Court File No. CV-19-00614629-00CL

PAYLESS SHOESOURCE CANADA INC. and PAYLESS SHOESOURCE CANADA GP INC.

THIRD REPORT OF FTI CONSULTING CANADA INC., AS MONITOR

April 18, 2019

Court File No. CV-19-00614629-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES'' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PAYLESS SHOESOURCE CANADA INC. AND PAYLESS SHOESOURCE CANADA GP INC.

(the "**Applicants**")

THIRD REPORT TO THE COURT SUBMITTED BY FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR

A. INTRODUCTION

1. On February 18, 2019, Payless Holdings LLC and certain of its subsidiaries and affiliates (collectively, the "**U.S. Debtors**") commenced cases (collectively, the "**U.S. Proceedings**") under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Eastern District of Missouri (the "**U.S. Bankruptcy Court**").

2. On February 19, 2019, Payless ShoeSource Canada Inc. and Payless ShoeSource Canada GP Inc. (the "**Applicants**"), which are debtors in the U.S. Proceedings, sought and obtained an initial order (the "**Initial Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The benefits, protections, authorizations and restrictions of the Initial Order were also extended to Payless ShoeSource Canada LP ("**Payless Canada LP**", and together with the Applicants, the "**Payless Canada Entities**"). The proceedings commenced under the CCAA by the Payless Canada Entities are referred to herein as the "**CCAA Proceedings**".

3. The Initial Order, which is attached hereto as Appendix "A", among other things:

   (a) appointed FTI Consulting Canada Inc. as monitor of the Payless Canada Entities (in such capacity, the "**Monitor**") in the CCAA Proceedings;

   (b) granted a stay of proceedings against the Payless Canada Entities until and including March 21, 2019;

   (c) approved the engagement of Ankura Consulting Group, LLC ("**Ankura**") as Chief Restructuring Organization of the Payless Canada Entities; and

   (d) approved a cross-border protocol.

4. On February 21, 2019, this Court granted an Order (the "**Liquidation Consulting Agreement Approval Order**") approving a liquidation consulting agreement dated February 12, 2019 (the "**Liquidation Consulting Agreement**") between the U.S. Debtors, the Payless Canada Entities and a contractual joint venture comprised of Great American Group, LLC and Tiger Capital Group, LLC (together, the "**Consultant**"). Pursuant to the Liquidation Consulting Agreement, the U.S. Debtors (including the Payless Canada Entities) engaged the Consultant to advise them with respect to the liquidation of inventory and certain fixtures at the stores identified in the Liquidation Consulting Agreement.

5. On March 20, 2019, this Court granted an Order extending the stay of proceedings in favour of the Payless Canada Entities until and including June 7, 2019 and approving the Pre-Filing Report, the First Report, the Second Report and the activities of the Proposed Monitor and the Monitor, as applicable.

B. PURPOSE

6. The purpose of this third report of the Monitor (the "**Third Report**") is to provide the Court with:

(a) the Monitor's comments and recommendations regarding the Payless Canada Entities' motion returnable April 24, 2019 (the "**April 24 Motion**") seeking, among other things:

i. the Court's approval of an Order (the "**Claims Procedure Order**") approving a claims procedure (the "**Claims Procedure**") to solicit and identify claims against the Payless Canada Entities (the "**Claims**"); and

ii. the Court's approval of an Order (i) confirming that all references to the "Cash Flow Statement" in the Initial Order shall mean the Third Cash Flow Forecast (as defined below) attached hereto at Appendix "B", (ii) authorizing the Payless Canada Entities to make certain transfers of funds to the U.S. Debtors, and (iii) approving the Third Report.

(b) an update on the U.S. Proceedings;

(c) a summary of the receipts and disbursements of the Payless Canada Entities for the four-week period ended April 5, 2019; and

(d) the Payless Canada Entities' revised cash flow forecast for the 10-week period ending June 14, 2019 (the "**Third Cash Flow Forecast**").

C. TERMS OF REFERENCE

7. In preparing the Third Report, the Monitor has relied upon audited and unaudited financial information provided by the U.S. Debtors, including their books and records, financial information, forecasts and analysis, in addition to discussions with various parties, including senior management ("**Management**") of, and advisors to, the Payless Canada Entities, the other U.S. Debtors, the Consultant, Malfitano Advisors, and Ankura (collectively, the "**Information**").

8. Except as otherwise described in the Third Report:

   (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and

   (b) the Monitor has not examined or reviewed the financial forecasts or projections referred to in the Third Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

9. Future-oriented financial information reported in or relied on in preparing the Third Report is based on Management's, Ankura's, the Consultant's, and Malfitano Advisors' assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.

10. The Monitor has prepared the Third Report in connection with the April 24 Motion. The Third Report should not be relied on for any other purpose.

11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

12. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Pre-Filing Report, the First Report and/or the Second Report, as applicable.

D. CLAIMS PROCEDURE ORDER

13. Capitalized terms used in this section but not defined have the meanings ascribed to them in the proposed Claims Procedure Order.

14. The following is a summary of certain of the terms of the proposed Claims Procedure Order. The Monitor encourages potential Claimants to review the proposed Claims Procedure Order itself in its entirety. In the event that there is any inconsistency

between the summary in the Third Report and the Claims Procedure Order, once granted by this Court, the terms of the Claims Procedure Order as granted shall govern.

15. The Payless Canada Entities are seeking approval of the Claims Procedure Order to undertake a comprehensive Claims Procedure to solicit and identify Claims against the Payless Canada Entities and their present and former directors and officers (the "**Directors and Officers**"). The proposed Claims Procedure would be conducted in parallel with a claims process in the U.S. Proceedings for all other U.S. Debtors (the "**Chapter 11 Claims Procedure**"). The Chapter 11 Claims Procedure will not solicit claims against the Payless Canada Entities.

16. As discussed in the Second Report, and based on currently available information, the Monitor believes it is unlikely that there will be any recovery for unsecured creditors of the Payless Canada Entities. Notwithstanding that, the Monitor understands that the Payless Canada Entities are seeking approval of the Claims Procedure Order at this stage in an effort to ascertain the potential scope and nature of Claims that may exist against them. Additionally, the Payless Canada Entities are seeking to assess the impact that those Claims may have on the Payless Canada Entities' restructuring efforts in coordination with the other U.S. Debtors. In particular, the U.S. Bankruptcy Rules require that creditors have the opportunity to submit a proof of claim by a date to be determined by the court. The claims filed in the process will inform any disclosure statement filed in the U.S. Proceedings and identify the parties that may be entitled to vote on a plan. Since the Payless Canada Entities are U.S. Debtors, they would otherwise be required to comply with the claims procedures in the U.S. Proceedings.

17. The Monitor and the Payless Canada Entities believe it is appropriate for the claims procedures in respect of the Payless Canada Entities to be conducted in the CCAA Proceedings. Given that there is no expected recovery for unsecured creditors and in the interests of minimizing costs to the Payless Canada Entities, the proposed Claims Procedure Order does not currently include a mechanism for determining or resolving Claims. To the extent required and as dictated by future circumstances, any Claims resolution process will be subject to a further Order of the Court.

18. The proposed Claims Procedure Order contains a mechanism to address situations

where a duplicate Claim against one or more of the Payless Canada Entities is filed in both the U.S. Proceedings and the CCAA Proceedings, specifically as such Claim relates to the Payless Canada Entities. In such a circumstance, the Claim in the CCAA Proceedings will govern.

19. In an effort to streamline and enhance the efficiency of the process, the Payless Canada Entities propose to use a "negative claims process" in which the Payless Canada Entities, in consultation with the Monitor, may deliver a Claim Statement to Known Claimants. This Claim Statement will specify the classification, amount and nature of the Claim. A Claimant who agrees with its Listed Claim is not required to take further action. A Claimant wishing to dispute its Listed Claim is required to deliver a Notice of Dispute of Claim Statement to the Monitor no later than the Claims Bar Date or Restructuring Period Claims Bar Date, as applicable. Should the Claimant fail to take the requisite steps to dispute its Claim, its Claim will be limited to the Listed Claim.

20. The Claims Procedure Order contains three variations of Claim Statement: (i) an Employee Claim Statement to be delivered to employees of the Payless Canada Entities; (ii) a Landlord Claim Statement to be delivered to landlords of the Payless Canada Entities; and (iii) a General Claim Statement to be delivered to Known Claimants. Both the Employee Claim Statement and the Landlord Claim Statement contain disclaimers alerting those Known Claimants that, in certain circumstances, such Known Claimants may be entitled to claim additional amounts over and above the Listed Claim.

21. With respect to employees of the Payless Canada Entities and their potential future entitlements under the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1 ("**WEPPA**") and notwithstanding that the Payless Canada Entities are not currently subject to a bankruptcy or receivership proceeding, the proposed Claims Procedure Order contemplates that Claimants that do not deliver a Notice of Dispute of Claim Statement in connection with an Employee Claim Statement shall not be barred from claiming additional amounts from Her Majesty in right of Canada or the Minister of National Revenue in respect of such Claimants' entitlement thereunder (such claim being an "**Additional WEPPA Claim**"). With respect to any Additional WEPPA

Claim, the Claims Procedure Order provides that in no circumstance shall any Person, other than Her Majesty in right of Canada or the Minister of National Revenue, have any liability whatsoever for such Additional WEPPA Claim.

22. For Claimants that may have a Claim against the Payless Canada Entities and for which the Payless Canada Entities are not able to determine the amount of the Claim based on their books and records, a Proof of Claim will be delivered instead of a Claim Statement.

23. The Claims Procedure Order proposes the solicitation of the following claims:

(a) *Pre-Filing Claims*: any right or claim of any Person against any of the Payless Canada Entities in connection with any indebtedness, liability or obligation of any kind in existence on February 19, 2019 (the "**Filing Date**");

(b) *Restructuring Period Claims*: any right or claim of any Person against any of the Payless Canada Entities in connection with any indebtedness, liability or obligation of any kind arising out of the restructuring, or disclaimer, resiliation, termination or breach in respect of any agreement or contract by any of the Payless Canada Entities on or after the Filing Date, or the termination of employment on or after the Filing Date; and

(c) *Director/Officer Claims*: any right or claim of any Person against one or more of the Directors and/or Officers, however arising, for which any Director or Officer is alleged to be, by statue or otherwise by law or equity, liable to pay in their capacity as a Director and/or Officer.

24. The proposed Claim Procedure Order provides that the solicitation, determination and adjudication of any claim secured by any of the Charges (as defined in the Initial Order), any Claims of a U.S. Debtor or other Affiliate of the U.S. Debtors and, for greater certainty, any Excluded Claim arising through subrogation, is an Excluded Claim for the purpose of the Claims Procedure.

25. Should a Director/Officer Claim be filed in accordance with the Claims Procedure, or should a Listed Claim include a Director/Officer Claim, a corresponding D&O Indemnity Claim shall be deemed to have been timely filed in respect of each Director/Officer Claim.

26. Pursuant to the proposed Claims Procedure Order, the Monitor shall deliver a Claim Document Package to Known Claimants within five (5) business days of the granting of the Claims Procedure Order. The proposed Claims Procedure Order also provides that the Monitor will take certain additional notice steps including, *inter alia*:

    (a) causing the Notice of Claimants to be published in the *Globe and Mail* (National Edition) and *Le Devoir* on or before May 1, 2019; and

    (b) posting a copy of the Claims Procedure Order, the Claim Document Package, and the Applicants' motion record in respect of the April 24 Motion on the Monitor's Website.

27. The proposed bar date in respect of Pre-Filing Claims and Director/Officer Claims is 11:59 p.m. (Central Time) on June 7, 2019 (the "**Claims Bar Date**") and, in respect of Restructuring Period Claims, on the later of (i) the Claims Bar Date, and (ii) the date that is thirty (30) days after the date on which the Monitor sends a Claimant its Claim Document Package (the later of such dates being the "**Restructuring Period Claims Bar Date**"). The Monitor understands that the Claims Bar Date in these CCAA Proceedings is the same date as the "General Bar Date" in the Chapter 11 Claims Procedure.

28. In the Monitor's view, the proposed Claims Procedure is fair and appropriate in light of the purpose of the process and the nature of the proceedings. The Claims Procedure Order is efficient and will facilitate the identification of Claims against the Payless Canada Entities and/or their Directors and Officers in a fair and expeditious manner. The proposed claims bar dates are reasonable and their coordination with those in the Chapter 11 Claims Procedure will lend itself to a more efficient and harmonized cross-border resolution of Claims. The direct notification and publication of notice to

potential Claimants will make the Claims Procedure widely distributed and publicized.

29. For the reasons set out above, the Monitor supports the granting of the proposed Claims Procedure Order.

E. RELIEF SOUGHT IN CONNECTION WITH DISTRIBUTIONS

30. The results of the liquidation sale have exceeded expectations to date. As a result, the Payless Canada Entities are forecast to have additional funds available in the amount of approximately $7.8 million (the "**Additional Canadian Excess Proceeds**") in addition to approximately $9.0 million that was forecast to be available for release during the period noted in the Revised Cash Flow Statement appended to the Second Report (the "**Original Canadian Excess Proceeds**").

31. During the week of April 8, 2019, the ABL Credit Facility was repaid in full. As a result, the Term Loan Credit Facility now has a first priority lien over all collateral including the remaining ABL Priority Collateral. As at February 18, 2019, the outstanding aggregate principal amount under the Term Loan Credit Facility was approximately USD$277.2 million.

32. Under the terms of the Initial Order, the Payless Canada Entities are limited in their ability to make payments in respect of secured indebtedness; they are only able to make repayments to the ABL Credit Facility not materially in excess of the Original Canadian Excess Proceeds. As a result, given the existence of the Additional Canadian Excess Proceeds and the fact that ABL Credit Facility has been repaid in full, the Payless Canada Entities are seeking an Order stating that all references to the "Cash Flow Statement" in the Initial Order shall mean the Third Cash Flow Forecast attached hereto at Appendix "B", and authorizing the Payless Canada Entities to make certain transfers of funds to the U.S. Debtors. By doing so, the Payless Canada Entities would be permitted to transfer amounts to the U.S. Debtors, subject to the existing security interests of the Term Loan Agent (as defined in the Initial Order), that are: (a) materially consistent with Canadian Excess Proceeds as noted in the Cash Flow Statement (each as defined in the Initial Order), as may be amended from time to time,

(b) in such amounts as may be determined by the Payless Canada Entities with the prior written consent of the Monitor, or (c) as otherwise ordered by the Court (collectively, the "**Canadian Transfer Funds**").

33. Given the results to date of the liquidation sale, the Monitor believes that this relief is reasonable. The relief sought will potentially reduce costs to the Payless Canada Entities' estate, while helping to maximize recovery for stakeholders, should incremental Canadian Transfer Funds become available. The Monitor believes, based on the information currently made available to it, including the terms of the U.S. Cash Collateral Order and the DIP Order (both as defined and described below), that no creditors or other stakeholders of the Payless Canada Entities will be materially prejudiced by the relief being sought by the Payless Canada Entities.

34. The Monitor understands that the ad hoc group of lenders under the Term Loan Credit Facility supports the relief sought.

35. As discussed in the Second Report and as noted above, the Monitor believes it is unlikely that there will be any recovery for unsecured creditors of the Payless Canada Entities, and the projected shortfall on the Term Loan Credit Facility recovery remains measurably larger than the highest estimated total of Canadian Transfer Funds. Given the foregoing, and in particular the additional protection given to creditors of the Payless Canada Entities pursuant to paragraph 39 of the U.S. Cash Collateral Order, the Monitor is supportive of the relief sought by the Payless Canada Entities.

36. Accordingly, the Monitor supports the relief sought by the Payless Canada Entities.

F. UPDATE ON U.S. PROCEEDINGS

37. On March 14, 2019 and March 28, 2019 (together, the "**First Day Motions Final Hearing**"), the U.S. Bankruptcy Court held final hearings with respect to certain First Day Motions. Certain motions were adjourned until April 10, 2019 and April 23, 2019.

38. The Monitor understands that following the First Day Motions Final Hearing, after significant negotiations and concessions among the stakeholders, Judge Surratt-States

entered a number of the Orders sought by the U.S. Debtors on a final basis, including orders in respect of, among other things: (i) the authorization of the U.S. Debtors' use of the Cash Collateral of the Prepetition Credit Parties (all as defined in the U.S. Cash Collateral Order) (the "**U.S. Cash Collateral Order**") and (ii) the authorization of the U.S. Debtors' (other than the Payless Canada Entities) acquisition of senior secured postpetition financing and the authorization and ratification of, on a final basis, the DIP facility (the "**DIP Facility**") (the "**DIP Order**").

39. Paragraph 39 of the U.S. Cash Collateral Order provides that in the event that both the Prepetition ABL Obligations and the Prepetition Term Loan Obligations (both as defined in the U.S. Cash Collateral Order) are repaid in full, any distribution to general unsecured creditors shall be subject to a further order of both the U.S. Bankruptcy Court and this Court. A copy of the US Cash Collateral Order is attached hereto at Appendix "C".

40. Of additional note, pursuant to paragraph 41 of the DIP Order, neither the Payless Canada Entities, nor their assets or estates, are subject to any of the obligations formed thereunder. However, the Monitor understands that if the Term Loan Agent consents, there is the possibility that the Canadian Transfer Funds will be applied against amounts outstanding under the DIP Facility. A copy of the DIP Order is attached hereto at Appendix "D".

41. Following a Motion for Relief from Stay [Docket No. 543] (the "**Stay Relief Motion**") filed by a surety bond provider, Judge Surratt-States lifted the stay of proceedings against the U.S. Debtors with respect to a certain surety bond (the "**CBSA Bond**") that may affect the Payless Canada Entities, specifically as it relates to the rights of, and amounts allegedly owing to, Canada Border Services Agency. The Monitor and its counsel are currently in the process of determining the full effect, if any, the CBSA Bonds and the granting of the Stay Relief Motion may have on the wind-down of the Payless Canada Entities, but does not expect any such impact to be material. Should there be a need, the Monitor will advise the Court of the impact of the CBSA Bond and the granting of the Stay Relief Motion on the operations and wind-down of the Payless Canada Entities in a future report. The Monitor understands that despite efforts by the

U.S. Debtors to clarify certain language in the form of order, the surety bond providers submitted the order to chambers and the order was entered in the U.S. Proceedings on April 3, 2019 (the "**Stay Relief Order**"). A copy of the Stay Relief Order is attached hereto as Appendix "E".

42. On April 10, 2019, the U.S. Bankruptcy Court held an omnibus hearing (the "**April 10 Hearing**"). At the April 10 Hearing, Judge Surratt-States entered two further orders, namely, an order approving the Prime Clerk Supplemental Retention Application and an order approving the A&M Retention Application.

43. The U.S. Bankruptcy Court's next scheduled hearing in the U.S. Proceedings is an omnibus hearing at 11:00 am Central Time on April 23, 2019.

G. RECEIPTS & DISBURSEMENTS FOR THE FOUR-WEEK PERIOD ENDED APRIL 5, 2019

44. The Payless Canada Entities' actual net cash flow on a consolidated basis for the four-week period ending April 5, 2019 was approximately $23.7 million, compared to a forecast amount of approximately $5.7 million as noted in the Revised Cash Flow Forecast filed as Appendix "A" to the Second Report, representing a positive variance of approximately $18.0 million as summarized below.

Payless Canada Entities Variance Report (CAD $000s)	For the 4 week period ending April 5, 2019 Forecast	 Actual	 Variance
Operating Receipts	**20,709**	**32,822**	**12,113**
Operating Disbursements			
Payroll and Employee Related Costs	(3,978)	(2,970)	1,008
Occupancy Costs	(3,731)	(2,676)	1,055
Operating Expenses, Corporate, and Other	(1,182)	(196)	986
Sales Taxes	(1,633)	(1,092)	541
Intercompany	(100)	-	100
Total Operating Disbursements	**(10,623)**	**(6,933)**	**3,690**
Cash Flow From Operations	**10,085**	**25,889**	**15,803**
Professional Fees	(3,236)	(1,460)	1,776
Liquidation Costs	(1,222)	(748)	474
Total Non-Operating Disbursements	**(4,458)**	**(2,208)**	**2,250**
Net Cash Inflows / (Outflows)	**5,627**	**23,681**	**18,053**
Cash			
Beginning Balance	14,083	14,083	-
Net Cash Inflows / (Outflows)	5,627	23,681	18,053
Canadian Excess Proceeds	(6,078)	(8,973)	(2,894)
Ending Balance	**13,632**	**28,791**	**15,159**

45. Explanations for the significant variances in actual receipts and disbursements as compared to the Revised Cash Flow Forecast are as follows:

(a) Operating Receipts from the sale proceeds were approximately $32.8 million (including gross sales of approximately $0.18 million in respect of sales of FF&E) compared to a forecast amount of approximately $20.7 million, which resulted in a positive variance of approximately $12.1 million. This positive variance is a result of higher than forecast sales during the period. Given that the Payless Canada Entities are not receiving any inventory replenishments and that total inventory available for the liquidation sale is fixed, the occurrence of actual higher sales in the first seven weeks of the liquidation sale as shown above, resulted in adjusting sales receipts lower during the forecast period as reflected in the Third Cash Flow Forecast.

