30. Immediate Effect. This Order shall constitute findings of fact and conclusions of law and shall take effect immediately upon execution hereof.

31. Service. The Debtors shall file with this Court proof of service of the Motion and this Order no later than two (2) business days after such service is effected.

32. Final Hearing. The Debtors shall, on or before March 12, 2008, serve by United States mail, first class postage prepaid, copies of the Motion (if not previously served), this Order and a notice of a hearing ("Hearing Date") with respect to this Order (the "Hearing Notice") to be held on March 27, 2008, at 10:00 a.m. to consider entry of a final order on: (a) the entities set forth on the consolidated list of the Debtors' thirty largest unsecured creditors; (b) the office of the United States Trustee; (c) counsel to the Collateral Trustee; (d) the Collateral Trustee; (e) the Internal Revenue Service; (f) counsel for the Creditors' Committee to the extent one has been appointed; (g) the Securities and Exchange Commission; (h) all parties who have requested notice pursuant to Bankruptcy Rule 2002; (i) counsel to the Noteholder Group; (j) counsel to MHR Institutional Partners III LP; and (k) all parties known by the Debtors to have liens on, or security interests in, the Debtors' assets. The Hearing Notice shall state that any party in interest objecting to the entry of the proposed further Order shall file

written objections with the United States Bankruptcy Court for the Southern District of New York no later than 4:00 p.m. prevailing Eastern Time on March 24, 2008, which objections shall be served so that the same are received on or before such date by: Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Brian Masumoto, Esquire; counsel for Debtors, Winston & Strawn LLP, 35 West Wacker Drive, Chicago, Illinois 60601, Attention: Mark K. Thomas; counsel for the Collateral Trustee, Faegre & Benson LLP, 2200 Wells Fargo Center, 90 South Seventh Street, Minneapolis, Minnesota 55402, Attention: Michael B. Fisco; counsel for the Noteholder Group, Paul, Weiss, Rifkind, Wharton & Garrison LLP, 1285 Avenue of the Americas, New York, New York 10019, Attention: Alan W. Kornberg and Brian S. Hermann; and counsel to the Creditors' Committee, if such counsel has been retained by the date the filing of such objection.

33. Section 506(c) and 552(b) Waivers. If the Final Order approved by the Court so provides, without the prior written consent of the Collateral Trustee, which consent shall not be implied from any action, inaction, or acquiescence by the Collateral Trustee, no costs or expenses of administration that have been or may be incurred in the Cases at any time shall be charged against the Collateral Trustee or its claims pursuant to section 105, 506(c) or 552 of the Bankruptcy Code, or otherwise, nor shall such costs or expenses be charged against the Pre-Petition Collateral until and unless all Pre-Petition Senior Secured Debt Obligations have been indefeasibly paid in full and in cash. The Collateral Trustee shall 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 the Collateral Trustee with respect to proceeds, product, offspring or profits of any of the Pre-Petition Collateral.

34. Continuing Application. Notwithstanding anything herein to the contrary, as of the Hearing Date, except in accordance with the terms of the Plan Support Agreement, neither the Collateral Trustee nor the Noteholder Group or its members shall be deemed to have consented to the continued use of the Remaining Net Proceeds or Cash Collateral as provided for in this Interim Order or otherwise or to any other term or provision contained herein, in each case, for periods after such Hearing Date, and each of the Consenting Parties has expressly reserved all of its rights with respect thereto.

35. Notices and Reports. All notices and reports provided to the Collateral Trustee or the Noteholder Group shall be provided to the Creditors' Committee (subject to entry by the Creditors' Committee of a confidentiality agreement).

