

SUMMARY OF TERMS OF AGREEMENT BETWEEN
AD HOC COMMITTEE OF SENIOR SECURED NOTEHOLDERS OF
LEVITZ HOME FURNISHINGS, INC., ET AL.

AND

PLVTZ, LLC

WITH RESPECT TO THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS TO
PLVTZ, LLC AND THE PRIDE CAPITAL GROUP, LLC d/b/a GREAT AMERICAN GROUP

This term sheet ("Term Sheet") describes the principal terms of the agreement entered into by and between the *Ad Hoc* Committee of Senior Secured Noteholders of Levitz Home Furnishings, Inc., et al. (the "Ad Hoc Committee") and PLVTZ, LLC ("PLVTZ") in settlement of the *Ad Hoc* Committee's objection and sur-reply, and in resolution of the objection by U.S. Bank, N.A., as indenture trustee ("US Bank"),¹ to the bid submitted by PLVTZ, together with Pride Capital Group ("Pride Capital"), for the purchase of substantially all of the assets (the "Assets") of Levitz Home Furnishings, Inc. ("Levitz") and certain of its subsidiaries (collectively, the "Debtors").²

As set forth more fully below, this Term Sheet contemplates an offer by PLVTZ (the "Purchase Offer") to acquire all of the Notes (together with certain rights and claims attendant to the Notes) beneficially owned by holders of the Class A Notes as of the Record Date (as defined below) for an aggregate purchase price of \$5,000,000.00, whether or not such holders are members of the *Ad Hoc* Committee. The foregoing purchase price will be added to the consideration to be paid by PLVTZ to holders of Class A Notes on account of the Indenture Collateral. The offer shall remain open for 20 business days and shall be made pursuant to a separate solicitation. Jefferies & Company, Inc., together with its affiliates ("Jefferies"), as a holder(s) of Class A Notes, has agreed to assign all of its Notes to PLVTZ. Jefferies intends to make up to 100% of its distributions and consideration for such Notes available, on a pro rata basis, to any holder of Class A Notes that elects within the first 10 business days of the Purchase Offer, in connection with such holder's assignment of all of its Notes to PLVTZ, to assign any and all Note Claims it may have against Jefferies. At the conclusion of the 10 business-day period, PLVTZ shall promptly release and discharge Jefferies from any and all claims and causes of action it has or may acquire, whether from holders of the Notes or from the Debtors.

¹ U.S. Bank National Association, as successor to Wells Fargo, is the Trustee (the "Indenture Trustee") under that certain Indenture, dated as of November 9, 2004, among Levitz, as Issuer, the subsidiary guarantors named therein, and Wells Fargo, as Collateral Agent and Trustee for the holders of those certain (a) 12% Senior Secured Class A Notes due 2011 (the "Class A Notes") and (b) 15% Senior Secured Class B Notes due 2011 (the "Class B Notes," and together with the Class A Notes, the "Notes") (as amended or supplemented from time to time, the "Indenture").

² On Wednesday, December 7, 2005, Judge Burton R. Lifland of the United States Bankruptcy Court for the Southern District of New York, approved the sale of the Assets (the "Sale") to PLVTZ. A description of the settlement embodied by this Term Sheet was announced on the record. In the event of any inconsistencies between the summary description announced orally and this Term Sheet, this Term Sheet shall control.

***Cash Consideration
for Indenture
Collateral***

As contemplated under the Asset Purchase Agreement,³ on the date of the closing of the Sale, PLVTZ shall pay \$1,000,000.00 as consideration for the Indenture Collateral.⁴ Such cash consideration shall be deemed proceeds of the Indenture Collateral and shall be wired in immediately available funds to the Indenture Trustee, to be held for the benefit of the holders of Class A Notes pursuant to the terms of the Indenture. The pro rata share of this cash consideration shall be distributed to holders of Class A Notes as of the Record Date regardless of whether such holder elects to become an Assigning Noteholder or Electing Noteholder (each as defined below), subject to the terms of the Indenture.

***Offer to Acquire
Notes***

PLVTZ shall transfer to the Indenture Trustee, on the date of the closing of the Sale, the sum of \$5,000,000.00 (the "Purchase Consideration"), to be held in escrow for the benefit of (a) PLVTZ and (b) those holders of Class A Notes that assign the entirety of their Notes as of the Record Date to PLVTZ (the "Assigning Noteholders"), along with any and all claims arising from, relating to or in any way connected with the Notes, the issuance of the Notes or the purchase or sale of the Notes, including any statutory or common law claims (the "Note Claims"), against (i) PLVTZ and Prentice, in their capacity as post-petition lender to the Debtors⁵ and as purchaser of the Assets, (ii) GECC, as pre-petition⁶ and post-petition lender to the Debtors, (iii) the Debtors, as issuer or guarantor of the Notes, and as debtors in possession, (iv) U.S. Bank National Association (and its predecessor), as collateral agent and trustee under the Indenture, and (v) except with respect to the Debtors, each of such entities' directors, officers,

³ That certain Asset Purchase Agreement, dated as of November 30, 2005, by and among PLVTZ, Pride Capital, and the Debtors.

⁴ As such term is defined in that certain Amended and Restated Intercreditor Agreement, dated as of May 20, 2005, by and between Wells Fargo Bank, National Association ("Wells Fargo"), as Collateral Agent, and General Electric Capital Corporation ("GECC"), as Administrative Agent.