(b) Total Operating Disbursements were approximately $6.9 million compared to a forecast amount of approximately $10.6 million, which resulted in a positive timing variance of approximately $3.7 million primarily due to the following:

i. the positive timing variance in Payroll and Employee Related Costs of approximately $1.0 million is primarily due to lower staffing levels than

forecast during the current period and is expected to reverse in future forecast periods. The Payless Canada Entities intend to continue to actively monitor and manage staffing levels to meet the store requirements for the remaining weeks of the liquidation sale;

ii. the positive timing variance in Occupancy Costs of approximately $1.0 million is expected to reverse in future forecast periods, and is primarily due to differences in the timing of receipt of invoices related to property taxes, percentage rent adjustments, common area maintenance, and other amounts payable under certain leases that are invoiced and paid on a periodic basis rather than monthly;

iii. the positive variance in Operating Expenses, Corporate and Other Disbursements of approximately $1.0 million is a timing difference and is expected to reverse in future forecast periods as invoices are received and settled for post-filing goods and services rendered to the Payless Canada Entities; and

iv. the negative variance in Sales Taxes of approximately $0.5 million is due to payment of sales tax amounts owing earlier than forecast as well as the collection and payment of higher than forecast sales tax amounts as a result of higher than forecast sales receipts.

(c) Total Non-Operating Disbursements were approximately $2.2 million compared to a forecast amount of approximately $4.4 million, which resulted in a positive timing variance of approximately $2.2 million primarily due to the following:

i. the positive timing variance in Professional Fees of approximately $1.8 million is a result of lower than forecast professional fee disbursements during the period and is expected to reverse in subsequent periods as invoices are received and payments are made; and,

ii. the positive variance of approximately $0.4 million in liquidation costs is a timing variance that is expected to reverse in future forecast periods as

additional amounts are invoiced and payments are made.

(d) Canadian Excess Proceeds distributed were approximately $9.0 million compared to a forecast amount of approximately $6.1 million, which resulted in a timing variance of $2.9 million due to the release of the Canadian Excess Proceeds amounts earlier than forecast.

H. REVISED CASH FLOW FORECAST FOR THE PERIOD ENDING JUNE 14, 2019

46. The Payless Canada Entities have reviewed and updated their cash flow forecast for the 10-week period covering the remainder of the liquidation sale period and up to June 14, 2019. The Third Cash Flow Forecast is attached hereto as Appendix "B", and is summarized below:

Payless Canada Entities Cash Flow Forecast Summary	Total CAD ($000s)
Operating Receipts	4,254
Operating Disbursements	(13,966)
Cash Flow From Operations	**(9,712)**
Non-Operating Disburesments:	
Professional Fees	(5,391)
Liquidation Costs	(3,368)
Total Non-Operating Disbursements	**(8,759)**
Net Cash Inflows / (Outflows)	**(18,471)**
Cash	
Beginning Balance	28,791
Net Cash Inflows / (Outflows)	(18,471)
Canadian Excess Proceeds / Canadian Transfer Funds	(7,793)
Ending Balance	**2,527**

47. The Revised Cash Flow Forecast shows Operating Receipts of approximately $4.3 million, Operating Disbursements of approximately $14.0 million, Non-Operating Disbursements of approximately $8.8 million, and Net Cash Outflows of approximately $18.5 million for the 10-week period ending June 14, 2019.

48. Generally, the underlying assumptions and methodology utilized in the Cash Flow Forecast and Revised Cash Flow Forecast are the same for this Third Cash Flow Forecast; however, the Monitor notes the following:

(a) The forecast period was extended by one week from the week ending June 7, 2019 to the week ending June 14, 2019;

(b) Sales receipts in the Third Cash Flow Forecast have decreased for the remaining weeks of the liquidation sale as a result of higher than forecast sales receipts in the initial 7-weeks of the liquidation sale as mentioned above in the receipts and disbursements section of this Third Report. Forecast sales receipts also reflect other updated assumptions including remaining inventory levels, sale sell-thru rates, estimated discount levels by week, store closures and timing, inventory mix, as well as other liquidation sale metrics and data; and,

(c) Disbursements not incurred during the 4-week period ending April 5, 2019 have been shifted forward as they are expected to be incurred in future weeks;

(d) Due to higher than forecast sales since the Filing Date as previously discussed, the amount of Canadian Excess Proceeds available for distribution in repayment of obligations owing under the ABL Credit Facility has increased. Original Canadian Excess Proceeds of approximately $9.0 million were forecast to be available for distribution in the Revised Cash Flow Forecast. Of the approximate $6.1 million previously forecast during the 4-week period ending April 5, 2019, approximately $9.0 million was paid primarily due to the accelerated sales receipts. Based on discussions with the Payless Canada Entities and Ankura, the next release of Canadian Transfer Funds is expected to occur during the week ending June 14, 2019. Notwithstanding the proposed timing and quantum of the Canadian Transfer Funds as noted in the Third Cash Flow Forecast, the Payless Canada Entities, the other U.S. Debtors and Ankura intend to review their cash position on a weekly basis to determine if Canadian Transfer Funds are available to be released to the U.S. Debtors, subject to the existing security interests of the Term Loan Agent, with the written consent of the Monitor.

I. CONCLUSION

49. For the reasons stated in the Third Report, the Monitor supports the relief sought by the Payless Canada Entities in connection with the April 24 Motion.

The Monitor respectfully submits to the Court this, its Third Report.

Dated this 18th day of April, 2019.

FTI Consulting Canada Inc.,
solely in its capacity as Monitor of Payless ShoeSource Canada Inc.,
Payless ShoeSource Canada GP Inc. and Payless ShoeSource Canada LP,
and not in its personal capacity

Greg Watson
Senior Managing Director

Paul Bishop
Senior Managing Director

APPENDIX "A"

[ATTACHED]

Court File No.
CV-19-00614629-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE REGIONAL	)	TUESDAY, THE 19th
	)	
SENIOR JUSTICE MORAWETZ	)	DAY OF FEBRUARY, 2019

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PAYLESS SHOESOURCE CANADA INC. AND PAYLESS SHOESOURCE CANADA GP INC.

(the "**Applicants**")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Stephen Marotta sworn February 18, 2019 (the "**Marotta Affidavit**") and the Exhibits thereto, and the pre-filing report dated February 19, 2019 of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as the proposed Monitor of the Payless Canada Entities (as defined below) (the "**Pre-Filing Report**") and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants and Payless ShoeSource Canada LP (each a "**Payless Canada Entity**" and collectively, the "**Payless Canada Entities**"), counsel to FTI, counsel to Wells Fargo Bank, National Association (the "**ABL Agent**"), counsel to the ad hoc group of lenders under the Term Loan Credit Facility (as defined in the Marotta Affidavit), counsel to Cortland Products Corp. (the "**Term Loan Agent**") and counsel to the Liquidation Consultant (as defined in the Marotta Affidavit), and no one appearing for any other party

although duly served as appears from the affidavit of service of Monique Sassi sworn February 19, 2019 and on reading the consent of FTI to act as the Monitor,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the CCAA applies. Although not an Applicant, Payless ShoeSource Canada LP shall be bound by this Order as though it were an Applicant, enjoy the benefits of the protections and authorizations provided by this Order and shall be subject to the restrictions contained herein.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that the Payless Canada Entities, individually or collectively, shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Payless Canada Entities shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, each of the Payless Canada Entities shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. Each of the Payless Canada Entities shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, advisors, experts, accountants, counsel and such other persons (collectively, the "**Assistants**") currently retained or employed by or with respect to it, with liberty to retain such further Assistants, including without limitation, a real estate advisor to assist in the monetization of the Payless Canada Entities' real property leases, as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. THIS COURT ORDERS that the Payless Canada Entities shall be entitled to continue to utilize the central cash management system currently in place as described in the Marotta Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by each of the Payless Canada Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Payless Canada Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that each of the Payless Canada Entities' existing depository and disbursement banks (collectively, the "**Banks**") is authorized to debit the applicable Payless Canada Entity's accounts in the ordinary course of business without the need for further order of this Court for: (i) all cheques drawn on the Payless Canada Entities' accounts which are cashed at such Bank's counters or exchanged for cashier's cheques by the payees thereof prior to the date of this Order; (ii) all cheques or other items deposited in one of Payless Canada Entities' accounts with such Bank prior to the date of this Order which have been dishonoured or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent the Payless Canada Entities were responsible for such items prior to the date of this Order; and (iii) all undisputed pre-filing amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System.

7. THIS COURT ORDERS that any of the Banks may rely on the representations of the applicable Payless Canada Entity with respect to whether any cheques or other payment order drawn or issued by the Payless Canada Entities prior to the date of this Order should be honoured pursuant to this or any other order of this Court, and such Bank shall not have any liability to any party for relying on such representations by the applicable Payless Canada Entities as provided for herein.

8. THIS COURT ORDERS that (i) those certain existing deposit agreements between the Banks shall continue to govern the post-filing cash management relationship between the Payless Canada Entities and the Banks, and that all of the provisions of such agreements, including, without limitation, the termination and fee provisions, shall remain in full force and effect, and (ii) either the Payless Canada Entities or the Banks may, without further Order of this Court, implement changes to the Cash Management Systems and procedures in the ordinary course of business pursuant to terms of those certain existing deposit agreements, including, without limitation, the opening and closing of bank accounts.

9. THIS COURT ORDERS that each of the Payless Canada Entities shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after the date of this Order to the extent such expenses are incurred and payable by such Payless Canada Entity:

(a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing and servicing expenses;

(b) the fees and disbursements of any Assistants retained or employed by or with respect to any of the Payless Canada Entities in respect of these proceedings, in accordance with the terms of their respective engagements; and

(c) with the consent of the Monitor, amounts owing for goods or services supplied to the Payless Canada Entities prior to the date of this Order by third party suppliers if, in the opinion of the Payless Canada Entities following consultation with the Monitor, such payment is necessary to maintain the uninterrupted operations of the Business.

10. THIS COURT ORDERS that, except as otherwise provided to the contrary herein each of the Payless Canada Entities shall be entitled but not required to pay all reasonable expenses incurred by such Payless Canada Entity in carrying on the Business in the ordinary course on or

after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to such Payless Canada Entity following the date of this Order.

11. THIS COURT ORDERS that each of the Payless Canada Entities shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services taxes, harmonized sales taxes, or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by such Payless Canada Entity in connection with the sale of goods and services by such Payless Canada Entity, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not remitted until on or after the date of this Order, and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by any of the Payless Canada Entities.

12. THIS COURT ORDERS that, except (i) as specifically permitted herein; or (ii) for repayments of the obligations owing under the ABL Credit Facility (as defined in the Marotta Affidavit) in the amounts noted as Canadian Excess Proceeds in the Cash Flow Statement attached to the Pre-Filing Report, as such Cash Flow Statement may be amended from time to time pursuant to a further Order of this Court or an Order in the U.S. Proceedings, each of the Payless Canada Entities is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by any of the Payless Canada Entities to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

12A. THIS COURT ORDERS that the payments to be made by each of the Payless Canada Entities as authorized by this Order shall be materially consistent with the Cash Flow Statement, including without limitation the establishment and funding of the Reserve (as detailed in the Cash Flow Statement) in a separate Payless Canada Entity bank account (the "**Reserve Account**"). Payments shall only be made from the Reserve Account with the consent of the Monitor to satisfy those items for which the Reserve was established, or by further Order of the Court. For greater certainty, no Reserve amounts shall constitute Canadian Excess Proceeds or be otherwise used to repay the ABL Credit Facility without further Order of the Court, regardless of whether such amounts have been deposited into the Reserve Account.

12B. THIS COURT ORDERS that the Payless Canada Entities, in consultation with the Monitor, shall provide periodic reporting to the ABL Agent and the Term Loan Agent on a weekly basis (unless otherwise agreed) until the ABL Credit Facility (in the case of reporting to the ABL Agent) and the Term Loan Credit Facility (in the case of reporting to the Term Loan Agent) is repaid in full, with respect to the actual and projected receipts and disbursements of the Payless Canada Entities in a form to be agreed upon between the Payless Canada Entities each of the ABL Agent and the Term Loan Agent, in consultation with the Monitor.

RESTRUCTURING

13. THIS COURT ORDERS that each of the Payless Canada Entities shall, subject to such requirements as are imposed by the CCAA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $100,000 in any one transaction or $500,000 in the aggregate; and

(b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and

(c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit each of the Payless Canada Entities to proceed with an orderly restructuring of the Business.

REAL PROPERTY LEASES

14. THIS COURT ORDERS that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Payless Canada Entity which is responsible for such payment shall pay, without duplication, all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) ~~but, excluding accelerated rent or penalties~~, fees or other charges ~~arising as a result of the insolvency of any of the Payless Canada Entities or any affiliate thereof, the making of this Order, or the commencement of any insolvency proceeding (including, without limitation, the U.S. Proceedings, as defined in the Cross-Border Protocol) in respect of any of the Payless Canada Entities or any affiliate thereof in the United States or any other foreign jurisdiction (a "**Foreign Proceeding**")~~ or as otherwise may be negotiated between the applicable Payless Canada Entity and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

15. THIS COURT ORDERS that the relevant Payless Canada Entity shall provide each of the relevant landlords with notice of the relevant Payless Canada Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased

premises to observe such removal and, if the landlord disputes the relevant Payless Canada Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the relevant Payless Canada Entity, or by further Order of this Court upon application by the Payless Canada Entities on at least two (2) days notice to such landlord and any such secured creditors. If any of the Payless Canada Entities disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the relevant Payless Canada Entity's claim to the fixtures in dispute.

16. THIS COURT ORDERS that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA by any of the Payless Canada Entities, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Payless Canada Entity and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the relevant Payless Canada Entity in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

17. ~~THIS COURT ORDERS that, notwithstanding anything to the contrary in any real property lease or elsewhere, the Payless Canada Entities shall have no obligation to stock or restock and/or operate from any of its locations.~~ Intentionally deleted

NO PROCEEDINGS AGAINST ANY OF THE PAYLESS CANADA ENTITIES, THE BUSINESS OR THE PROPERTY

18. THIS COURT ORDERS that until and including March 21, 2019, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of any of the Payless Canada Entities or the Monitor, or affecting any of the Business or the Property,

except with the written consent of the applicable Payless Canada Entity(ies) and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Payless Canada Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of any of the Payless Canada Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the applicable Payless Canada Entity(ies) and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower any of the Payless Canada Entities to carry on any business which such entity is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

20. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the Payless Canada Entities, except with the written consent of the applicable Payless Canada Entity(ies) and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

21. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with any of the Payless Canada Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, customs clearing, warehouse and logistics, insurance, transportation services, utility or other services to the Business or any of the Payless Canada Entities, are hereby restrained until

further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the Payless Canada Entities, and that each of the Payless Canada Entities shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the appropriate Payless Canada Entity(ies) in accordance with normal payment practices of such Payless Canada Entity(ies) or such other practices as may be agreed upon by the supplier or service provider and each of the appropriate Payless Canada Entity(ies) and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

22. THIS COURT ORDERS that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to any of the Payless Canada Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Payless Canada Entities with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of any of the Payless Canada Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligation.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

24. THIS COURT ORDERS that each of the Payless Canada Entities shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of each of the Payless Canada Entities after the commencement of the within

proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. THIS COURT ORDERS that the directors and officers of each of the Payless Canada Entities shall, as security for the indemnity provided in paragraph 24 of this Order, be entitled to the benefit of and are hereby granted (i) a charge on the funds in the Reserve Account in the amount of the funds held in the Reserve Account at any point in time (the "**Directors' Reserve Charge**") and (ii) a charge on the Property which charge shall not exceed a maximum amount of USD$4 million until March 21, 2019 and thereafter shall automatically reduce without any further order of this Court, to the maximum amount of USD$2 million (the "**Directors' General Charge**" and together with the Directors' Reserve Charge, the "**Directors' Charge**"). The Directors' Charge shall have the priority set out in paragraphs 45 and 47 herein.

26. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) each of the Payless Canada Entities' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

APPROVAL OF THE CRO ENGAGEMENT

27. THIS COURT ORDERS that the agreement dated as of January 24, 2019 pursuant to which the Payless Canada Entities have engaged Ankura Consulting Group, LLC ("**Ankura**") to act as Chief Restructuring Organization (the "**CRO**") through the services of Stephen Marotta, Adrian Frankum and other employees of Ankura, a copy of which is attached as Exhibit "**H**" to the Marotta Affidavit as may be amended by the parties thereto with the consent of the Monitor (the "**CRO Engagement Letter**"), and the appointment of the CRO pursuant to the terms thereof, are hereby approved, including, without limitation, the payment of the fees and expenses contemplated thereby.

28. THIS COURT ORDERS that, subject to the provisions of the CCAA, this Order and any subsequent Order of this Court, the CRO is authorized to exercise and perform the powers,

responsibilities and duties as described in the CRO Engagement Letter and subject to the terms thereof, together with such other powers, responsibilities and duties as may be agreed upon by the CRO and approved by this Court (collectively, the "**CRO Powers**"), including, without limitation, the power to:

(a) make decisions with respect to the day to day aspects of the management and operations of the Business, including, without limitation, organization, human resources, marketing, sales, operations, supply chain, finance and administration, in such manner and take such actions and steps, as the CRO deems reasonably necessary and appropriate, and execute such documents and writings as required to cause or permit each of the Payless Canada Entities to do all things authorized, directed and permitted pursuant to the CCAA, the terms of this Order, and any subsequent Orders of this Court, subject to the terms of those Orders;

(b) subject to the terms of this Order, realize and dispose of the Property of each of the Payless Canada Entities on behalf of such Payless Canada Entity(ies), including, without limitation, to negotiate and enter into agreements on behalf of each of the Payless Canada Entities with respect to the sale or other disposition of all or any part of the Property;

(c) represent each of the Payless Canada Entities in any negotiations with any other stakeholders and their professional constituencies, including vendors and suppliers;

(d) assist the Payless Canada Entities with store closures and liquidations;

(e) evaluate the short-term company-prepared cash flows and financing requirements of the Payless Canada Entities as they relate to these proceedings;

(f) assist the Payless Canada Entities in the preparation and oversight of financial statements and schedules, monthly operating reports, and other information required in these proceedings, as applicable;

(g) assist the Payless Canada Entities in obtaining court approval and administration of financing including developing forecasts and information, and any insolvency related claims management and reconciliation process;

(h) work with the Payless Canada Entities, and their retained professionals, as appropriate, to assess any offer(s) made to one or more of the Payless Canada Entities;

(i) communicate with and provide information to the Monitor, and its advisors, regarding the Business and affairs of each of the Payless Canada Entities;

(j) assist the Monitor, as requested by the Monitor, in connection with the powers given to the Monitor; and

(k) work with the Assistants and the Monitor in respect of all of the foregoing;

provided that, in each case such actions, agreements, expenses and obligations shall be construed to be those of the appropriate Payless Canada Entity and not of the CRO personally.

29. THIS COURT ORDERS that none of the CRO, Stephen Marotta, Adrian Frankum or such other employees of Ankura, shall be or be deemed to be a director, officer or employee of any of the Payless Canada Entities.