Dated: New York, New York
March 12, 2008

/s/Burton R. Lifland
UNITED STATES BANKRUPTCY JUDGE

WINSTON & STRAWN LLP

By: /s/ Mark K. Thomas
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Exhibit A

Budget

Ziff Davis Media
Cash Collateral Motion - 6 Month Budget
(\$000's)

	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sum
Projected EBITDA	\$ 900	\$ 393	\$ 667	\$ 960	\$ 135	\$ 956	\$ 4,011
CapEx	(281)	(297)	(274)	(250)	(277)	(176)	(1,556)
Working Capital	(1,468)	(1,162)	(571)	587	268	2,301	(43)
Cash Taxes	-	(50)	-	-	(50)	-	(100)
Interest Income (Expense)	-	-	-	-	-	-	-
Earnout Payments	(2,762)	-	-	-	-	-	(2,762)
Professional Fees	(1,125)	(1,025)	(1,505)	(1,475)	(1,425)	-	(6,555)
Operational Restructuring	(325)	(337)	(332)	(215)	(193)	(177)	(1,580)
Ch 11 and US Trustee Fees	(7)	(22)	-	-	(32)	-	(61)
Utilities - Adequate Assurance	(665)	-	-	-	-	-	(665)
Pre-petition Amount Owed to Critical Vendors	-	-	-	-	-	-	-
Cash Payable Upon Emergence	-	-	-	-	-	-	-
Professional Fees	-	-	-	-	-	(4,280)	(4,280)
Convenience Class at 100% payout	-	-	-	-	-	(748)	(748)
Unsecured (exc. Compounders) Payout	-	-	-	-	-	-	-
Total Cash Flow - Preliminary	\$ (5,733)	\$ (2,499)	\$ (2,015)	\$ (394)	\$ (1,574)	\$ (2,124)	\$ (14,340)
LOW DRAW SCENARIO							
Less: Chapter 11 EBITDA Impact	(551)	(543)	(560)	(575)	(458)	(572)	(3,260)
Total Cash Flow with Chapter 11 Impact	(6,284)	(3,043)	(2,576)	(969)	(2,032)	(2,696)	(17,599)
Beginning Available Cash Balance	1,392	108	9,065	6,490	5,520	3,489	1,392
Funds from (to) Segregated Account	5,000	12,000	-	-	-	4,207	21,207
Total Cash Flow	(6,284)	(3,043)	(2,576)	(969)	(2,032)	(2,696)	(17,599)
Ending Available Cash Balance	\$ 108	\$ 9,065	\$ 6,490	\$ 5,520	\$ 3,489	\$ 5,000	\$ 5,000
Segregated Account							
Beginning Balance	\$ 118,190	\$ 113,615	\$ 7,500	\$ 7,529	\$ 7,559	\$ 7,588	\$ 118,190
Funds from (to) ZDM Operating Cash	(5,000)	(12,000)	-	-	-	(4,207)	(21,207)
Interest Income (Expense)	425	142	29	29	30	-	655
Working Capital Settlement	-	-	-	-	-	-	-
Distribution to Secured Noteholders	-	(94,257)	-	-	-	(3,381)	(97,638)
Ending Balance	\$ 113,615	\$ 7,500	\$ 7,529	\$ 7,559	\$ 7,588	\$ -	\$ -
HIGH DRAW SCENARIO							
Less: Chapter 11 EBITDA Impact	(1,129)	(1,114)	(1,149)	(1,180)	(938)	(1,174)	(6,684)
Total Cash Flow with Chapter 11 Impact	(6,862)	(3,614)	(3,164)	(1,574)	(2,512)	(3,298)	(21,024)
Beginning Available Cash Balance	1,392	(471)	7,916	4,752	3,178	665	1,392
Funds from (to) Segregated Account	5,000	12,000	-	-	-	7,500	24,500
Total Cash Flow	(6,862)	(3,614)	(3,164)	(1,574)	(2,512)	(3,298)	(21,024)
Ending Available Cash Balance	\$ (471)	\$ 7,916	\$ 4,752	\$ 3,178	\$ 665	\$ 4,868	\$ 4,868
Segregated Account							
Beginning Balance	\$ 118,190	\$ 113,615	\$ 7,500	\$ 7,529	\$ 7,559	\$ 7,588	\$ 118,190
Funds from (to) ZDM Operating Cash	(5,000)	(12,000)	-	-	-	(7,500)	(24,500)
Interest Income (Expense)	425	142	29	29	30	-	655
Working Capital Settlement	-	-	-	-	-	-	-
Distribution to Secured Noteholders	-	(94,257)	-	-	-	(88)	(94,345)
Ending Balance	\$ 113,615	\$ 7,500	\$ 7,529	\$ 7,559	\$ 7,588	\$ -	\$ -