⁵ PLVTZ, along with its affiliate, Prentice Capital Management, L.P. ("Prentice"), are lenders under that certain Senior Secured, Super-Priority Debtor-In-Possession Credit Agreement, dated as of October 12, 2005, among Levitz Furniture, LLC ("Levitz LLC") and Seaman Furniture Company, Inc. ("Seaman"), as Borrowers, certain other credit parties signatory thereto, the lenders signatory thereto (from time to time), GECC, as Agent and Lender, GECC Capital Markets Group, Inc. ("GE Capital"), as sole Lead Arranger and Book Runner, Prentice, as Tranche C Agent and Tranche C Arranger, and PLVTZ, as Lender.

⁶ GECC was a lender under that certain (pre-petition) Credit Agreement, dated as of November 9, 2004, among Levitz LLC and Seaman, as Borrowers, certain other credit parties signatory thereto, the lenders signatory thereto (from time to time), Fleet Retail Group, Inc., as Documentation Agent and Lender, Wells Fargo Retail Finance, LLC, as Syndication Agent, GECC, as Agent and Lender, and GE Capital, as Sole Lead Arranger and Book Runner.

employees, affiliates, shareholders, attorneys, agents, representatives or other related entities. For the avoidance of doubt, and without limiting the foregoing, each Assigning Noteholder shall retain any and all claims against the Debtors' present or former directors, officers and shareholders, including through payment from Levitz' directors and officers liability insurance policies.

The aggregate recovery on account of Class A Notes held by Assigning Noteholders will be 6% of the principal amount of such Class A Notes, less any costs, fees and expenses of the Indenture Trustee not covered by the Expense Reimbursement Amount.

***Enhanced
Distribution***

Assigning Noteholders shall also be given the opportunity to elect to receive, at the time of assignment, an enhanced distribution (described below) by assigning to PLVTZ any and all Note Claims it may have against Jefferies and any of Jefferies' directors, officers, employees, affiliates, shareholders, attorneys, agents, representatives or other related entities (collectively, the "Jefferies Entities").

Upon becoming an Assigning Noteholder, Jefferies shall agree to waive, solely for the benefit of other Assigning Noteholders that elect, within 10 business days of the commencement of the Purchase Offer, to assign to PLVTZ their Note Claims, if any, against the Jefferies Entities (each, an "Electing Noteholder"), up to 100% of its pro rata share of the \$6,000,000 total cash consideration (the "Total Consideration") offered by PLVTZ, depending upon the level of participation by the Assigning Noteholders. Specifically, Jefferies shall agree to waive its pro rata share of the Total Consideration multiplied by a fraction, the numerator of which is (a) the amount of Class A Notes held by Electing Noteholders, and the denominator of which is (b) \$60,000,000.

The aggregate recovery on account of Class A Notes held by Electing Noteholders will be 10% of the principal amount of such Class A Notes, less any costs, fees and expenses of the Indenture Trustee not covered by the Expense Reimbursement Amount.

***Reimbursement of
Unused Offer
Consideration***

In the event that less than 100% of the Class A Notes are assigned to PLVTZ, the Indenture Trustee shall deliver to PLVTZ from the Purchase Consideration, within 10 business days following the deadline through which the Purchase Offer remains open (to be agreed upon by PLVTZ and the Indenture Trustee), an amount equal to the percentage of Purchase Consideration corresponding to the percentage of Class A Notes that are not acquired from Assigning Noteholders.

Release

PLVTZ and its affiliates (including Prentice) shall release, extinguish, and discharge all rights, claims and causes of action they may have against the Jefferies Entities and U.S. Bank National Association, together with its directors, officers, employees, affiliates, shareholders,

attorneys, agents, representatives or other related entities, including (a) any Note Claims acquired from Electing Noteholders and (b) any claims of the Debtors or their estates, including Avoidance Actions.

Participation in Settlement

The offer by PLVTZ to acquire Class A Notes shall remain open for twenty (20) business days from the date on which notice of the Purchase Offer and the other terms and conditions outlined herein, together with certain documentation related thereto, is provided to holders of Class A Notes, whether or not such holders are members of the *Ad Hoc* Committee. The opportunity for an enhanced recovery, as described above, shall remain open for ten (10) business days from the date on which such notice of the Purchase Offer is provided.

Holders of Class B Notes that are not also holders of Class A Notes as of the Record Date will not be eligible to participate in any aspect of the settlement. Any holder of Class A Notes that also holds Class B Notes shall be required to assign the entirety of their Notes as of the Record Date in order to become an Assigning Noteholder or Electing Noteholder.

Fees, Costs, And Expenses

PLVTZ shall reimburse the Indenture Trustee, the *Ad Hoc* Committee and Jefferies for all legal fees, costs, and expenses (including Indenture Trustee administration expenses) incurred in connection with the Debtors or their bankruptcy cases or pursuant to the Indenture, up to a maximum aggregate amount of \$750,000.00 (the “Expense Reimbursement Amount”). Nothing contained herein shall affect or diminish any of the Indenture Trustee’s rights under the Indenture, including, without limitation, any rights the Indenture Trustee may have to assert a charging lien on distributions to be made to holders of Notes, except that the Indenture Trustee shall have no rights in respect of the Purchase Consideration, which shall constitute the exclusive property of PLVTZ and the Assigning Noteholders.

Documentation

All documentation to be negotiated and finalized in order to implement the settlement embodied in this Term Sheet shall be consistent with this Term Sheet and shall be in form and substance reasonably satisfactory to PLVTZ, the Indenture Trustee and Jefferies.

Record Date

December 7, 2005