30. THIS COURT ORDERS that the CRO shall ~~not, as a result of the performance of its obligations and duties in accordance with the terms of the CRO Engagement Letter and this Order, be deemed to be in Possession (as defined below) of any of the Property within the meaning of any Environmental Legislation (as defined below); provided, however, if the CRO is nevertheless later found to be in Possession of any Property, then the CRO, as the case may be, shall be deemed to be a Person who has been lawfully appointed to take, or has lawfully taken, possession or control of such Property for the purposes of section 14.06(1.l)(c) of the *Bankruptcy and Insolvency Act of Canada* (the "**BIA**") and shall be entitled to the benefits and protections in relation to the applicable Payless Canada Entity and such Property as provided by section 14.06(2) of the BIA to a "trustee" in relation to an insolvent Person and its property.~~ if deemed to be in possession or control

31. THIS COURT ORDERS that nothing in the CRO Engagement Letter or this Order shall be construed as resulting in the CRO being an employer, successor employer, responsible person or operator within the meaning of any statute, regulation or rule of law, or equity for any purpose whatsoever.

32. THIS COURT ORDERS that the CRO shall not have any liability with respect to any losses, claims, damages or liabilities, of any nature or kind, to any Person from and after the date of this Order except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct on the part of the CRO, provided further that in no event shall the liability of the CRO exceed the quantum of the fees paid to the CRO.

33. THIS COURT ORDERS that no action or other proceeding shall be commenced directly, or by way of counterclaim, third party claim or otherwise, against or in respect of the CRO, and all rights and remedies of any Person against or in respect of the CRO are hereby stayed and suspended, except with the written consent of the CRO and the Monitor, or with leave of this Court on notice to the Payless Canada Entities, the Monitor, and the CRO. Notice of any such motion seeking leave of this Court shall be served upon the Payless Canada Entities, the Monitor, and the CRO at least ten (10) days prior to the return date of any such motion for leave.

34. THIS COURT ORDERS that the obligations of each of the Payless Canada Entities to the CRO pursuant to the CRO Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under the BIA in respect of any of the Payless Canada Entities.

35. THIS COURT ORDERS that (i) any indemnification obligations of any of the Payless Canada Entities in favour of the CRO and (ii) payment obligations of any of the Payless Canada Entities to the CRO shall be entitled to the benefit of and shall form part of the Administration Charge (as defined below) set out herein.

APPOINTMENT OF MONITOR

36. THIS COURT ORDERS that FTI is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Business and financial affairs of each of the Payless Canada Entities with the powers and obligations set out in the CCAA or set forth herein and that each of the Payless Canada Entities and its shareholders, officers, directors, and Assistants and the CRO shall advise the Monitor of all material steps taken by such Payless Canada Entity pursuant to this Order, and shall co-operate fully with the Monitor in the exercise

of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

37. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor each of the Payless Canada Entities' receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

(c) advise each of the Payless Canada Entities in its development of the Plan and any amendments to the Plan;

(d) assist each of the Payless Canada Entities, to the extent required by the Payless Canada Entity, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of each of the Payless Canada Entities, to the extent that is necessary to adequately assess the Payless Canada Entities' business and financial affairs or to perform its duties arising under this Order;

(f) assist each of the Payless Canada Entities with respect to any Foreign Proceeding and monitor and report to this Court, as it deems appropriate, on the Foreign Proceeding;

(g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(h) perform such other duties as are required by this Order or by this Court from time to time.

38. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

39. THIS COURT ORDERS that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and similar legislation in other provinces and territories and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

40. THIS COURT ORDERS that the Monitor shall provide any creditor of any of the Payless Canada Entities with information provided by such Payless Canada Entity in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by any of the Payless Canada Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the applicable Payless Canada Entity(ies) may agree.

41. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save

and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

42. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Payless Canada Entities shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Payless Canada Entities as part of the costs of these proceedings. The Payless Canada Entities are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Payless Canada Entities in accordance with the payment terms, including the use of retainers as previously paid, as agreed between or on behalf of the Payless Canada Entities and such parties.

43. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

44. THIS COURT ORDERS that the CRO, the Monitor, counsel to the Monitor, and counsel to the Payless Canada Entities shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of USD$2 million, as security for the professional fees and disbursements incurred by the CRO, the Monitor, counsel to the Monitor, and counsel for the Payless Canada Entities at each of their standard rates and charges and on the terms set forth in their respective engagement letters, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 45 and 47 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

45. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of USD$2 million); and

Second – Directors' Charge (for the amounts set out in paragraph 25 hereof).

46. THIS COURT ORDERS that the filing, registration or perfection of the Directors' Charge or the Administration Charge (collectively, the "**Charges**") shall not be required, and that the

Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

47. THIS COURT ORDERS that each of the Directors' Charge and the Administration Charge (each as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person notwithstanding the order of perfection or attachment, other than any validly perfected security interest under the *Personal Property Security Act* (Ontario) or such other applicable provincial legislation that has not been served with notice of this Order. For the avoidance of doubt: (i) the Administration Charge and (ii) the Directors' Charge shall rank in priority to the security interest of the ABL Agent and the Term Loan Agent.

48. THIS COURT ORDERS that the Payless Canada Entities shall be entitled, on a subsequent motion on notice to those Persons likely to be affected thereby, to seek priority of the Charges ahead of any Encumbrance over which the Charges have not obtained priority.

49. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, none of the Payless Canada Entities shall grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge or the Administration Charge, unless the applicable Payless Canada Entity(ies) also obtains the prior written consent of the Monitor and the beneficiaries of the Directors' Charge and/or the Administration Charge, as applicable, or further Order of this Court.

50. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy or receivership order(s) issued pursuant to the BIA or otherwise, or any bankruptcy or receivership order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar

provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds any of the Payless Canada Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Charges shall not create or be deemed to constitute a breach by any of the Payless Canada Entities of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any obligation or Agreement caused by or resulting from the creation of the Charges; and

(c) the payments made by any of the Payless Canada Entities pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

51. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Payless Canada Entity(ies) interest in such real property leases.

CROSS-BORDER PROTOCOL

52. THIS COURT ORDERS that the cross-border protocol in the form attached as Schedule "A" hereto (the "**Cross-Border Protocol**") is hereby approved and shall become effective upon its approval by the United States Bankruptcy Court for the Eastern District of Missouri, and the parties to these proceedings and any other Person shall be governed by and shall comply with the Cross-Border Protocol.

SERVICE AND NOTICE

53. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in *The Globe and Mail* (National Edition) and *Le Devoir* a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against any of the Payless Canada Entities of more than

$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

54. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL http://cfcanada.fticonsulting.com/paylesscanada/ (the "**Website**").

55. THIS COURT ORDERS that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness of making any changes to, the Service List.

56. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Payless Canada Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to any of the Payless Canada Entities' creditors or other interested parties at their respective addresses as last shown on the records of any of the Payless Canada Entities and that any such service or distribution shall be deemed to be received (a) if sent by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

57. THIS COURT ORDERS that the Payless Canada Entities and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and

orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Payless Canada Entities' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations,* Reg. 81000-2-175 (SOR/DORS).

GENERAL

58. THIS COURT ORDERS that each of the Payless Canada Entities or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions concerning the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

59. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the Payless Canada Entities, the Business or the Property.

60. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, to give effect to this Order and to assist each of the Payless Canada Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to each of the Payless Canada Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist each of the Payless Canada Entities and the Monitor and their respective agents in carrying out the terms of this Order.

61. THIS COURT ORDERS that each of the Payless Canada Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that Payless ShoeSource Canada Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

62. THIS COURT ORDERS that any interested party (including any of the Payless Canada Entities and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

63. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

FEB 19 2019

PER / PAR:

Schedule "A"

CROSS-BORDER INSOLVENCY PROTOCOL

This cross-border insolvency protocol (the "Protocol") shall govern the conduct of all parties in interest in the Insolvency Proceedings (as such term is defined herein).

The Guidelines for Communication and Cooperation Between Courts in Cross-Border Insolvency Matters (the "Guidelines"), annexed as "Schedule A" hereto, shall be incorporated by reference and form part of this Protocol. To the extent there is any discrepancy between the Protocol and the Guidelines, this Protocol shall prevail.

A. Background

1. On February 18, 2019 (the "Petition Date"), Payless Holdings LLC and certain of its subsidiaries and affiliates (collectively, the "Debtors")[1] commenced cases (collectively, the "U.S. Proceedings") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Missouri.

2. On February 19, 2019, certain of the Debtors, specifically Payless ShoeSource Canada Inc. and Payless ShoeSource Canada GP Inc., (together with Payless ShoeSource Canada LP, the "Canadian Debtors"), also sought protection in Canada (the "Canadian Proceedings" and

[1] The Debtors (as defined herein) in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Payless Holdings LLC [5704]; Payless Intermediate Holdings LLC [5190]; WBG-PSS Holdings LLC [0673]; Payless Inc. [3160]; Payless Finance, Inc. [2101]; Collective Brands Services, Inc. [7266]; PSS Delaware Company 4, Inc. [1466]; Shoe Sourcing, Inc. [4075]; Payless ShoeSource, Inc. [4097]; Eastborough, Inc. [2803]; Payless Purchasing Services, Inc. [3043]; Payless ShoeSource Merchandising, Inc. [0946]; Payless Gold Value CO, Inc. [3581]; Payless ShoeSource Distribution, Inc. [0944]; Payless ShoeSource Worldwide, Inc. [6884]; Payless NYC, Inc. [4126]; Payless ShoeSource of Puerto Rico, Inc. [9017]; Payless Collective GP, LLC [2940]; Collective Licensing, LP [1256]; Collective Licensing International LLC [5451]; Clinch, LLC [9836]; Collective Brands Franchising Services, LLC [3636]; Payless International Franchising, LLC [6448]; PSS Canada, Inc. [4969]; Payless ShoeSource Canada Inc. [4180]; Payless ShoeSource Canada GP Inc. [4182]; and Payless ShoeSource Canada LP [4179]. With respect to certain taxing authorities, the Debtors' address is 2001 Bryan Street, Suite 800, Dallas, TX 75201. However, the location of Debtor Payless Holdings LLC's corporate headquarters and the Debtors' service address is: c/o Payless ShoeSource Inc., 3231 S.E. 6th Avenue, Topeka, Kansas 66607.

together with the U.S. Proceedings, the "Insolvency Proceedings") by filing an application under *the Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") with the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court" and together with the U.S. Court, the "Courts" and each individually, a "Court"). The remaining Debtors in these chapter 11 cases are domiciled in the United States (the "U.S. Debtors").

3. The Canadian Debtors sought an initial order from the Canadian Court (as may be amended from time to time, the "CCAA Order"), *inter alia*, (a) granting the Canadian Debtors relief under the CCAA; (b) appointing FTI Consulting Canada Inc. as monitor of the Canadian Debtors (the "Monitor"), with the rights, powers, duties and limitations upon liabilities set forth in the CCAA Order; and (c) granting a stay of proceedings in respect of the Canadian Debtors.

4. The Debtors continue to operate and maintain their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107 and 1108. The Office of the United States Trustee (the "U.S. Trustee") may appoint an official committee of unsecured creditors (if appointed, the "U.S. Creditors' Committee") in the U.S. Proceedings.

B. Purpose and Goals

5. While the U.S. Proceedings and the Canadian Proceedings are full and separate proceedings pending in the United States of America (the "U.S.") and Canada, the implementation of basic administrative procedures and cross-border guidelines is both necessary and desirable to coordinate certain activities in the Insolvency Proceedings, protect the rights of parties thereto and ensure the maintenance of the Court's independent jurisdiction and comity. Accordingly, this Protocol has been developed to promote the following mutually desirable goals and objectives in the Insolvency Proceedings:

(a) harmonize and coordinate activities in the Insolvency Proceedings before the Courts;

(b) promote the orderly and efficient administration of the Insolvency Proceedings to, among other things, maximize the efficiency of the Insolvency Proceedings, reduce the costs associated therewith and avoid duplication of effort;

(c) honor the independence and integrity of the Courts and other courts and tribunals of the U.S. and Canada, respectively;

(d) promote international cooperation and respect for comity among the Courts, the Debtors, the U.S. Creditors' Committee, the U.S. Representatives (defined below), the Canadian Representatives (defined below and together with the U.S. Representatives, the "Estate Representatives"), the U.S. Trustee and other creditors and interested parties in the Insolvency Proceedings;

(e) facilitate the fair, open and efficient administration of the Insolvency Proceedings for the benefit of all of the creditors and interested parties of the Debtors, wherever located; and

(f) implement a framework of general principles to address basic administrative issues arising out of the cross-border and international nature of the Insolvency Proceedings.

C. Comity and Independence of the Courts

6. The approval and implementation of this Protocol shall not divest or diminish the U.S. Court's and the Canadian Court's independent jurisdiction over the subject matter of the

U.S. Proceedings and the Canadian Proceedings, respectively. By approving and implementing this Protocol, neither the U.S. Court, the Canadian Court, the Debtors, the Estate Representatives nor any creditors or interested parties shall be deemed to have approved or engaged in any infringement on the sovereignty of the U.S. or Canada.

7. The U.S. Court shall have sole and exclusive jurisdiction and power over the conduct of the U.S. Proceedings and the hearing and determination of matters arising in the U.S. Proceedings. The Canadian Court shall have sole and exclusive jurisdiction and power over the conduct of the Canadian Proceedings and the hearing and determination of matters arising in the Canadian Proceedings.

8. In accordance with the principles of comity and independence established in the preceding paragraphs, nothing contained herein shall be construed to:

(a) increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the U.S. Court, the Canadian Court or any other court or tribunal in the U.S. or Canada, including the ability of any such court or tribunal to provide appropriate relief under applicable law on an ex parte or "limited notice" basis;

(b) require the U.S. Court to take any action that is inconsistent with its obligations under the laws of the U.S.;

(c) require the Canadian Court to take any action that is inconsistent with its obligations under the laws of Canada;

(d) require any of the Debtors, the Monitor, the U.S. Creditors' Committee, the Estate Representatives or the U.S. Trustee to take any action or refrain from taking any action that would result in a breach of any duty imposed on them by any applicable law;

(e) authorize any action that requires the specific approval of one or both of the Courts under the Bankruptcy Code or the CCAA after appropriate notice and a hearing (except to the extent that such action is specifically described in this Protocol); or

(f) preclude any of the Debtors, the Monitor, the U.S. Creditors' Committee, the Estate Representatives, the U.S. Trustee, or any creditor or other interested party

from asserting such party's substantive rights under the applicable laws of the U.S., Canada or any other relevant jurisdiction including, without limitation, the rights of interested parties or affected persons to appeal from the decisions taken by one or both of the Courts.

9. Subject to the terms hereof, the Debtors, the U.S. Creditors' Committee, the Estate Representatives and their respective employees, members, agents and professionals shall respect and comply with the independent, non-delegable duties imposed upon them by the Bankruptcy Code, the CCAA, the CCAA Order and other applicable laws and orders of the Courts, as applicable.

D. Cooperation

10. To assist in the efficient administration of the Insolvency Proceedings and in recognizing that a Debtor may be a creditor of another Debtor's estate, the Debtors and the Estate Representatives shall where appropriate:

(a) reasonably cooperate with each other in connection with actions taken in both the U.S. Court and the Canadian Court; and

(b) take any other reasonable steps to coordinate the administration of the U.S. Proceedings and the Canadian Proceedings for the benefit of the Debtors' respective estates and stakeholders, including, without limitation, developing in consultation with the U.S. Creditors' Committee and seeking approval of any cross-border claims protocol by the Canadian and U.S. Courts.

11. To harmonize and coordinate the administration of the Insolvency Proceedings, the U.S. Court and the Canadian Court each may coordinate activities with and defer to the judgment of the other Court, where appropriate and feasible. In furtherance of the foregoing:

(a) The U.S. Court and the Canadian Court may communicate with one another, with or without counsel present, with respect to any procedural or substantive matter relating to the Insolvency Proceedings;

(b) Where the issue of the proper jurisdiction or Court to determine an issue is raised by an interested party in either of the Insolvency Proceedings with respect to a

motion or an application filed in either Court, the Court before which such motion or application was initially filed may contact the other Court to determine an appropriate process by which the issue of jurisdiction will be determined. Such process shall be subject to submissions by the Debtors, the Estate Representatives, the U.S. Creditors' Committee, the Monitor, the U.S. Trustee and any interested party before any determination on the issue of jurisdiction is made by either Court; and

(c) The Courts may, but are not obligated to, coordinate activities in the Insolvency Proceedings such that the subject matter of any particular action, suit, request, application, contested matter or other proceeding is determined in a single Court.

12. The U.S. Court and the Canadian Court may conduct joint hearings with respect to any matter relating to the conduct, administration, determination or disposition of any aspect of the U.S. Proceedings and the Canadian Proceedings, including the interpretation or implementation of this Protocol if both Courts consider such joint hearings to be necessary or advisable and, in particular, to facilitate or coordinate with the proper and efficient conduct of the U.S. Proceedings and the Canadian Proceedings. With respect to any such joint hearing, unless otherwise ordered, the following procedures will be followed:

(a) a telephone or video link shall be established so that both the U.S. Court and the Canadian Court shall be able to simultaneously hear the proceedings in the other Court;

(b) notices, submissions, applications, or motions by any party that are or become the subject of a joint hearing of the Courts (collectively, "Pleadings") shall be made or filed initially only to the Court in which such party is appearing and seeking relief. Promptly after the scheduling of any joint hearing, the party submitting such Pleadings to one Court shall file courtesy copies with the other Court. In any event, Pleadings seeking relief from both Courts shall be filed with both Courts.

(c) any party intending to rely on any written evidentiary materials in support of a submission to the U.S. Court or the Canadian Court in connection with any joint hearing shall file such materials, which shall be identical insofar as possible and shall be consistent with the procedure and evidentiary rules and requirements of each Court, in advance of the time of such hearing or the submissions of such application;

(d) If a party has not previously appeared in or attorned or does not wish to attorn to the jurisdiction of either Court, it shall be entitled to file such materials without, by the act of filing, being deemed to have attorned to the jurisdiction of the Court in which such material is filed, so long as it does not request in its materials or submissions any affirmative relief from the Court to which it does not wish to attorn;

(e) the Judge of the U.S. Court and the Justice of the Canadian Court who will hear any such application or motion shall be entitled to communicate with each other in advance of the hearing on the application or motion, with or without counsel being present, to establish guidelines for the orderly submission of pleadings, papers and other materials and the rendering of decisions by the U.S. Court and the Canadian Court, and to address any related procedural, administrative or preliminary matters; and

(f) the Judge of the U.S. Court and the Justice of the Canadian Court, having heard any such application, shall be entitled to communicate with each other after the hearing on such application or motion, without counsel present, for the purpose of determining whether consistent rulings can be made by both Courts, and coordinating the terms upon which such rulings shall be made, as well as to address any other procedural or non-substantive matter relating to such applications or motions.

13. Notwithstanding the terms of the preceding paragraph, the Protocol recognizes that the U.S. Court and the Canadian Court are independent courts. Accordingly, although the Courts will seek to cooperate and coordinate with each other in good faith, each of the Courts shall be entitled at all times to exercise its independent jurisdiction and authority with respect to:

(a) the conduct of the parties appearing in matters presented to such Court; and

(b) matters presented to such Court, including without limitation, the right to determine if matters are properly before such Court.

14. In the interest of cooperation and coordination of these proceedings, each Court shall recognize and consider all privileges applicable to communications between counsel and parties, including those contemplated by the common interest doctrine or like privileges, which would be applicable in each respective Court. Such privileges in connection with

communications shall be applicable in both Courts with respect to all parties to these proceedings having any requisite common interest.

15. Where one Court has jurisdiction over a matter which requires the application of the law of the jurisdiction of the other Court in order to determine an issue before it, the Court with jurisdiction over such matter may, among other things, hear expert evidence or seek the advice and direction of the other Court in respect of the foreign law to be applied, subject to paragraph 38 herein.

E. Retention and Compensation of Estate Representatives and Professionals

16. The Monitor, its officers, directors, employees, counsel, agents, and any other professionals related therefor, wherever located (collectively, the "Monitor Parties") and any other estate representatives in the Canadian Proceedings and their counsel and other professionals (collectively with the Monitor Parties, the "Canadian Representatives") shall all be subject to the sole and exclusive jurisdiction of the Canadian Court with respect to all matters, including:

(a) the Canadian Representatives' appointment and tenure in office;

(b) the retention and compensation of the Canadian Representatives;

(c) the Canadian Representatives' liability, if any, to any person or entity, including the Canadian Debtors and any third parties, in connection with the Insolvency Proceedings; and

(d) the hearing and determination of any matters relating to the Canadian Representatives arising in the Canadian Proceedings under the CCAA or other applicable Canadian law.

17. Additionally, the Canadian Representatives, and the Debtors' Canadian counsel:

(a) shall be compensated for their services solely in accordance with the CCAA and other applicable Canadian law or orders of the Canadian Court; and

(b) shall not be required to seek approval of their compensation in the U.S. Court.

18. The Monitor Parties shall be entitled to the protections of Bankruptcy Code section 306 and the same protections and immunities in the U.S. as those granted to them under the CCAA and the CCAA Order. In particular, except as otherwise provided in any subsequent order entered in the Canadian Proceedings, the Monitor Parties shall incur no liability or obligations as a result of the appointment of the Monitor, the carrying out of its duties or the provisions of the CCAA and the CCAA Order by the Monitor Parties, except any such liability arising from actions of the Monitor Parties constituting gross negligence or willful misconduct.

19. Any estate representative appointed in the U.S. Proceedings, including without limitation, any restructuring officer appointed under Bankruptcy Code section 306, the U.S. Creditors' Committee and any examiner or trustee appointed pursuant to Bankruptcy Code section 1104, and their respective counsel and other professionals (collectively, the "U.S. Representatives"), shall be subject to the sole and exclusive jurisdiction of the U.S. Court with respect to all matters, including:

(a) the U.S. Representatives' tenure in office;

(b) the U.S. Representatives' retention and compensation;

(c) the U.S. Representatives' liability, if any, to any person or entity, including the U.S. Debtors and any third parties, in connection with the Insolvency Proceedings; and

(d) the hearing and determination of any other matters relating to the U.S. Representatives arising in the U.S. Proceedings under the Bankruptcy Code or other applicable laws of the U.S.

20. Nothing in this Protocol creates any fiduciary duty, duty of care or other duty owed by the U.S. Representatives to the stakeholders in the Canadian Proceedings or by the

Canadian Representatives to the stakeholders in the U.S. Proceedings that they would not otherwise have in the absence of this Protocol.

21. The U.S. Representatives shall not be required to seek approval of their retention in the Canadian Court. Additionally, the U.S. Representatives:

(a) shall be compensated for their services solely in accordance with the Bankruptcy Code and other applicable laws of the United States or orders of the U.S. Court; and

(b) shall not be required to seek approval of their compensation in the Canadian Court.

22. Any professionals retained by or with the approval of the Debtors for Canadian related advice, activities performed in Canada or in connection with the Canadian Proceeding, including, in each case, counsel, financial advisors, accountants, consultants and experts (collectively, the "Canadian Professionals") shall be subject to the sole and exclusive jurisdiction of the Canadian Court. Accordingly, the Canadian Professionals: (a) shall be subject to the procedures and standards for retention and compensation applicable in the Canadian Court under the CCAA, the CCAA Order any other applicable Canadian law or orders of the Canadian Court; and (b) shall not be required to seek approval of their retention or compensation in the U.S. Court. The Debtors will include the identity and the amount of payments with respect to the Canadian Professionals in the Debtors' monthly operating reports.

23. Any professionals retained by or with approval of the Debtors for activities performed in the U.S. or in connection with the U.S. Proceedings, including, in each case, counsel, financial advisors, accountants, consultants and experts (collectively, the "U.S. Professionals") shall be subject to the sole and exclusive jurisdiction of the U.S. Court. Accordingly, the U.S. Professionals: (a) shall be subject to the procedures and standards for

retention and compensation applicable in the U.S. Court under the Bankruptcy Code and any other applicable laws of the U.S. or orders of the U.S. Court; and (b) shall not be required to seek approval of their retention of compensation in the Canadian Court.

24. Any professionals retained by the U.S. Creditors' Committee, including, in each case, counsel and financial advisors (collectively, the "Committee Professionals") shall be subject to the sole and exclusive jurisdiction of the U.S. Court. Accordingly, the Committee Professionals: (a) shall be subject to the procedures and standards for retention and compensation applicable in the U.S. Court under the Bankruptcy Code and any other applicable laws of the U.S. or orders of the U.S. Court; and (b) shall not be required to seek approval of their retention of compensation in the Canadian Court.

F. Rights to Appear and Be Heard

25. Each of the Debtors, their creditors and other interested parties in the Insolvency Proceedings, including the Canadian Representatives, and the U.S. Representatives shall have the right and standing to:

(a) appear and be heard in either the U.S. Court or the Canadian Court in the Insolvency Proceedings to the same extent as a creditor and other interested party domiciled in the forum country, but solely to the extent such party is a creditor or other interested party in the subject forum, subject to any local rules or regulations generally applicable to all parties appearing in the forum; and

(b) subject to 25(a) above, file notices of appearance or other papers with the Clerk of the U.S. Court or the Canadian Court in the Insolvency Proceedings; *provided, however*, that any appearance or filing may subject a creditor or interested party to the jurisdiction of the Court in which the appearance or filing occurs; provided further, that appearance by the U.S. Creditors' Committee in the Canadian Proceedings shall not form a basis for personal jurisdiction in Canada over the members of the U.S. Committee. Notwithstanding the foregoing, and in accordance with the policies set forth above:

(i) the Canadian Court shall have jurisdiction over the U.S. Representatives and the U.S. Trustee solely with respect to the particular matters as to

which the U.S. Representatives or the U.S. Trustee appear before the Canadian Court; and

(ii) the U.S. Court shall have jurisdiction over the Canadian Representatives solely with respect to the particular matters as to which the Canadian Representatives appear before the U.S. Court.

26. Solely with respect to consensual due diligence the U.S. Creditors' Committee will execute confidentiality agreements in the form to be agreed to by the Canadian Debtors and the U.S. Creditors' Committee.

G. Claims Protocol

27. It may be necessary to implement a specific claims protocol to address, among other things and without limitation, the timing, process, jurisdiction and applicable governing law to be applied to the resolution of claims filed by the Debtors' creditors (including intercompany claims) in the Canadian Proceedings and the U.S. Proceedings. In such event, and in recognition of the inherent complexities of the intercompany claims that may be asserted in the Insolvency Proceedings, the Debtors shall submit a specific claims protocol.

H. Notice

28. Notice of any motion, application or other pleading or paper filed in one or both of the Insolvency Proceedings relating to matters addressed by this Protocol and notice of any related hearings or other proceedings shall be given by appropriate means (including, where circumstances warrant, by courier or electronic forms of communication) to the following:

(a) all creditors and other interested parties in accordance with the practice of the jurisdiction where the papers are filed or the proceedings are to occur and order of the applicable court ; and

(b) to the extent not otherwise entitled to receive notice under subpart (a) of this paragraph, to:

(i) U.S. Counsel to the Debtors, Akin Gump Stauss Hauer & Feld LLP, Bank of America Tower, 1 Bryant Park, New York, NY 10036, USA (Attn: Meredith Lahaie and Kevin Zuzolo) and Armstrong Teasdale LLP, 7700 Forsyth Blvd., Suite 1800, St. Louis, MO 63105, USA (Attn: Erin Edelman and John Willard);

(ii) Canadian Counsel to the Debtors, Cassels Brock & Blackwell LLP, 2100, 40 King Street West, Toronto, ON Canada, M5H 3C2 (Attn: Ryan Jacobs, Jane Dietrich, Natalie Levine);

(iii) the Monitor, FTI Consulting Canada Inc., TD Waterhouse Tower, 79 Wellington Street West, Suite 2010, P.O. Box 104, Toronto, ON Canada, M5K 1G8 (Attn: Greg Watson, Paul Bishop), and its counsel, Bennett Jones LLP, 3400, One First Canadian Place, Toronto, ON Canada, M5X 1A4 (Attn: Sean Zweig, Kevin J. Zych);

(iv) Counsel to the ABL Agent, Choate Hall & Stewart LLP, Two International Place, Boston, MA 02110 (Attn: Kevin Simard, Doug Gooding and Jonathan Marshall); Thompson Coburn LLP, One US Bank Plaza, St. Louis, MO 63101 (Attn: Mark Bossi); and Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, P.O Box 84, Toronto, ON Canada, M5J 2Z4 (Attn: Tony Reyes and David Amato);

(v) Counsel to the Ad Hoc Term Lender Committee, Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, NY 10036, USA (Attn: Stephen D. Zide); Doster, Ullom & Boyle, LLC, 16090 Swingley Ridge Road, Suite 620, Chesterfield, Missouri 63017, USA (Attn: Gregory D. Willard); and Fasken Martineau DuMoulin LLP, Bay Adelaide Centre, 333 Bay Street, Suite 2400, P.O. Box 20, Toronto, ON Canada, M5H 2T6 (Attn: Stuart Brotman)

(vi) Counsel to any statutory committee or any other official appointed in the U.S. Proceedings;

(vii) the Office of the United States Trustee for Eastern District of Missouri;

(viii) such other parties as may be designated by either Court from time to time.

29. Notice in accordance with this paragraph may be designated by either of the Courts from time to time. Notice in accordance with this paragraph shall be given by the party otherwise responsible for effecting notice in the jurisdiction where the underlying papers are

filed or the proceedings are to occur. In addition to the foregoing, upon request, the U.S. Debtors or the Canadian Debtors shall provide the U.S. Court or the Canadian Court, as the case may be, with copies of any orders, decisions, opinions or similar papers issued by the other Court in the Insolvency Proceedings.

30. When any cross-border issues or matters addressed by this Protocol are to be addressed before a Court, notices shall be provided in the manner and to the parties referred to in paragraph 28 above.

I. Recognition of Stays of Proceedings

31. The Canadian Court hereby recognizes the validity of the stay of proceedings and actions against or respecting the U.S. Debtors and their property under Bankruptcy Code section 362 (the "U.S. Stay"). In implementing the terms of this paragraph, the Canadian Court may consult with the U.S. Court regarding the interpretation, extent, scope and applicability of the U.S. Stay, and any orders of this U.S. Court modifying or granting relief from the U.S. Stay.

32. The U.S. Court hereby recognizes the validity of the stay of proceedings and actions against or respecting the Canadian Debtors, its property and the current and former directors and officers of the Canadian Debtors under the CCAA and the CCAA Order (the "Canadian Stay"). In implementing the terms of this paragraph, the U.S. Court may consult with the Canadian Court regarding the interpretation, extent, scope and applicability of the Canadian Stay, and any orders of the Canadian Court modifying or granting relief from the Canadian Stay.

33. Nothing contained herein shall affect or limit the Debtors or other parties' rights to assert the applicability or non-applicability of the U.S. Stay or the Canadian Stay to any particular proceeding, property, asset, activity or other matter, wherever pending or located. Subject to the terms hereof: (a) any motion with respect to the application of the stay of

proceedings issued by the Canadian Court in the CCAA Proceeding shall be heard and determined by the Canadian Court and (b) any motion with respect to the application of the stay under Bankruptcy Code section 362 shall be heard and determined by the U.S. Court.

J. Effectiveness; Modification

34. This Protocol shall become effective only upon its approval by both the U.S. Court and the Canadian Court.

35. This Protocol may not be supplemented, modified, terminated or replaced in any manner except by the U.S. Court and the Canadian Court after notice and a hearing. Notice of any legal proceeding to supplement, modify, terminate or replace this Protocol shall be given in accordance with the notice provision contained in this Protocol.

K. Procedure for Resolving Disputes Under the Protocol

36. Disputes relating to the terms, intent or application of this Protocol may be addressed by interested parties to either the U.S. Court, the Canadian Court or both Courts upon notice as set forth in paragraphs 28 and 29 above. In rendering a determination in any such dispute, the Court to which the issue is addressed:

(a) shall consult with the other Court; and

(b) may, in its sole discretion, either:

(i) render a binding decision after such consultation;

(ii) defer to the determination of the other Court by transferring the matter, in whole or in part, to the other Court; or

(iii) seek a joint hearing of both Courts.

37. Notwithstanding the foregoing, each Court in making a determination shall have regard to the independence, comity or inherent jurisdiction of the other Court established under existing law.

38. In implementing the terms of the Protocol, the U.S. Court and the Canadian Court may, in their sole, respective discretion, provide advice or guidance to each other with respect to legal issues in accordance with the following procedures:

(a) The U.S. Court or the Canadian Court, as applicable, may determine that such advice or guidance is appropriate under the circumstances;

(b) The Court issuing such advice or guidance shall provide it to the non-issuing Court in writing;

(c) Copies of such written advice or guidance shall be served by the applicable Court in accordance with paragraph 28 hereof; and

(d) The Courts may jointly decide to invite the Debtors, the Estate Representatives, the U.S. Trustee, the Monitor and any other affected or interested party to make submissions to the appropriate Court in response to or in connection with any written advice or guidance received from the other Court.

39. For clarity, the provisions of paragraph 38 shall not be construed to restrict the ability of the U.S. Court or the Canadian Court to confer, as provided above, whenever they deem it appropriate to do so.

L. Preservation of Rights

40. Except as specifically provided herein, neither the terms of this Protocol nor any actions taken under the terms of this Protocol shall (a) prejudice or affect the powers, rights, claims and defenses of the Debtors and their estates, the Estate Representatives, the U.S. Trustee, the Monitor or any of the Debtors' creditors under applicable law, including the Bankruptcy Code, the CCAA and the Orders of the Courts or (b) preclude or prejudice the rights of any

person to assert or pursue such person's substantive rights against any other person under the applicable laws of the United States or Canada.

41. The question of the degree of standing of the U.S. Creditors' Committee in the Canadian Court remains an open issue. This Protocol is without prejudice to the question one way or the other.

Schedule A

GUIDELINES FOR COMMUNICATION AND COOPERATION BETWEEN COURTS IN CROSS-BORDER INSOLVENCY MATTERS

INTRODUCTION

A. The overarching objective of these Guidelines is to improve in the interests of all stakeholders the efficiency and effectiveness of cross-border proceedings relating to insolvency or adjustment of debt opened in more than one jurisdiction ("Parallel Proceedings") by enhancing coordination and cooperation amongst courts under whose supervision such proceedings are being conducted. These Guidelines represent best practice for dealing with Parallel Proceedings.

B. In all Parallel Proceedings, these Guidelines should be considered at the earliest practicable opportunity.

C. In particular, these Guidelines aim to promote:

(i) the efficient and timely coordination and administration of Parallel Proceedings;
(ii) the administration of Parallel Proceedings with a view to ensuring relevant stakeholders' interests are respected;
(iii) the identification, preservation, and maximisation of the value of the debtor's assets, including the debtor's business;
(iv) the management of the debtor's estate in ways that are proportionate to the amount of money involved, the nature of the case, the complexity of the issues, the number of creditors, and the number of jurisdictions involved in Parallel Proceedings;
(v) the sharing of information in order to reduce costs; and
(vi) the avoidance or minimisation of litigation, costs, and inconvenience to the parties[2] in Parallel Proceedings.

D. These Guidelines should be implemented in each jurisdiction in such manner as the jurisdiction deems fit.[3]

E. These Guidelines are not intended to be exhaustive and in each case consideration ought to be given to the special requirements in that case.

F. Courts should consider in all cases involving Parallel Proceedings whether and how to implement these Guidelines. Courts should encourage and where necessary direct, if they have the power to do so, the parties to make the necessary applications to the court to facilitate such implementation by a protocol or order derived from these Guidelines, and encourage them to act so as to promote the objectives and aims of these Guidelines wherever possible.

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[2] The term "parties" when used in these Guidelines shall be interpreted broadly.
[3] Possible modalities for the implementation of these Guidelines include practice directions and commercial guides.

ADOPTION & INTERPRETATION

Guideline 1: In furtherance of paragraph F above, the courts should encourage administrators in Parallel Proceedings to cooperate in all aspects of the case, including the necessity of notifying the courts at the earliest practicable opportunity of issues present and potential that may (a) affect those proceedings; and (b) benefit from communication and coordination between the courts. For the purpose of these Guidelines, "administrator" includes a liquidator, trustee, judicial manager, administrator in administration proceedings, debtor-in-possession in a reorganisation or scheme of arrangement, or any fiduciary of the estate or person appointed by the court.

Guideline 2: Where a court intends to apply these Guidelines (whether in whole or in part and with or without modification) in particular Parallel Proceedings, it will need to do so by a protocol or an order,[4] following an application by the parties or pursuant to a direction of the court if the court has the power to do so.

Guideline 3: Such protocol or order should promote the efficient and timely administration of Parallel Proceedings. It should address the coordination of requests for court approvals of related decisions and actions when required and communication with creditors and other parties. To the extent possible, it should also provide for timesaving procedures to avoid unnecessary and costly court hearings and other proceedings.

Guideline 4: These Guidelines when implemented are not intended to:

(i) interfere with or derogate from the jurisdiction or the exercise of jurisdiction by a court in any proceedings including its authority or supervision over an administrator in those proceedings;

(ii) interfere with or derogate from the rules or ethical principles by which an administrator is bound according to any applicable law and professional rules;

(iii) prevent a court from refusing to take an action that would be manifestly contrary to the public policy of the jurisdiction; or

(iv) confer or change jurisdiction, alter substantive rights, interfere with any function or duty arising out of any applicable law, or encroach upon any applicable law.

Guideline 5: For the avoidance of doubt, a protocol or order under these Guidelines is procedural in nature. It should not constitute a limitation on or waiver by the court of any powers, responsibilities, or authority or a substantive determination of any matter in controversy before the court or before the other court or a waiver by any of the parties of any of their substantive rights and claims.

Guideline 6: In the interpretation of these Guidelines or any protocol or order under these Guidelines, due regard shall be given to their international origin and to the need to promote good faith and uniformity in their application.

COMMUNICATION BETWEEN COURTS

[4] In the normal case, the parties will agree on a protocol derived from these Guidelines and obtain the approval of each court in which the protocol is to apply.

Guideline 7: A court may receive communications from a foreign court and may respond directly to them. Such communications may occur for the purpose of the orderly making of submissions and rendering of decisions by the courts, and to coordinate and resolve any procedural, administrative or preliminary matters relating to any joint hearing where Annex A is applicable. Such communications may take place through the following methods or such other method as may be agreed by the two courts in a specific case:

(i) Sending or transmitting copies of formal orders, judgments, opinions, reasons for decision, endorsements, transcripts of proceedings or other documents directly to the other court and providing advance notice to counsel for affected parties in such manner as the court considers appropriate.

(ii) Directing counsel or other appropriate person to transmit or deliver copies of documents, pleadings, affidavits, briefs or other documents that are filed or to be filed with the court to the other court in such fashion as may be appropriate and providing advance notice to counsel for affected parties in such manner as the court considers appropriate.

(iii) Participating in two-way communications with the other court, by telephone or video conference call or other electronic means, in which case Guideline 8 should be considered.

Guideline 8: In the event of communications between courts, other than on administrative matters, unless otherwise directed by any court involved in the communications whether on an *ex parte* basis or otherwise, or permitted by a protocol, the following shall apply:

(i) In the normal case, parties may be present.

(ii) If the parties are entitled to be present, advance notice of the communications shall be given to all parties in accordance with the rules of procedure applicable in each of the courts to be involved in the communications.

(iii) The communications between the courts shall be recorded and may be transcribed. A written transcript may be prepared from a recording of the communications that, with the approval of each court involved in the communications, may be treated as the official transcript of the communications.

(iv) Copies of any recording of the communications, of any transcript of the communications prepared pursuant to any direction of any court involved in the communications, and of any official transcript prepared from a recording may be filed as part of the record in the proceedings and made available to the parties and subject to such directions as to confidentiality as any court may consider appropriate.

(v) The time and place for communications between the courts shall be as directed by the courts. Personnel other than judges **in** each court may communicate with each other to establish appropriate arrangements for the communications without the presence of the parties.

Guideline 9: A court may direct that notice of its proceedings be given to parties in proceedings in another jurisdiction. All notices, applications, motions, and other materials served for purposes of the proceedings before the court may be ordered to be provided to such other parties by

making such materials available electronically in a publicly accessible system or by facsimile transmission, certified or registered mail or delivery by courier, or in such other manner as may be directed by the court in accordance with the procedures applicable _in the court.

APPEARANCE IN COURT

Guideline 10: A court may authorise a party, or an appropriate person, to appear before and be heard by a foreign court, subject to approval of the foreign court to such appearance.

Guideline 11: If permitted by its law and otherwise appropriate, a court may authorise a party to a foreign proceeding, or an appropriate person, to appear and be heard by it without thereby becoming subject to its jurisdiction.

CONSEQUENTIAL PROVISIONS

Guideline 12: A court shall, except on proper objection on valid grounds and then only to the extent of such objection, recognise and accept as authentic the provisions of statutes, statutory or administrative regulations, and rules of court of general application applicable to the proceedings in other jurisdictions without further proof. For the avoidance of doubt, such recognition and acceptance does not constitute recognition or acceptance of their legal effect or implications.

Guideline 13: A court shall, except upon proper objection on valid grounds and then only to the extent of such objection, accept that orders made in the proceedings in other jurisdictions were duly and properly made or entered on their respective dates and accept that such orders require no further proof for purposes of the proceedings before it, subject to its law and all such proper reservations as in the opinion of the court are appropriate regarding proceedings by way of appeal or review that are actually pending in respect of any such orders. Notice of any amendments, modifications, extensions, or appellate decisions with respect to such orders shall be made to the other court(s) involved in Parallel Proceedings, as soon as it is practicable to do so.

Guideline 14: A protocol, order or directions made by a court under these Guidelines is subject to such amendments, modifications, and extensions as may be considered appropriate by the court, and to reflect the changes and developments from time to time in any Parallel Proceedings. Notice of such amendments, modifications, or extensions shall be made to the other court(s) involved in Parallel Proceedings, as soon as it is practicable to do so.

ANNEX A (JOINT HEARINGS)

Annex A to these Guidelines relates to guidelines on the conduct of joint hearings. Annex A shall be applicable to, and shall form a part of these Guidelines, with respect to courts that may signify their assent to Annex A from time to time. Parties are encouraged to address the matters set out in Annex A in a protocol or order.

ANNEX A: JOINT HEARINGS

A court may conduct a joint hearing with another court. In connection with any such joint hearing, the following shall apply, or where relevant, be considered for inclusion in a protocol or order:

(i) The implementation of this Annex shall not divest nor diminish any court's respective independent jurisdiction over the subject matter of proceedings. By implementing this Annex, neither a court nor any party shall be deemed to have approved or engaged in any infringement on the sovereignty of the other jurisdiction.

(ii) Each court shall have sole and exclusive jurisdiction and power over the conduct of its own proceedings and the hearing and determination of matters arising in its proceedings.

(iii) Each court should be able simultaneously to hear the proceedings in the other court. Consideration should be given as to how to provide the best audio-visual access possible.

(iv) Consideration should be given to coordination of the process and format for submissions and evidence filed or to be filed in each court.

(v) A court may make an order permitting foreign counsel or any party in another jurisdiction to appear and be heard by it. If such an order is made, consideration needs to be given as to whether foreign counsel or any party would be submitting to the jurisdiction of the relevant court and/or its professional regulations.

(vi) A court should be entitled to communicate with the other court in advance of a joint hearing, with or without counsel being present, to establish the procedures for the orderly making of submissions and rendering of decisions by the courts, and to coordinate and resolve any procedural, administrative or preliminary matters relating to the joint hearing.

(vii) A court, subsequent to the joint hearing, should be entitled to communicate with the other court, with or without counsel present, for the purpose of determining outstanding issues. Consideration should be given as to whether the issues include procedural and/or substantive matters. Consideration should also be given as to whether some or all of such communications should be recorded and preserved.

CV-19-00614629-00CL

Court File No.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PAYLESS SHOESOURCE CANADA INC. AND PAYLESS SHOESOURCE CANADA GP INC.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

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APPENDIX "B"

[ATTACHED]

Payless Canada
CCAA Cash Flow Forecast
($CAD in 000's)

Week Ending		12-Apr-19	19-Apr-19	26-Apr-19	3-May-19	10-May-19	17-May-19	24-May-19	31-May-19	7-Jun-19	14-Jun-19	10 - Week
CCAA Filing Week		**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**Total**
Receipts												
Trade Receipts	[2]	2,184	1,128	586	356	-	-	-	-	-	-	4,254
Other Receipts		-	-	-	-	-	-	-	-	-	-	-
Total Receipts		**2,184**	**1,128**	**586**	**356**	**-**	**-**	**-**	**-**	**-**	**-**	**4,254**
Operating Disbursements												
Payroll and Employee Related Costs	[3]	(2,335)	(918)	(124)	(860)	(1,395)	(20)	-	(20)	(245)	-	(5,917)
Occupancy Costs	[4]	(1,079)	(901)	(17)	(17)	-	-	-	-	-	-	(2,014)
Operating Expenses, Corporate, and Other	[5]	(1,112)	(32)	(30)	(30)	(29)	(12)	(12)	(12)	-	-	(1,270)
Sales Taxes	[6]	(541)	-	-	(3,905)	-	-	-	-	-	-	(4,445)
Intercompany	[7]	(93)	-	-	-	(120)	-	-	-	(60)	(47)	(319)
Total Operating Disbursements		**(5,159)**	**(1,851)**	**(172)**	**(4,812)**	**(1,544)**	**(32)**	**(12)**	**(32)**	**(305)**	**(47)**	**(13,966)**
Net Operating Cash Inflows / (Outflows)		**(2,976)**	**(723)**	**414**	**(4,456)**	**(1,544)**	**(32)**	**(12)**	**(32)**	**(305)**	**(47)**	**(9,712)**
Professional Fees	[8]	(2,304)	(517)	(513)	(484)	(318)	(325)	(245)	(304)	(294)	(87)	(5,391)
Liquidation Costs	[9]	(2,422)	(166)	(132)	(76)	(572)	-	-	-	-	-	(3,368)
Net Cash Inflows / (Outflows)		**(7,702)**	**(1,406)**	**(231)**	**(5,016)**	**(2,434)**	**(357)**	**(257)**	**(336)**	**(599)**	**(133)**	**(17,519)**
Cash												
Beginning Balance		28,791	21,089	19,683	19,452	14,436	12,001	11,645	11,387	11,052	10,453	28,791
Net Cash Inflows / (Outflows)		(7,702)	(1,406)	(231)	(5,016)	(2,434)	(357)	(257)	(336)	(599)	(133)	(18,471)
Canadian Excess Proceeds / Canadian Transfer Funds		-	-	-	-	-	-	-	-	-	(7,793)	(7,793)
Ending Balance		**21,089**	**19,683**	**19,452**	**14,436**	**12,001**	**11,645**	**11,387**	**11,052**	**10,453**	**2,527**	**2,527**
Reserve	[10]	(8,002)	(8,002)	(7,777)	(3,642)	(2,084)	(1,591)	(1,591)	(1,591)	(28)	(0)	

Notes:

[1] The purpose of this cash flow forecast is to estimate the liquidity requirements of the Payless Canada Entities during the forecast period.

[2] Forecast Trade Receipts include collections from store closing sales conducted and operated by the Payless Canada Entities with the assistance of a third-party liquidator assisting solely in a consulting capacity to the Payless Canada Entities.

[3] Forecast Payroll and Employee Related Costs are based on recent payroll amounts and include accrued vacation to be paid upon termination, and termination payments statutorily required for employees in B.C., Saskatchewan, and P.E.I.

[4] Forecast Occupancy Costs includes payment to landlords, common-area maintenance costs, utility providers, and property taxes.

[5] Forecast Operating Expenses include store level expenses, IT costs, and directors' and officers' insurance.

[6] Forecast Sales Taxes reflects net GST, HST, and PST amounts remitted to/from the federal and provincial governments. Payments are generally made one month in arrears.

[7] Forecast Intercompany Fees include on-going expenses for shared services between Payless entities.

[8] Forecast Professional Fees include legal, monitor, chief restructuring officer, and real estate appraiser fees associated with the CCAA proceedings and are based on estimates provided by the advisors.

[9] Forecast Liquidation Costs include agency fees, liquidation expenses, store incentive programs, and anticipated gift card redemptions.

[10] Represents the estimated amount of sales tax, payroll, accrued vacation, severance, employer retirement savings plan, workers' compensation reserves for the week noted in the cash flow.

APPENDIX "C"

[ATTACHED]

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:	)	Case No. 19-40883-659
	)	Chapter 11
PAYLESS HOLDINGS LLC, *et al.*,	)	
	)	
	)	Jointly Administered
Debtors.	)	
	)	Related Docket No.: 61 & 138

FINAL ORDER PURSUANT TO 11 U.S.C. §§ 105, 361, 362, 363,364, 507 AND 552 (1) AUTHORIZING USE OF CASH COLLATERAL, (2) GRANTING ADEQUATE PROTECTION, AND (3) MODIFYING AUTOMATIC STAY

THIS MATTER having come before the Court upon the motion (the "**Motion**") of Payless Inc. (the "**Lead Borrower**") on behalf of itself and its affiliated debtors and debtors-in-possession (collectively, the "**Debtors**") in the above-captioned chapter 11 cases (collectively, the "**Cases**"), seeking entry of a final order (this "**Final Order**") pursuant to Sections 105, 361, 362, 363, 364(c)(l), 364(c)(2), 364(c)(3), 364(d), 364(e), 507, and 552 of chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), *inter alia*:

(i) authorizing the Debtors' use of the Cash Collateral (as defined in Section 363(a) of the Bankruptcy Code) of the Prepetition Credit Parties (as defined herein);

(ii) providing adequate protection to the Prepetition Credit Parties (as defined below) for any Diminution in Value (as defined below) to the extent set forth herein; 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 [Docket No. 61], the Declaration of Stephen Marotta, the Debtors' Chief Restructuring Officer, in support of the chapter 11 petitions and "first day" motions [Docket No. 22], including the Motion, the exhibits attached thereto, and the evidence submitted and the arguments of counsel made at the interim hearing held on the Motion on February 19, 2019 (the "**Interim Hearing**"); and the Court having entered the *Interim Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 507 and 522 (1) Authorizing Use of Cash Collateral, (2) Granting Adequate Protection, (3) Modifying Automatic Stay, and (4) Scheduling a Final Hearing* [Docket No. 138] (the "**Interim Order**" and, together with this Final Order, the "**Cash Collateral Orders**") providing for approval of the Motion on an interim basis; and notice of a Final Hearing (as defined herein) having been given in accordance with Bankruptcy Rules 4001(b), (c) and (d); and the Final Hearing to consider the final relief requested in the Motion having been held and concluded (the "**Final Hearing**"); and all objections, if any, to the final relief requested in the Motion having been withdrawn, resolved or overruled by the Court; and it appearing to the Court that granting the final relief requested is necessary to avoid immediate and irreparable harm to the Debtors and their estates, and otherwise is fair and reasonable and in the best interests of the Debtors, their estates, and their creditors and equity holders, and is essential for the continued operation of the Debtors' businesses; and after due deliberation and consideration, and for good and sufficient cause appearing therefor;

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING AND THE FINAL HEARING BY THE DEBTORS, INCLUDING THE SUBMISSIONS OF DECLARATIONS AND THE REPRESENTATIONS OF COUNSEL, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:

A. *Petition Date*. On February 18, 2019 (the "**Petition Date**"), the Debtors filed voluntary petitions under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri (the "**Court**") commencing the 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 over the persons and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue for the Cases and proceedings on the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

D. *Committee Formation*. On March 1, 2019, the Office of the United States Trustee for the Eastern District of Missouri (the "**U.S. Trustee**") appointed an official committee of unsecured creditors pursuant to Section 1102 of the Bankruptcy Code (the "**Creditors' Committee**").

E. *Canadian Proceeding*. On February 19, 2019, Payless ShoeSource Canada Inc., a Canadian federal corporation ("**Payless Canada**"), and Payless ShoeSource Canada GP Inc., a Canadian federal corporation ("**Payless Canada GP**") and Payless ShoeSource Canada LP, an Ontario limited partnership, (together with Payless Canada and Payless Canada GP, collectively, the "**Payless Canada Entities**" and, in their capacity as Debtors under the Cases, the "**Canadian Debtors**") commenced proceedings in Canada under the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c C-36, as amended (the "**Canadian Case**") in the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**").

F. *DIP Financing*. On February 22, 2019, the Debtors filed their *Motion for Entry of an Order (I) Scheduling an Expedited Hearing, (II) Approving the Form and Manner of Notice Thereof, and (III) Granting Related Relief* [Docket No. 217] (the "**DIP Motion**"). On February 25, 2019, the Court conducted an expedited hearing on the DIP Motion and entered the *Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Status, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief* [Docket No. 265] (the "**Interim DIP Order**" and, together with any final order that may be entered on the DIP Motion, the "**DIP Orders**").

G. The Debtors have commenced store closures and related dispositions of inventory and other assets at all store locations in North America (the "**Store Closing Sales**") and, in connection therewith, have engaged a joint venture of Great American Group, LLC, a California limited liability company, and Tiger Capital Group, LLC, a Massachusetts limited liability company (the "**Liquidation Consultant**") as a consultant to conduct the Store Closing Sales pursuant to that certain Store Closing Program–Consulting Agreement, dated as of February 12, 2019, by and among, *inter alios*, Payless Holdings, LLC, Payless Canada GP, and the Liquidation Consultant (together with (x) all material documents relating thereto and (y) all exhibits, annexes and schedules thereto, in each case, as may be amended, restated, supplemented or otherwise modified from time to time with the consent of the Prepetition Agents (as defined herein) (which consent shall not unreasonably be withheld, delayed or conditioned), the "**Liquidation Consulting Agreement**").

H. *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 22

herein, the Debtors, on their behalf and on behalf of their estates, admit, stipulate, acknowledge and agree as follows (paragraphs H(i) through H(xi) below are referred to herein, collectively, as the "**Debtors' Stipulations**"):

(i) Prepetition ABL Credit Facility. Pursuant to that certain Credit Agreement, dated as of August 10, 2017 (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition ABL Credit Agreement**" and collectively with any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, supplemented, or otherwise modified in accordance with the terms thereof, the "**Prepetition ABL Credit Documents**"),[1] among (a) the Lead Borrower, (b) the other Borrowers, (c) the Guarantors (collectively with the Lead Borrower and the other Borrowers, the "**Prepetition ABL Loan Parties**"), (d) Wells Fargo Bank, National Association, in its capacities as (x) administrative agent and collateral agent for the Lenders (the "**Prepetition ABL Administrative Agent**") and (y) FILO Agent for the FILO Lenders (collectively, together with the Prepetition ABL Administrative Agent, the "**Prepetition ABL Agents**"), and (e) the lenders party thereto from time to time (the "**Prepetition ABL Lenders**" and, together with the Prepetition ABL Agents and other "Credit Parties" (as defined in the Prepetition ABL Credit Agreement), the "**Prepetition ABL Credit Parties**"), the Prepetition ABL Lenders provided revolving credit facility, a FILO loan and other financial accommodations to, and issued letters of credit for the account of, the Borrowers pursuant to the Prepetition ABL Credit Documents (the "**Prepetition ABL Facility**").

(ii) Prepetition ABL Obligations. The Prepetition ABL Lenders provided the Borrowers with, among other things, (y) $250,000,000 in aggregate maximum principal amount

[1] Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the applicable Prepetition Documents (as defined herein) or the Motion, as applicable.

of revolving loan commitments, including letter of credit and swingline loan commitments, with a sublimit for letters of credit of $50,000,000, and (z) $35,000,000 in aggregate maximum principal amount of FILO loan commitments. As of the Petition Date, the aggregate principal amount of "Revolving Loans" and "FILO Loans" outstanding under the Prepetition ABL Facility was not less than $159,274,110.50, and the aggregate undrawn amount of all outstanding "Letters of Credit" under the Prepetition ABL Facility was not less than $35,820,933.13 (each as defined in the Prepetition ABL Credit Agreement) (collectively, together with accrued and unpaid interest thereon, and outstanding letters of credit fees, any reimbursement obligations (contingent or otherwise) in respect of letters of credit, any fees, expenses and disbursements (including, without limitation, attorneys' fees, accountants' fees, auditor fees, appraisers' fees and financial advisors' fees, and related expenses and disbursements), treasury, cash management, bank product and derivative obligations, indemnification obligations, guarantee obligations, and other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing, or chargeable in respect of any of the Borrower's and the Guarantors' obligations pursuant to the Prepetition ABL Credit Documents, including all "Obligations" (as defined in the Prepetition ABL Credit Agreement), the "**Prepetition ABL Obligations**").[2]

(iii) Prepetition ABL Liens and Prepetition ABL Priority Collateral. As more fully set forth in the Prepetition ABL Credit Documents, prior to the Petition Date, the Borrowers and certain of the Guarantors granted to the Prepetition ABL Administrative Agent, for the benefit of itself and the Prepetition ABL Lenders, a security interest in and continuing

[2] Together with any Obligations (as defined in the Prepetition ABL Credit Agreement) arising, accrued, accruing, due, owing or chargeable on or after the Petition Date in accordance with the Prepetition ABL Credit Documents and the Cash Collateral Orders (such Obligations, the "**Post-Petition ABL Obligations**," and, together with the Prepetition ABL Obligations, the "**ABL Obligations**").

lien on (the "**Prepetition ABL Liens**") substantially all of their assets and property, including, without limitation, (a) a first priority security interest in and continuing lien on the "ABL Priority Collateral" (as defined in the Existing Intercreditor Agreement) (as defined herein) and all proceeds, products, accessions, rents, and profits thereof, in each case whether then owned or existing or thereafter acquired or arising (collectively, the "**Prepetition ABL Priority Collateral**"), and (b) a second priority security interest in and continuing lien on the "Term Priority Collateral" (as defined in the Existing Intercreditor Agreement) and proceeds and products thereof (collectively, the "**Prepetition Term Priority Collateral**," and together with the Prepetition ABL Priority Collateral, the "**Prepetition Collateral**").

(iv) Prepetition Term Loan Agreement. Pursuant to that certain Term Loan and Guarantee Agreement, dated as of August 10, 2017 (as amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Term Loan Agreement**" and, together with any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, supplemented or otherwise modified prior to the Petition Date, the "**Prepetition Term Loan Credit Documents**," and, together with the Prepetition ABL Credit Documents and the Existing Intercreditor Agreement referred to below, the "**Prepetition Documents**")), by and among (a) WBG – PSS Holdings LLC ("**Holdings**"), (b) the Borrowers party thereto (the "**Prepetition Term Borrowers**"), (c) the Subsidiary Guarantors from time to time party thereto (together with Holdings and the Prepetition Term Borrowers, collectively, the "**Prepetition Term Loan Parties**", and, together with the Prepetition ABL Loan Parties, the "**Prepetition Loan Parties**"), (d) Cortland Products Corp., as Administrative Agent and Collateral Agent (in such capacities, the "**Prepetition Term Loan Agent**" and, together with the Prepetition ABL Agents, the "**Prepetition Agents**"), and (e) the lenders party

thereto from time to time (collectively, the "**Prepetition Term Loan Lenders**" and, together with the Prepetition Term Loan Agent, the "**Prepetition Term Loan Credit Parties**", and, together with the Prepetition Agents and Prepetition ABL Lenders collectively referred to herein as the "**Prepetition Credit Parties**"), the Prepetition Term Loan Lenders provided term loans to the Borrowers (the "**Prepetition Term Loan Facility**," and, together with the Prepetition ABL Facility, the "**Prepetition Credit Facilities**").

(v) Prepetition Term Loan Obligations. The Prepetition Term Loan Facility provided the Borrowers with term loans in the aggregate principal amount of $280,000,000. As of the Petition Date, the aggregate principal amount outstanding under the Prepetition Term Loan Facility was not less than $277,200,000 (together with accrued and unpaid interest thereon, any fees, expenses and disbursements (including, without limitation, attorneys' fees, accountants' fees, appraisers' fees and financial advisors' fees, and related expenses and disbursements), indemnification obligations, and other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing, or chargeable in respect of any of the Borrowers' and the Guarantors' obligations pursuant to the Prepetition Term Loan Credit Documents, including all "Obligations" as defined in the Prepetition Term Loan Agreement, the "**Prepetition Term Loan Obligations**" and, together with the Prepetition ABL Obligations, the "**Prepetition Obligations**").

(vi) Prepetition Term Loan Liens and Prepetition Term Priority Collateral. As more fully set forth in the Prepetition Term Loan Credit Documents, prior to the Petition Date, the Prepetition Term Loan Parties granted to the Prepetition Term Loan Agent, for the benefit of itself and the Prepetition Term Loan Lenders, security interests in and continuing liens on (the "**Prepetition Term Loan Liens**," and together with the Prepetition ABL Liens, the "**Prepetition**

Liens") substantially all of their assets and property, including, without limitation, (a) first priority security interests in and continuing liens on the Term Priority Collateral, and (b) second priority security interests in and continuing liens on the Prepetition ABL Priority Collateral.

(vii) Priority of Prepetition Liens; Intercreditor Agreement. The Prepetition ABL Administrative Agent and the Prepetition Term Loan Agent entered into that certain Intercreditor Agreement dated as of August 10, 2017 (as amended, restated, supplemented, or otherwise modified in accordance with its terms, the "**Existing Intercreditor Agreement**") to govern the respective rights, interests, obligations, priority, and positions of the Prepetition ABL Lenders and the Prepetition Term Loan Lenders with respect to the assets and properties of the Debtors and other applicable obligors. Each of the Borrowers and Guarantors under the Prepetition Documents acknowledged and agreed to the Existing Intercreditor Agreement.

(viii) Validity, Perfection and Priority of Prepetition ABL Liens and Prepetition ABL Obligations. As of the Petition Date (a) the Prepetition ABL Liens on the Prepetition Collateral were valid, binding, enforceable, non-avoidable and properly perfected and were granted to, or for the benefit of, the Prepetition ABL Administrative Agent for the benefit of itself and the Prepetition ABL Lenders for fair consideration and reasonably equivalent value; (b) the Prepetition ABL Liens were senior in priority over any and all other liens on the Prepetition Collateral, subject only to (1) the Prepetition Term Loan Liens on the Prepetition Term Priority Collateral, and (2) certain liens otherwise permitted by the Prepetition ABL Credit Documents (solely to the extent any such permitted liens were valid, properly perfected, non-avoidable and senior in priority to the Prepetition ABL Liens as of the Petition Date, the "**Prepetition Permitted Priority ABL Liens**"); (c) the Prepetition ABL Obligations constitute legal, valid, binding, and non-avoidable obligations of the Prepetition ABL Loan Parties

enforceable in accordance with the terms of the applicable Prepetition ABL Credit Documents; (d) no offsets, challenges, objections, defenses, claims or counterclaims of any kind or nature to any of the Prepetition ABL Liens or Prepetition ABL Obligations exist, and no portion of the Prepetition ABL Liens or Prepetition ABL Obligations is subject to any challenge or defense including, without limitation, avoidance, disallowance, disgorgement, recharacterization, or subordination (equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (e) the Debtors and their estates have no claims, objections, challenges, causes of action, and/or choses in action, including without limitation, avoidance claims under Chapter 5 of the Bankruptcy Code or applicable state law equivalents or actions for recovery or disgorgement, against any of the Prepetition ABL Lenders or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees arising out of, based upon or related to the Prepetition ABL Facility; (f) the Debtors have waived, discharged, and released any right to challenge any of the Prepetition ABL Obligations, the priority of the Debtors' obligations thereunder, and the validity, extent, and priority of the liens securing the Prepetition ABL Obligations; and (g) the Prepetition ABL Obligations constitute allowed, secured claims within the meaning of Sections 502 and 506 of the Bankruptcy Code.

(ix) Validity, Perfection and Priority of Prepetition Term Loan Liens and Prepetition Term Loan Obligations. As of the Petition Date: (a) the Prepetition Term Loan Liens on the Prepetition Collateral were valid, binding, enforceable, non-avoidable and properly perfected and were granted to, or for the benefit of, the Prepetition Term Loan Agent for the benefit of Prepetition Term Loan Parties for fair consideration and reasonably equivalent value; (b) the Prepetition Term Loan Liens were senior in priority over any and all other liens on the Prepetition Collateral, subject only to (1) the Prepetition ABL Liens on the Prepetition ABL

Priority Collateral and (2) certain liens otherwise permitted by the Prepetition Term Loan Credit Documents (solely to the extent any such permitted liens were valid, properly perfected, non-avoidable and senior in priority to the Prepetition Term Loan Liens as of the Petition Date, the "**Prepetition Permitted Priority Term Loan Liens**," and together with the Prepetition Permitted Priority ABL Liens, the "**Prepetition Permitted Priority Liens**");[3] (c) the Prepetition Term Loan Obligations constitute legal, valid, binding, and non-avoidable obligations of the Prepetition Term Loan Parties enforceable in accordance with the terms of the applicable Prepetition Term Loan Credit Documents; (d) no offsets, challenges, objections, defenses, claims or counterclaims of any kind or nature to any of the Prepetition Term Loan Liens or Prepetition Term Loan Obligations exist, and no portion of the Prepetition Term Loan Liens or Prepetition Term Loan Obligations is subject to any challenge or defense including, without limitation, avoidance, disallowance, disgorgement, recharacterization, or subordination (equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (e) the Debtors and their estates have no claims, objections, challenges, causes of action, and/or choses in action, including without limitation, avoidance claims under Chapter 5 of the Bankruptcy Code or applicable state law equivalents or actions for recovery or disgorgement, against any of the Prepetition Term Loan Lenders, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees arising out of, based upon or related to the Prepetition Term Loan Facility; (f) the Debtors have waived, discharged, and released any right to challenge any of the Prepetition Term Loan Obligations, the priority of the Debtors'

[3] Nothing herein shall constitute a finding or ruling by this Court that any such Prepetition Permitted Priority Lien is 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 ABL Lenders, the Prepetition Term Loan Lenders, or the Creditors' Committee, to challenge the validity, priority, enforceability, seniority, avoidability, perfection or extent of any alleged Prepetition Permitted Priority Lien and/or security interests. The right of a seller of goods to reclaim such goods under Section 546(c) of the Bankruptcy Code is not a Prepetition Permitted Priority Lien and is expressly subject to the Prepetition Liens.

obligations thereunder, and the validity, extent, and priority of the liens securing the Prepetition Term Loan Obligations; and (g) the Prepetition Term Loan Obligations constitute allowed, secured claims within the meaning of Sections 502 and 506 of the Bankruptcy Code.

(x) Default by the Debtors. The Debtors acknowledge and stipulate that (a) prior to the Petition Date the Prepetition Loan Parties were in default of their obligations under the Prepetition ABL Credit Documents, all Commitments of the ABL Loan Parties were properly terminated and the Prepetition ABL Obligations were properly accelerated and (b) the Prepetition Term Loan Parties are in default of their obligations under the Prepetition Term Loan Credit Documents.

(xi) Cash Collateral. All of the Debtors' cash, including the cash in their deposit accounts, wherever located, whether as original collateral or proceeds of other Prepetition Collateral, constitutes Cash Collateral and is Prepetition Collateral of the Prepetition Credit Parties.

(xii) Release by the Debtors. Subject only to paragraph 22 of this Final Order, the Debtors, on their own behalf and on behalf of their respective successors and assigns, hereby waive, release and discharge the Prepetition Credit Parties, and all of their respective affiliates, and all of the directors, officers, employees, attorneys, representatives, agents, predecessors, successors and assigns of the Prepetition Credit Parties and such affiliates, from any and all claims, demands, actions or causes of action (known and unknown) arising out of or in any way relating to any of the Prepetition Documents, the Prepetition Obligations, the Prepetition Liens, and the Prepetition Collateral, to the extent arising on or prior to the date hereof, including but not limited to, claims or challenges under Bankruptcy Code Section 105 or Chapter 5 of the Bankruptcy Code.

I. *Findings Regarding the Use of Cash Collateral*.

(i) Request for Use of Cash Collateral. Upon entry of the Interim Order, the Debtors were expressly authorized to use Cash Collateral on the terms described therein to administer the Cases and fund their operations in accordance with the Budget (as defined herein) and the Interim Order. At the Final Hearing, the Debtors sought final approval of the proposed use of Cash Collateral pursuant to the Final Order. Notice of the Final Hearing and Final Order was provided in accordance with the Interim Order.

(ii) Need for Use of Cash Collateral. The Debtors' need to use Cash Collateral is immediate and critical to enable the Debtors to continue operations and to administer and preserve the value of their estates. The ability of the Debtors to maintain business relationships, pay their employees, protect the value of their assets, and otherwise finance their operations requires the availability of funds from the use of Cash Collateral, the absence of which would immediately and irreparably harm the Debtors, their estates, their creditors, and equity holders. The Debtors do not have sufficient available sources of funds and financing to operate their businesses or to maintain their properties in the ordinary course of business without the authorized use of Cash Collateral.

(iii) Use of Proceeds of Cash Collateral. As a condition to the authorization to use Cash Collateral, the Prepetition Credit Parties require, and the Debtors have agreed, that Cash Collateral shall be used solely (a) in accordance with the budget (a summary of which is attached as Exhibit A hereto), as the same may be amended, supplemented, or otherwise modified from time to time with the prior written consent of the Prepetition Agents; provided, however, prior to the payment in full, in cash, of the ABL Obligations, only the consent of the Prepetition ABL Agents shall be required to approve any amendments, supplements or

modifications of the Budget which pertain to the Store Closing Sales, including the line item "Liquidator Expenses"; provided, further, that the Prepetition ABL Agents shall consult with the Prepetition Term Loan Agent and AlixPartners, LLP on not less than one (1) Business Day's notice prior to consenting to such amendments, supplements or modifications (as so amended, supplemented or otherwise modified from time to time, the "**Budget**"), and, (b) solely with respect to the Payless Canada Entities, in accordance with the budget (a summary of which is attached as Exhibit B hereto), as the same may be amended, supplemented, or otherwise modified from time to time with the prior written consent of the Prepetition Agents; provided, however, prior to the payment in full, in cash, of the ABL Obligations, only the consent of the Prepetition ABL Agents shall be required to approve any amendments, supplements or modifications of the Canadian Budget which pertain to the Store Closing Sales, including the line item "Liquidator Expenses", and provided, further, that the Prepetition ABL Agents shall consult with the Prepetition Term Loan Agent and AlixPartners, LLP on not less than one (1) Business Day's notice prior to consenting to such amendments, supplements or modifications (as so amended, supplemented or otherwise modified from time to time, the "**Canadian Budget**"), and, in each instance, subject to such variances as may be permitted thereby, by the Interim Order, and by this Final Order, solely for (i) post-petition operating expenses and other working capital needs and all other amounts authorized by any "first day" orders, (ii) certain transaction fees and expenses, (iii) permitted payment of costs of administration of the Cases, including professional fees, (iv) the Adequate Protection Payments (as defined in paragraph 4(a) herein), (v) the payment in full, in cash, of the ABL Obligations, subject to the rights preserved in paragraph 22 of this Final Order; and (vi) payment of the Carve Out (as defined herein), which shall be in accordance with paragraph 18 of this Final Order.

J. *Adequate Protection*. The Prepetition ABL Agents, for the benefit of themselves and the other Prepetition ABL Credit Parties, and the Prepetition Term Loan Agent, for the benefit of the Prepetition Term Loan Credit Parties, are each entitled to receive adequate protection pursuant to sections 361, 363, 364 and 507(b) of the Bankruptcy Code, as set forth in paragraphs 4, 5, 8, 9 and 23 below for any diminution in value of each of their respective interests in the Prepetition Collateral (including Cash Collateral), including as a result of the imposition of the automatic stay, the Debtors' use, sale or lease of the Prepetition Collateral, including Cash Collateral, and the subordination of the Prepetition Liens to the Carve Out ("**Diminution in Value**"). Pursuant to Sections 361, 363, 364 and 507(b) of the Bankruptcy Code, as adequate protection: (i) the Prepetition ABL Lenders will receive (a) adequate protection liens and superpriority claims, as more fully set forth in paragraph 4 herein, (b) current payment of interest on the Prepetition ABL Obligations at the "Default Rate" (as defined in and set forth under the Prepetition ABL Credit Agreement), fees (including, without limitation, all fees set forth in any fee letter), and expenses (including, without limitation, legal and other professionals' fees and expenses of the Prepetition ABL Agents and other Prepetition ABL Lenders, whether arising before or after the Petition Date), in each case, to the extent set forth under the Prepetition ABL Credit Agreement and (c) principal payments on account of the Prepetition ABL Obligations in accordance with paragraph 7 herein; and (ii) the Prepetition Term Loan Lenders will receive (a) adequate protection liens and superpriority claims, as more fully set forth in paragraph 4 herein and, (b) payment of certain legal and other professional fees and expenses subject to and as set forth in paragraph 23 herein.

K. *Sections 506(c) and 552(b)*. In light of the Prepetition Credit Parties' agreement to consent to the use of Cash Collateral in accordance with the Budget, to subordinate the

Prepetition Liens, Adequate Protection Superpriority Claims and the Adequate Protection Liens to the Carve Out, and to fund the Professional Fee Escrow Account (as defined herein), the Debtors hereby waive and the Prepetition Credit Parties are deemed to have received a waiver of (a) the provisions of Section 506(c) of the Bankruptcy Code, and (b) any "equities of the case" claims under Section 552(b) of the Bankruptcy Code.

L. *Good Faith*. The terms of the Cash Collateral arrangement described herein are fair and reasonable, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. Entry of this Final Order is in the best interests of the Debtors, their estates, and their creditors and equity holders. The terms concerning the Debtors' use of Cash Collateral, as provided in this Final Order, were negotiated in good faith and at arms' length between the Debtors and the Prepetition Credit Parties, and the Prepetition Credit Parties' claims, superpriority claims, replacement liens and other protections granted pursuant to this Final Order will have the protections provided in Section 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument or reconsideration of this Final Order or any other order.

M. Immediate Entry. The Debtors have requested immediate entry of this Final Order pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2). Absent entry of this Final Order, the Debtors' businesses, properties and estates would be immediately and irreparably harmed. This Court concludes that entry of this Final Order is in the best interests of the Debtors' respective estates and stakeholders.

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. Use of Cash Collateral Approved. The use of Cash Collateral on a final basis is authorized, 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.

Authorization to Use Cash Collateral

3. Authorization to Use Cash Collateral. Subject to the terms and conditions of this Final Order, the Debtors are authorized to use Cash Collateral, on a final basis and in accordance with the Budget and Canadian Budget, until the earliest of (x) May 10, 2019 unless the ABL Obligations have been paid in full, in cash, on or prior to such date, then July 15, 2019 and (y) subject to the provisions of paragraph 17, the fifth (5^{th}) Business Day following written notice from the applicable Prepetition Agent of the occurrence of a Termination Event (as defined in paragraph 16 herein) (the "**Termination Date**"); provided, however, that during the Remedies Notice Period (as defined herein) the Debtors' use of Cash Collateral shall be limited solely to pay current payroll (other than severance) and to pay accrued expenses critical to the preservation of the value of the Debtors and their estates prior to payment in full, in cash, of the ABL Obligations as agreed to by the Prepetition ABL Agents (or, after the ABL Obligations have been paid in full, in cash, the Prepetition Term Loan Agent), each in their sole discretion, as applicable. In no event shall the Debtors' actual disbursements of the type included in the line items "Total Operating Disbursements" and "Total Restructuring Disbursements" (without giving effect to the line items "Restructuring Professionals" "Agency Fees", "Liquidator Expenses" or "Critical Vendors" or amounts paid to Restructuring Professionals, Critical Vendors or Liquidation Consultant) in any Test Period (as defined herein) exceed 110% of the aggregate amounts set forth in the Total Operating Disbursements or Total Restructuring

Disbursements (without giving effect to the line items "Restructuring Professionals", "Agency Fees", "Liquidator Expenses" or "Critical Vendors") as applicable in the then current Budget for such Test Period (the "**Expense Covenant**"). In no event shall the Debtors' actual receipts of the type included in the line item "Total Receipts" in the then current Budget in any Test Period fail to be equal to or greater than 80% of the amount set forth under the line item "Total Receipts" in the then current Budget for such Test Period, commencing with the first full Test Period following the Petition Date (the "**Total Receipts Covenant**" and, together with the Expense Covenant, collectively, the "**Budget Covenant**"). The Budget Covenant shall be tested as of Friday of each week (commencing with the Friday for the second (2nd) full week following the Petition Date) on a cumulative basis from the Petition Date through the third (3rd) full week after the Petition Date, and for each week thereafter on a rolling four (4) week basis (each, a "**Test Period**"), pursuant to the Budget Variance Report (as defined herein) delivered by the Debtors to the Prepetition Agents in accordance with paragraph 12. Nothing in this Final Order shall authorize the disposition of any assets of the Debtors or their estates outside the ordinary course of business (which shall be subject to further Orders of this Court), or the Debtors' use of any Cash Collateral or other proceeds resulting therefrom, except as permitted by this Final Order and in accordance with the Budget and the variances set forth above. Upon the payment in full, in cash, of the ABL Obligations, the then-current Budget shall expire and the Debtors shall deliver a new Budget that, subject to the approval by the Prepetition Term Loan Agent, shall become the new Budget.

4. Adequate Protection Payments and Adequate Protection Liens.

(a) *Adequate Protection Payments.* The Prepetition ABL Lenders shall receive adequate protection in the form of (1) payments of interest and Letter of Credit Fees (as

defined in the Prepetition ABL Credit Agreement, each of which shall be payable at the applicable Default Rate (as defined in and set forth under the Prepetition ABL Credit Agreement)), fees (including, without limitation, all fees set forth in any fee letter), costs, expenses (including Credit Party Expenses (as defined in the Prepetition ABL Credit Agreement) in accordance with paragraph 23 herein), indemnities and other amounts with respect to the Prepetition ABL Obligations in accordance with the Prepetition ABL Credit Documents, (2) payment of the U.S. Excess Proceeds and Canadian Excess Proceeds as set forth in paragraph 7(a) below (the preceding clauses (1) and (2), collectively, the "**Adequate Protection Payments**"). Such payments shall be applied in accordance with the Prepetition ABL Credit Agreement. The Prepetition Term Loan Lenders shall receive adequate protection in the form of the payment of Prepetition Term Loan Agent Fees (as defined herein) and Prepetition Term Loan Lenders Fees (as defined herein) strictly in accordance with the Budget and paragraph 23.

(b) *Adequate Protection Liens*. Pursuant to sections 361, 363 and 364(d) of the Bankruptcy Code upon entry of the Interim Order and effective as of the Petition Date, the Prepetition ABL Administrative Agent, for the benefit of the Prepetition ABL Lenders, and the Prepetition Term Loan Agent, for the benefit of the Prepetition Term Loan Lenders, were each granted continuing, valid, binding, enforceable and automatically perfected replacement liens on and additional security interests in (the "**ABL Adequate Protection Liens**" and the "**Prepetition Term Loan Adequate Protection Liens**," respectively, and, collectively, the "**Adequate Protection Liens**") any and all presently owned and hereafter acquired assets and real and personal property of the Debtors, including, without limitation, the following (the "**Post-Petition Collateral**"): (a) all cash, cash equivalents, deposit accounts, securities accounts, accounts, other receivables (including credit card receivables), chattel paper, contract rights,

inventory (wherever located), instruments, documents, securities (whether or not marketable) and investment property (including, without limitation, all of the issued and outstanding capital stock of each of its subsidiaries), furniture, fixtures, equipment, goods, franchise rights, trade names, trademarks, servicemarks, copyrights, patents, intellectual property, general intangibles, rights to the payment of money (including, without limitation, tax refunds and any other extraordinary payments), supporting obligations, guarantees, letter of credit rights, commercial tort claims, causes of action and all substitutions, books and records related to the foregoing, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds, (b) all owned real property interests and all proceeds of leased real property, (c) the proceeds of any avoidance actions brought pursuant to Section 549 of the Bankruptcy Code to recover any post-petition transfer of Prepetition Collateral ("**Section 549 Actions**") and (d) the Debtors' rights under Section 506(c) of the Bankruptcy Code and the proceeds thereof and including all Prepetition Collateral that was not otherwise subject to valid, perfected, enforceable and unavoidable liens on the Petition Date. Notwithstanding the foregoing, the Post-Petition Collateral shall not include the Debtors' real property leases but shall include all proceeds of such leases.

(c) *Priority of Adequate Protection Liens.*

(i) Notwithstanding anything to the contrary in the Existing Intercreditor Agreement or otherwise, the priority of the Prepetition Liens, the Adequate Protection Liens, the Prepetition Permitted Priority Liens and the Carve Out shall be as follows: (a) with respect to the Prepetition ABL Priority Collateral: (1) the ABL Carve Out Amount (as defined herein), (2) the Prepetition Permitted Priority Liens, (3) the ABL Adequate Protection Liens, (4) the Prepetition ABL Liens, (5) the Carve Out less the ABL Carve Out Amount, (6) the

Prepetition Term Loan Adequate Protection Liens and (7) the Term Loan Prepetition Liens; and (b) with respect to the Term Loan Priority Collateral, except as expressly modified by any DIP Order with the consent of the Prepetition ABL Agents (which consent shall not unreasonably be withheld, delayed, or conditioned): (1) the Carve Out, (2) the Prepetition Permitted Priority Liens, (3) the ABL Adequate Protection Liens with respect to Diminution in Value resulting from the use of Cash Collateral not in connection with the disposition of the ABL Priority Collateral, but in any event including the amount of any payments by the Debtors of all Prepetition Term Loan Lenders' and Prepetition Term Loan Agent's legal and other professional fees and expenses paid as set forth herein, (4) the Term Loan Adequate Protection Liens, (5) the Term Loan Prepetition Liens, (6) the ABL Adequate Protection Liens to the extent not satisfied in accordance with clause (3) above, and (7) the Prepetition ABL Liens

(ii) Except as provided herein, the Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter granted in the Cases or any case under chapter 7 of the Bankruptcy Code upon the conversion of the Cases (a "**Successor Case**"), and shall be valid and enforceable against any trustee appointed in any of the Cases or any Successor Case, or upon the dismissal of any of the Cases or any Successor Cases; provided that the ABL Adequate Protections Liens (solely with respect to Term Loan Priority Collateral) and the Term Loan Adequate Protection Liens shall be subject to any liens granted pursuant to a Permitted DIP Financing (as defined herein) The Adequate Protection Liens shall not be subject to Sections 510, 549, or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the Debtors' estates pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the Prepetition Liens or the Adequate Protection Liens.

(d) *Prepetition Indemnity Account*. Upon entry of this Final Order, the Debtors shall establish a segregated non-interest bearing account at Wells Fargo and in the control of the Prepetition ABL Administrative Agent (the "**Prepetition Indemnity Account**"), into which the sum of $500,000 of Cash Collateral shall be deposited as security for any reimbursement, indemnification, or similar continuing obligations of the Debtors in favor of the Prepetition ABL Agents and the other Prepetition ABL Lenders under the Prepetition ABL Credit Documents (the "**Prepetition Indemnity Obligations**").

(i) The funds in the Prepetition Indemnity Account shall secure all costs, expenses, and other amounts (including reasonable and documented attorneys' fees) incurred by the Prepetition ABL Agents and the other Prepetition ABL Lenders, in connection with or responding to (1) formal or informal inquiries and/or discovery requests, any adversary proceeding, cause of action, objection, claim, defense, or other challenge as contemplated in paragraph 22 hereof, or (2) any Challenge (as defined herein) against any Prepetition ABL Agent or the other Prepetition ABL Credit Parties related to the Prepetition ABL Credit Documents, the Prepetition ABL Liens, or the Prepetition ABL Obligations, whether in the Cases, any Successor Case or independently in any other forum, court, or venue, including, without limitation, in the Canadian Case.

(ii) The Prepetition Indemnity Obligations shall be secured by a first priority lien on the Prepetition Indemnity Account and the funds therein.

(iii) To the extent the Debtors have not paid the Prepetition Indemnity Obligations in accordance with paragraphs 4(a) and 23 herein, the Prepetition ABL Agents and the other Prepetition ABL Lenders may apply amounts in the Prepetition Indemnity Account against the Prepetition Indemnity Obligations as and when they arise, without consent from the

Debtors, the Creditors' Committee, or any other parties in interest and without further order of this Court; provided, however, that, prior to such application, the Prepetition ABL Lenders shall provide notice to the Debtors and the Creditors' Committee in accordance with paragraph 23 herein; provided, further, after such application, the Prepetition ABL Agents shall endeavor to give notice of such application to counsel to the Prepetition Term Loan Agent.

(iv) In addition to the establishment and maintenance of the Prepetition Indemnity Account, until the Challenge Deadline (as defined herein) the Prepetition ABL Agents (for themselves and on behalf of the other Prepetition ABL Lenders), shall retain and maintain the Prepetition ABL Liens and the ABL Adequate Protection Liens as security for any Prepetition Indemnity Obligations not capable of being satisfied from application of the funds on deposit in the Prepetition Indemnity Account. After the Challenge Deadline has passed, if no Challenge has been brought against the Prepetition ABL Credit Parties and all Prepetition Indemnity Obligations have been paid in full, in cash, all funds in the Prepetition Indemnity Account shall be promptly released to the Debtors.

5. Adequate Protection Superpriority Claims.

(a) *Superpriority Claims of Prepetition Credit Parties*. As further adequate protection of the interests of the Prepetition Credit Parties, upon entry of the Interim Order and effective as of the Petition Date, the Prepetition Credit Parties were granted allowed administrative claims against the Debtors' estates under section 503(b) of the Bankruptcy Code with superpriority pursuant to section 507(b) of the Bankruptcy Code (the "**ABL Adequate Protection Superpriority Claim**" and the "**Prepetition Term Loan Adequate Protection Superpriority Claims**," respectively, and, collectively, the "**Adequate Protection**

Superpriority Claims") to the extent of any Diminution in Value of such Prepetition Credit Parties' respective interests in the Prepetition Collateral.

(b) *Priority of Adequate Protection Superpriority Claims.*

(i) Except as set forth herein, 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, 503(a), 503(b), 507(a), 506(c), 507(b), 546(c), 546(d), 726, 1113 and 1114 of the Bankruptcy Code. The Adequate Protection Superpriority Claims shall be junior only to the Carve Out. Notwithstanding anything to the contrary in the Existing Intercreditor Agreement, the ABL Adequate Protection Superpriority Claims shall be senior in priority to the Prepetition Term Loan Adequate Protection Superpriority Claims. Any superpriority claims granted pursuant to the Permitted DIP Financing shall be (i) pari passu with the ABL Adequate Protection Superpriority Claims and (ii) senior to the Prepetition Term Loan Adequate Protection Superpriority Claims.

(ii) Except as provided herein, the Adequate Protection Superpriority Claims shall not be made subject to or *pari passu* with any claim heretofore or hereinafter granted in the Cases or in any Successor Case, and shall be valid and enforceable against any trustee appointed in any of the Cases or any Successor Case, or upon the dismissal of any of the Cases or any Successor Cases. The Adequate Protection Superpriority Claims shall, for purposes of section 1129(a)(9)(A) of the Bankruptcy Code, be considered administrative expenses allowed under section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to (i) all Post-Petition Collateral, (ii) Section 549

Actions and (iii) the proceeds of any other avoidance actions brought pursuant to Chapter 5 of the Bankruptcy Code other than pursuant to Section 549 (the "**Avoidance Actions**").

6. Budget Maintenance. The Debtors and the Prepetition Agents are hereby authorized to modify, amend or update the Budget from time to time in their sole discretion without further notice or order of the Court; provided, however, that, prior to the payment in full, in cash, of the ABL Obligations, only the consent of the Prepetition ABL Agents shall be required to approve any modification, amendments, or update of the Budget which pertains to the Store Closing Sales, including the line item "Liquidator Expenses"; provided, further, that the Prepetition ABL Agents shall consult with the Prepetition Term Loan Agent and AlixPartners, LLP prior to consenting to such modifications, amendments, or update; provided, that the Debtors, shall provide counsel for the Creditors' Committee, the U.S. Trustee and FTI Consulting Canada Inc. in its capacity as Monitor of the Payless Canada Entities in the Canadian Case, notice of any such modifications, amendments or update as soon as reasonably practicable but in no event less than two (2) Business Days prior to such modification, amendment or update becoming effective.

7. Cash Management; Application of Proceeds of Collateral.

(a) The Debtors shall maintain their cash management system as in effect as of the Petition Date. The "DIP Deposit Account" (as defined herein) shall not be subject to the Debtors' cash management system and such deposit account thereof shall not constitute Prepetition Collateral or Post-Petition Collateral. All proceeds from any disposition, sale or casualty of any Prepetition ABL Priority Collateral or Post-Petition Collateral (including any Store Closing Sale) or any Prepetition Term Priority Collateral sold in connection with any Store Closing Sale shall continue to be deposited into deposit accounts subject to the Debtors' existing

cash management system and transferred to the Concentration Account. Notwithstanding the foregoing, prior to indefeasible payment in full, in cash, of the ABL Obligations, on Wednesday of each week (or on a different day of any week mutually agreeable to the Prepetition ABL Administrative Agent and the Debtors), the Debtors shall deliver to the Prepetition ABL Administrative Agent a report, in a form agreed to by the Debtors and Prepetition Agents, showing the Debtors' proposed payments for the following week, which payments shall not exceed the sum of (i) 110% in the aggregate of the amounts set forth in the then current Budget for the following week with respect to Total Operating Disbursements or Total Restructuring Disbursements (without giving effect to (i) the line items "Restructuring Professionals" or "Critical Vendors" and (ii) all amounts due to the Liquidation Consultant pursuant to the Liquidation Consulting Agreement (as defined herein)); (ii) proposed "Critical Vendor Payments" (as defined in the Budget); provided that the aggregate weekly "Critical Vendor Payments" together with the proposed "Critical Vendor Payments" shall not exceed the total aggregate amount of all "Critical Vendor Payments" set forth in the Budget, and provided further that no "Critical Vendor Payments" shall be used to purchase inventory; (iii) all amounts due to the Liquidation Consultant pursuant to the Liquidation Consulting Agreement for the week then ended, which amounts shall be calculated as of Tuesday of each week; and (iv) an amount equal to 6.50% of the aggregate inventory sales at the Debtors' U.S. brick and mortar and ecommerce locations for the week then ended, which amount shall be calculated as of Tuesday of each week (such report, the "**Expense Report**"). Notwithstanding any line item in the Budget, the Debtors are not authorized to and shall not use any Cash Collateral to purchase any inventory or pay any cost or expenses in connection with the purchase, importation or handling of such inventory ("**Inventory Related Expenses**"), and such cost and expenses shall

not be included in the Expense Report. All such Inventory Related Expenses shall be paid solely with the proceeds of Permitted DIP Financing (as defined herein). The Debtors shall not incur any Inventory Related Expenses until such time as the Debtors have caused to be deposited into the Operating Account (as defined herein) from amounts on deposit in the DIP Deposit Account amounts at least equal to the projected Inventory Related Expenses. The Prepetition ABL Administrative Agent is hereby authorized and directed, until the occurrence of a Termination Event, (i) to transfer from the Concentration Account to the Debtors' operating account at the Prepetition ABL Administrative Agent ending in -5863 (the "**Operating Account**") an amount equal to the sum of (A) the amount set forth in the Expense Report or otherwise approved by the Prepetition ABL Agents in their sole discretion ("**Weekly Budget Payments**"), plus (B) an amount necessary to maintain up to $2,500,000 after giving effect to any checks issued in accordance with the Budget for prior weeks which have yet to clear plus any accrued but unpaid amounts permitted under and included in prior weeks' Expense Reports as determined by the reports delivered pursuant to paragraph 12(b) herein ("**Weekly Transfers**") and (ii) to transfer on a weekly basis all amounts remaining, if any, in the Concentration Account, calculated as of noon Central Time each Wednesday, in excess of the sum of the applicable Weekly Budget Payments and Weekly Transfers (the "**U.S. Excess Proceeds**") to the Prepetition ABL Administrative Agent to be applied in accordance with the terms of the Prepetition ABL Credit Documents until the ABL Obligations have been indefeasibly paid in full, in cash. For the avoidance of doubt, once funds are transferred in to the Operating Account, such funds and all other amounts therein shall not be subject to the cash sweep referred to in the immediately preceding sentence. The Expense Report shall also include the Debtors' proposed payments for the following week in the amounts set forth in the then current Canadian Budget, subject to the

variances set forth in this paragraph 7(a). On Wednesday of each week (or on a different day of the week mutually agreeable to the Prepetition ABL Administrative Agent and the Debtors), the Prepetition ABL Administrative Agent is hereby authorized and directed, until the occurrence of a Termination Event, to transfer from any accounts maintained in the Debtors' existing cash management system in Canada, the "Canadian Excess Proceeds" as such term is defined in the Interim Canadian Order to be applied in accordance with the terms of the Prepetition ABL Credit Documents until the ABL Obligations have been paid in full, in cash.

(b) Upon expiration of the Remedies Notice Period, all amounts in the Concentration Account shall be applied by the Prepetition ABL Administrative Agent in accordance with the terms of the Prepetition ABL Credit Documents.

(c) The Prepetition ABL Administrative Agent may, at any time, send notice to the Debtors' depository banks to authorize and direct such banks to direct all available funds to any Blocked Account or the Concentration Account at such times as the Prepetition ABL Administrative Agent may direct in writing to such banks. Each of the Debtors' depository banks is hereby authorized and directed to comply with any and all orders, notices, requests and other instructions originated by the Prepetition ABL Administrative Agent directing disposition of funds in accordance with the Budget, the Prepetition ABL Credit Documents and this Final Order. For the avoidance of doubt, the DIP Deposit Account shall not be subject to the provisions of this paragraph.

8. Modification of Automatic Stay. The automatic stay imposed 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 permit the Debtors to grant the Adequate

Protection Liens and the Adequate Protection Superpriority Claims, make the Adequate Protection Payments, and apply proceeds in accordance with paragraph 7.

9. Automatic Perfection of Adequate Protection Liens. This Final Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of all liens granted herein, including the Adequate Protection Liens, without the necessity of filing or recording any financing statement, mortgage, notice, or other instrument or document that 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, filing of Uniform Commercial Code financing statements, mortgages, assignments, notices of lien and similar documents, and entering into any deposit account control agreement, customs broker agreement or freight forwarding agreement) to validate or perfect (in accordance with applicable non-bankruptcy law) the Adequate Protection Liens, or to entitle the Prepetition Credit Parties to the priorities granted herein.

10. Permitted DIP Financing. Until the payment in full, in cash, of the ABL Obligations, if the Debtors, any trustee, any examiner with enlarged powers, any responsible officer, or any other estate representative subsequently appointed in the Cases, any Successor Case or the Canadian Case shall seek to obtain credit or incur debt secured by any Prepetition Collateral or Post-Petition Collateral ("**DIP Financing**"), (a) such DIP Financing shall be on terms and conditions customary for financings of its type and reasonably acceptable to the Prepetition ABL Agents; (b) unless the Prepetition ABL Agents otherwise agree in their respective sole discretion, any security interest granted in connection therewith shall be junior in priority to the ABL Adequate Protection Liens and the Prepetition ABL Liens with respect to the Prepetition ABL Priority Collateral; and (c) unless the Prepetition Term Agent otherwise agrees, any security interest granted in connection therewith shall be junior in priority to the Term

Adequate Protection Liens and the Prepetition Term Liens with respect to the Prepetition Term Priority Collateral (such financing a "**Permitted DIP Financing**"). Proceeds derived from any Permitted DIP Financing shall be deposited by the Debtors in a segregated deposit account (the "**DIP Deposit Account**") and shall be used solely for the purpose of funding Inventory Related Expenses and other purposes permitted by such Permitted DIP Financing.

11. Compliance With Prepetition Documents and Prepetition Credit Facilities. As further adequate protection of the Prepetition Credit Parties' respective security interests in the Cash Collateral, the Debtors shall comply with all of the terms and provisions of the applicable Prepetition Documents (as modified herein), including the maintenance of adequate insurance, the maintenance of the Debtors' existing cash management system and the payment of taxes as required by the Prepetition Documents, and, subject to the prior consent of the Prepetition Agents in their respective sole discretion, the payment of all allowed claims that could result in a lien on the Prepetition Collateral or the Post-Petition Collateral having priority over the liens of the Prepetition Credit Parties. The requirements of this Final Order shall be in addition to, and not in substitution for, the terms and provisions of the Prepetition Documents; provided, however, in the event of any inconsistency between the Prepetition Documents and this Final Order, the terms of this Final Order shall control; and provided further, nothing contained herein shall require the Debtors to take certain actions under the Prepetition Documents that would be prohibited by the provisions of the Bankruptcy Code, unless permitted by this Final Order.

12. Financial Information and Reporting Requests. As additional adequate protection of the Prepetition Credit Parties' respective security interests in the Cash Collateral, the Debtors shall allow the Prepetition Agents and their representatives reasonable access during business hours to the premises, officers, employees, auditors, appraisers, financial advisors, and the books

and records of the Debtors, upon reasonable advance written notice in order to conduct appraisals (including, without limitation, the performance of weekly desktop appraisals in form and substance acceptable to the Prepetition Agents), analyses, and audits of the Prepetition Collateral, the Post-Petition Collateral, and the Debtors' financial affairs, and shall otherwise cooperate in providing any other financial information reasonably requested by the Prepetition Agents, all at the cost and expense of the Debtors (other than information that is subject to attorney-client or similar privilege or constitutes attorney work product). The Debtors shall furnish to the Prepetition Agents such financial and other information as the Prepetition Agents shall reasonably request. The Debtors as and when required shall furnish to the Prepetition Agents and the Creditors' Committee each of the following financial reports (collectively, the "**Debtors' Reporting Requirements**"):

(a) On or before noon Central Time on each Wednesday, a report showing the Debtors' cash receipts and disbursements for the immediately preceding weekly period, and cumulatively for all preceding weeks after the Petition Date, covered by the Budget and Canadian Budget, as well as a report showing any and all variances (on a line item basis and whether a positive or negative variance) (the "**Budget Variance Report**"), with an explanation of material variances;

(b) On or before noon Central Time on each Wednesday, the Expense Report, a report listing any checks issued in accordance with the Budget and Canadian Budget for prior weeks which have yet to clear, a report reconciling cash held in the operating account as of the immediately preceding Friday to that reserved for sales taxes, fees and expenses due to the Liquidation Consultant and any estimates of accrued but unpaid amounts permitted under and included in prior weeks' Expense Reports; and a report setting forth all sales for the such week;

(c) On or before noon Central Time on each Thursday, a rolling updated cash flow forecast through the later of (x) 13 weeks from the date of such forecast and (y) May 31, 2019;

(d) On or before noon Central Time on each Wednesday, a report in the form agreed to by the Prepetition ABL Agents and the Debtors titled "Cash Collateral Calculations and Reporting";

(e) Any financial information and pleadings filed with the Court shall be served upon each of the Prepetition Agents and their respective counsel simultaneously with the filing of such information or pleading with the Court;

(f) On or before noon Central Time on each Thursday, a report showing the most recent weekly reconciliation completed in accordance with the Liquidation Consulting Agreement;

(g) On or before noon Central Time on each Wednesday, a report in the form agreed to by the Prepetition ABL Agents and the Debtors setting forth the amount of funds deposited by the Debtors' Asian franchisees into the franchising account at the Prepetition ABL Administrative Agent ending in -1038 solely for the purchase by the Debtors of inventory to be sold by such Asian franchisees;

(h) On or before noon Central Time on each Wednesday, all other financial information and reports prepared by the Debtors in the ordinary course of their business and specifically requested by the Prepetition Agents, including any financial information required by the Court or by any applicable operating guidelines and/or reporting requirements of the U.S. Trustee; subject, however, to any applicable attorney-client and/or work-product privileges;

(i) Within one Business Day after receipt, any and all reports or notices received by the Debtors from the Liquidation Consultant in accordance with the Liquidation Consulting Agreement, as well as a status report and such other updated information from the Liquidation Consultant as may be reasonably requested by the Prepetition Agents, in form and substance reasonably acceptable to the Prepetition Agents; and

(j) All other reports and financial information required to be provided to the Prepetition Agents by the Prepetition Documents or historically provided to the Prepetition Agents, including, without limitation, borrowing base certificates, at such times and in the form customarily provided, inventory mix reports, store count reports, and any additional reports as may be reasonably requested by the Prepetition Agents from time to time.

13. Retention of Consultants; Communication with Financial Advisors.

(a) The Prepetition Agents shall have received evidence by no later than two (2) Business Days following the Petition Date, that the Debtors have filed motions seeking to retain PJ Solomon, Ankura Consulting Group, LLC and Malfitano Partners (collectively, the "**Financial Advisors**"). Subject to Court approval, to be obtained by no later than thirty (30) days after the Petition Date, the Debtors shall continue to retain such Financial Advisors each of which shall continue to perform their duties and roles substantially as contemplated by such Financial Advisor's engagement letter. The Debtors shall not terminate the engagement of such Financial Advisors without the consent of the Prepetition Agents, which consent shall not unreasonably be withheld, delayed or conditioned. The Debtors shall continue to retain such Financial Advisors to assist the Debtors with the preparation of the Budget and the other financial and collateral reporting required to be delivered to the Prepetition Agents pursuant to the Prepetition Documents, the Liquidation Consulting Agreement and the Cash Collateral

Orders, and with the approval of all requests for use of Cash Collateral and disbursements by the Debtors.

(b) The Debtors authorize the Prepetition Agents and their respective Lender Group Consultants (as defined herein) to communicate directly with and make information request of the Financial Advisors and authorize and shall instruct the Financial Advisors to communicate to the Prepetition Agents and their respective Lender Group Consultants and provided requested information relating to the Debtors with respect to their business, results of operations, prospects and financial condition. The Debtors acknowledge and agree that the Debtors and their representatives will reasonably cooperate with the Financial Advisors and any Lender Group Consultant. The Financial Advisors shall participate in weekly telephonic calls with the Prepetition Agents (and/or their advisors and counsel) to discuss various matters, including, without limitation, the Budget, budget variance, Store Closing Sales and bankruptcy milestones upon the reasonable request of any Prepetition Agents.

(c) The Debtors acknowledge that the Prepetition ABL Agents shall be permitted to engage Mackinac Partners for the sole benefit of the Prepetition ABL Agents and that the Prepetition Term Loan Agent may consult with AlixPartners, LLP and Houlihan Lokey (each of Mackinac Partners, AlixPartners, LLP, and, Houlihan Lokey, a "Lender Group Consultant") as the applicable Prepetition Agent may determine to be necessary or appropriate, in its sole discretion. The Debtors covenant and agree that (i) the Debtors shall cooperate with any Lender Group Consultant (including, without limitation, providing access to the Debtors' books and records), (ii) all reasonable and documented out-of-pocket costs and expenses of any such Lender Group Consultant shall be deemed expenses payable pursuant to paragraphs 4(a) and 23 and required to be paid by the Debtors under the Prepetition Documents and the Cash

Collateral Orders; and (iii) all reports, determinations and other written and verbal information provided by any Lender Group Consultant shall be confidential and the Debtors shall not be entitled to have access to same.

14. Disposition of Collateral; Rights of Prepetition Credit Parties. Unless otherwise authorized by the Court, and, where applicable, the Canadian Court, the Debtors shall not sell, transfer, lease, encumber, or otherwise dispose of any portion of the Prepetition Collateral or the Post-Petition Collateral other than sales of inventory and collection of accounts receivables in accordance with the Liquidation Consulting Agreement (as defined herein). Nothing provided herein shall limit the rights of the Prepetition Credit Parties to object to any proposed disposition of the Prepetition Collateral or the Post-Petition Collateral.

15. Termination Date. On the Termination Date, all authority to use Cash Collateral shall cease and, subject to the Existing Intercreditor Agreement, the Prepetition Credit Parties may exercise any rights and remedies provided to the Prepetition Credit Parties under the Prepetition Documents or at law or equity, including all remedies provided under the Bankruptcy Code and pursuant to the Cash Collateral Orders; provided, however, that during the Remedies Notice Period (as defined herein), the Debtors may use Cash Collateral solely as set forth in paragraph 3 herein.

16. Termination Event. Upon written notice from the applicable Prepetition Agent, the occurrence of any of the following (unless waived by the applicable Prepetition Agent) shall constitute a "**Termination Event**" under this Final Order:

(i) Upon written notice by the Prepetition ABL Agents (or after the ABL Obligations have been paid in full, in cash, the Prepetition Term Loan Agent) the following shall constitute a Termination Event (unless waived by the Prepetition ABL Agents, or after the ABL Obligations

have been paid in full, in cash, in which case unless waived by the Prepetition Term Loan Agent):

(a) the Debtors shall, without the Prepetition Agents' prior written consent, file a motion with the Court or the Canadian Court seeking the authority to liquidate any of the Debtors' assets or capital stock except for the closure of the North American stores through Store Closing Sales as described in the Liquidation Consulting Agreement (as defined herein);

(b) other than in connection with the payment in full, in cash of the ABL Obligations, the bringing of a motion, taking of any action or the filing of any plan of reorganization or liquidation or disclosure statement attendant thereto by or on behalf of the Debtors in the Cases or the Canadian Case: (A) to obtain financing other than any Permitted DIP Financing as set forth in paragraph 10 herein; (B) except as provided in the Initial Canadian Order (as defined herein) to grant any lien other than (i) Prepetition Permitted Priority Liens upon or affecting any Prepetition Collateral or Post-Petition Collateral or (ii) in connection with a Permitted DIP Financing; (C) except as provided in the Interim Order or in this Final Order, as the case may be, to use Cash Collateral under Section 363(c) of the Bankruptcy Code without the prior written consent of the Prepetition Agents; or (D) that seeks to prohibit the Prepetition ABL Credit Parties from credit bidding on any or all of the Debtors' assets during the pendency of the Cases;

(c) other than in connection with the payment in full, in cash of the ABL Obligations, the filing of any plan of reorganization or liquidation or disclosure statement attendant thereto, or any direct or indirect amendment to such plan or disclosure statement, by the Debtors or any other person to which the Prepetition ABL Credit Parties do not consent or otherwise agree to the treatment of their claims;

(d) the entry of an order in the Cases or the Canadian Case confirming a plan of reorganization or liquidation that (A) is not acceptable to the Prepetition ABL Agents in their sole discretion or (B) does not contain a provision for repayment in full, in cash of all of the ABL Obligations on or before the effective date of such plan or plans;

(e) the entry of an order amending, supplementing, staying, vacating, or otherwise modifying the Prepetition ABL Credit Documents, this Final Order, the Debtors' "first-day" cash management order or the initial order of the Canadian Court in the Canadian Case (the "**Initial Canadian Order**") without the written consent of the Prepetition ABL Agents or the filing of a motion for reconsideration with respect to any Cash Collateral Order, such cash management order or the Initial Canadian Order shall otherwise not be in full force and effect;

(f) the allowance of any claim or claims under section 506(c) of the Bankruptcy Code or otherwise against the Prepetition ABL Credit Parties or any of the Prepetition Collateral or Post-Petition Collateral, in each case constituting ABL Priority Collateral;

(g) the entry of an order by the Court granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code, or an order of the Canadian Court granting relief or modifying the stay of proceedings in the Initial Canadian Order, (x) to allow any creditor to execute upon or enforce a lien on any Prepetition Collateral or Post-Petition Collateral, in each case constituting ABL Priority Collateral, having a fair market value of $250,000, or (y) with respect to any lien of or the granting of any lien on any Prepetition Collateral or Post-Petition Collateral, in each case constituting ABL Priority Collateral, to any state or local environmental or regulatory agency or authority;

(h) the commencement of a suit or action against the Prepetition ABL Credit Parties by or on behalf of the Debtors or their estates (other than with respect to claims or causes of action described in paragraph 22 hereof);

(i) the entry of an order in the Cases avoiding or permitting recovery of any payments made on account of the ABL Obligations;

(j) any alleged right of reclamation or return (whether asserted under Section 546(c) of the Bankruptcy Code or otherwise) shall be deemed or treated in the Cases, any Successor Case or the Canadian Case as a Prepetition Permitted Priority Lien with a fair market value in excess of $250,000

(k) the failure of the Canadian Debtors to pay the Canadian Excess Proceeds as and when due, or, without the prior written approval of the Prepetition ABL Agents and prior to the payment in full in cash of the ABL Obligations;

(l) without limiting the requirements set forth in paragraph 16(i)(e), the failure of the Canadian Debtors to perform any of their obligations under this Final Order or any order issued by the Canadian Court (including, without limitation, to comply with Canadian Budget or the occurrence of any material interruption or cessation of the Store Closing Sales that are being conducted in Canada pursuant to the Liquidation Consulting Agreement (as defined herein)), or the entry of an order converting the Canadian Case (each such event, a "**Canadian Termination Event**");

(m) the entry of an order in the Cases or the Canadian Case granting any other superpriority administrative claim or lien equal or superior to that granted to the Prepetition ABL Credit Parties without the prior written consent of the Prepetition ABL Agents other than with respect to (i) the Term Loan Priority Collateral in connection with the Permitted DIP Financing;

or (ii) with respect to assets owned by any Payless Canada Entity an Administration Charge and the Directors' Charge as defined in the Initial Canadian Order;

(n) on or before the date that is forty-five (45) days after the Petition Date, the Debtors shall have failed to file a motion seeking an order (the "**Lease Extension Order**") of the Court extending the time period of the Debtors to assume or reject leases to not less than two hundred and ten (210) days after the Petition Date;

(o) on or before the date that is seventy-five (75) days after the Petition Date, the Debtors shall have failed to obtain the entry of the Lease Extension Order; or

(p) any modification, stay, vacatur or amendment to the interim Order approving assumption of the Liquidation Consulting Agreement [Docket No. 119], Final Liquidation Consulting Agreement Order or the Liquidation Consulting Agreement or any material breach of the Liquidation Consulting Agreement, in each case, unless otherwise approved in writing by the Prepetition ABL Agents.

(ii) Upon written notice by the Prepetition Term Loan Agent the following shall constitute a Termination Event (unless waived by the Prepetition Term Loan Agent):

(a) the allowance of any claim or claims under section 506(c) of the Bankruptcy Code or otherwise against the Prepetition Term Loan Credit Parties or any of the Prepetition Collateral or Post-Petition Collateral, in each case constituting Term Loan Priority Collateral;

(b) the entry of an order by the Court granting relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code, or an order of the Canadian Court granting relief or modifying the stay of proceedings in the Initial Canadian Order, (x) to allow any creditor to execute upon or enforce a lien on any Prepetition Collateral or Post-Petition

Collateral, in each case constituting Term Loan Priority Collateral, having a fair market value of $250,000, or (y) with respect to any lien of or the granting of any lien on any Prepetition Collateral or Post-Petition Collateral, in each case constituting Term Loan Priority Collateral, to any state or local environmental or regulatory agency or authority;

(c) the commencement of a suit or action against the Prepetition Term Loan Credit Parties by or on behalf of the Debtors or their estates (other than with respect to claims or causes of action described in paragraph 22 hereof);

(d) the entry of an order in the Cases or the Canadian Case granting any other superpriority administrative claim or lien equal or superior to that granted to the Prepetition Term Loan Credit Parties without the prior written consent of the Prepetition Term Loan Agent, other than with respect to (i) the Term Loan Priority Collateral in connection with the Permitted DIP Financing; or (ii) assets owned by any Payless Canada Entity an Administration Charge and the Directors' Charge as defined in the Initial Canadian Order; and

(e) the entry of an order in the Cases avoiding or permitting recovery of any payments made on account of the Prepetition Term Loan Obligations;

(iii) Upon the written notice by any of the Prepetition Agents, the following shall constitute a Termination Event (unless waived by the Prepetition Agent that provided such notice):

(a) except as set forth in the "first day" orders, the payment of, or application for authority to pay, any prepetition indebtedness or prepetition claim without the Prepetition Agents' prior written consent;

(b) (1) the appointment of an interim or permanent chapter 11 trustee in the Cases, the appointment of a receiver or an examiner in the Cases with expanded powers to

operate or manage the financial affairs, the business, or reorganization of the Debtors, or the appointment of a receiver, receiver and manager or trustee of the Payless Canada Entities; or (2) the sale without the Prepetition Agents' consent of any of the Debtors' assets outside of the ordinary course of business or the Store Closing Sales, either through a sale under Section 363 of the Bankruptcy Code or otherwise, including through a confirmed plan of reorganization in the Cases or the Canadian Case, (other than, with respect to the consent of the Prepetition ABL Credit Parties, to the extent such sale provides for the payment in full in cash of the ABL Obligations immediately upon the closing of such sale);

(c) the dismissal of the Cases or the Canadian Case, or the conversion of the Cases from chapter 11 to chapter 7 of the Bankruptcy Code, or the Debtors shall file a motion or other pleading seeking the dismissal of the Cases under section 1112 of the Bankruptcy Code or otherwise, or the termination of the stay of proceedings in the Canadian Case; and

(d) the failure of the Debtors to perform any of their obligations under this Final Order (including, without limitation, the failure to comply with (i) the Budget or the Budget Covenants as set forth in, and in accordance with, paragraph 3 hereof, (ii) the Debtors' Reporting Requirements, including, without limitation delivery of borrowing base certificates (unless waived by the Prepetition ABL Agents) or (iii) their obligation to remit the Adequate Protection Payments when due), the Final Order or the "first-day" cash management order, or any of their material financial obligations under any other order of the Court; provided that notwithstanding, the issuance of a Termination Notice by the Prepetition Term Loan Agent, nothing herein shall limit or otherwise modify the rights of the Prepetition ABL Agents to consent to use of Cash Collateral as to which the Prepetition Term Loan Credit Parties may not object as provided in the Existing Intercreditor Agreement.

17. Rights and Remedies Following Termination Event.

(a) *Termination.* Immediately upon the occurrence and during the continuance of a Termination Event, but subject to the immediately succeeding sentence, prior to the payment in full, in cash, of the ABL Obligations, the Prepetition ABL Agents may exercise their intent to terminate and, following the payment in full, in cash, of the ABL Obligations, the Prepetition Term Loan Agent may exercise their intent to terminate, the Debtors' authority to use Cash Collateral by providing written notice as set forth in paragraph 17(b) (such notice, a "**Termination Notice**"). Five (5) Business Days after the issuance of a Termination Notice to the Debtors, the Debtors' ability to use Cash Collateral shall be terminated, reduced or restricted on the terms set forth in the Termination Notice, and the application of the Carve Out shall occur through the delivery of the Carve Out Trigger Notice (as defined herein) to the Debtors. Without limiting the foregoing, the applicable Prepetition Agent(s) may, upon the occurrence of a Termination Event and subject to the terms and conditions of paragraph 31 herein, (i) enter onto the premises of the Debtors in connection with an orderly liquidation of such collateral; and (ii) exercise any rights and remedies provided to the Prepetition Agents under the Prepetition Documents, or at law or equity, including all remedies provided under the Bankruptcy Code and pursuant to the Cash Collateral Orders; provided, however, that upon the occurrence of a Canadian Termination Event and the delivery of a Termination Notice as set forth in this paragraph 17(a), any exercise by the Prepetition Agents of any rights and remedies under the Prepetition Documents or the Cash Collateral Orders shall be subject to a further order of, the Canadian Court authorizing and permitting the enforcement of such rights and remedies with respect to any Prepetition Collateral or Post-Petition Collateral located in Canada.

(b) *Notice of Termination.* Any Termination Notice shall be given by electronic mail (or other electronic means) to counsel to the Debtors, counsel to the Prepetition Term Loan Agent (if delivered by the Prepetition ABL Agents), counsel to the Creditors' Committee and the U.S. Trustee (the earliest date any such Termination Notice is sent shall be referred to herein as the "**Termination Notice Date**"). The automatic stay in the Cases otherwise applicable to the Prepetition Credit Parties is hereby modified so that five (5) Business Days after the Termination Notice Date (the "**Remedies Notice Period**"): the applicable Prepetition Agent(s) shall be entitled to exercise their rights and remedies to satisfy the relevant Prepetition Obligations, Adequate Prepetition Superpriority Claims and Adequate Protection Liens, subject to and consistent with (i) the Carve Out, (ii) the Cash Collateral Orders and (iii) the Existing Intercreditor Agreement. Following the Termination Notice Date, the only basis on which the Debtors and/or the Creditors' Committee shall be entitled to seek an emergency hearing within the Remedies Notice Period with the Court shall be to contest whether a Termination Event has occurred and/or is continuing or whether, after delivery of a Termination Notice by the Prepetition Term Loan Agent, the Debtors and the Prepetition ABL Agents may agree to the use of Cash Collateral upon terms and conditions as to which the Prepetition Term Loan Credit Parties may not object in accordance with the Existing Intercreditor Agreement, and the Prepetition Agents shall consent to such emergency hearing. Unless the Court orders otherwise, the automatic stay, as to all the Prepetition Credit Parties shall automatically be terminated at the end of the Remedies Notice Period without further notice or order. Upon expiration of the Remedies Notice Period, the applicable Prepetition Agent(s) shall be permitted to exercise all remedies set forth herein, in the Prepetition Documents, and as otherwise available

at law without further order of or application or motion to the Court consistent with the Existing Intercreditor Agreement.

18. Carve Out.

(a) *Carve Out.* As used in this Final Order, the "**Carve Out**" shall consist of the following fees and expenses: (i) all statutory fees required to be paid to the Clerk of the Court and to the Office of the United States Trustee pursuant to 28 U.S.C. §1930(a) plus interest at the statutory rate; (ii) all reasonable fees and expenses up to $50,000 incurred by a trustee under section 726(b) of the Bankruptcy Code; (iii) all Consulting Fees and Consultant Controlled Expenses (each as defined in the Consulting Agreement), in each case, for which the Consultant has not been reimbursed; (iv) to the extent allowed at any time, whether by interim order, procedural order, or otherwise, all paid and unpaid fees and expenses ("**Allowed Professional Fees**") of the Debtors' and the Creditors' Committee's professionals (the "**Case Professionals**"), in each case retained under Sections 327, 328, 363 or 1103 of the Bankruptcy Code, as applicable, and the reimbursement of out-of-pocket expenses allowed by the Court and incurred by the members of the Creditors' Committee in the performance of their duties (but excluding fees and expenses of third party professionals employed by such members) (the "**Committee Expenses**"), incurred at any time prior to the delivery of a Carve Out Trigger Notice (as defined below); provided, however, the Carve Out for the Allowed Professional Fees for the Creditors' Committee's professionals and Committee Expenses shall be limited to the aggregate amount set forth in the Budget; (v) Allowed Professional Fees of Case Professionals and Committee Expenses in an aggregate amount not to exceed $2,000,000 incurred after the delivery of a Carve Out Trigger Notice to the extent allowed at any time, whether by interim order, procedural order, or otherwise (the amounts set forth in this clause (v) being the "**Post-Carve Out Trigger Notice**

Cap"); (vi) the aggregate amount required to be funded into the 503(b)(9) Escrow Account (as defined below) and (vii) the Allowed Stub Rent Claims pursuant to executed Stub Rent Agreements provided, however, that the obligations of the Prepetition ABL Credit Parties with respect to the Carve Out set forth in this paragraph 18(a) shall be and hereby are limited in all respects to (x) the aggregate amount required to be funded into the Professional Fee Escrow Account (as defined herein) as set forth below, (y) the aggregate amount required to be funded into the 503(b)(9) Escrow Account (as defined below) as set forth below, and (z) the aggregate amount contemplated to be funded on account of Allowed Stub Rent Claims in accordance with the Budget,[4] in each case prior to the earlier of (i) the date of payment in full, in cash, of the ABL Obligations; and (ii) the date of the delivery of a Carve Out Trigger Notice (such amounts, the "**ABL Carve Out Amount")**. No portion of the Carve Out or any Cash Collateral may be used in violation of this Final Order, including paragraph 18 hereof. For purposes of the foregoing, "**Carve Out Trigger Notice**" shall mean a written notice delivered by email (or other electronic means) by either of the Prepetition ABL Administrative Agent or the Prepetition Term Loan Agent to the Debtors, the other Prepetition Agent(s), the Creditors' Committee and the U.S. Trustee, which notice may be delivered following the occurrence and during the continuation of a Termination Event, stating that the Post-Carve Out Trigger Notice Cap has been invoked. On Friday of each week, in accordance with the Budget, so long as no Termination Event has occurred, unless otherwise agreed to by the Prepetition ABL Agents, the Debtors shall cause to be transferred into an escrow account (the "**Professional Fee Escrow Account**") with an escrow agent selected by the Debtors an amount equal to the budgeted fees and expenses of the Case

[4] Budget to provide $250,000 per week for four weeks immediately following entry of the Final Cash Collateral Order for 503(b)(9) Claims and $250,000 per week for twelve weeks immediately following entry of the Final Cash Collateral Order for Allowed Stub Rent Claims pursuant to a Stub Rent Agreement.

Professionals set forth on the Professional Fee Schedule (x) for the current week and the subsequent week for the first week following the Petition Date and (y) for each week following the first week after the Petition Date, for the subsequent week, in each case as set forth in the then current Budget. The Prepetition ABL Lenders' obligations to fund the ABL Carve Out Amount in accordance with this paragraph 18(a) shall terminate upon the earlier of (x) payment in full, in cash, of the ABL Obligations and (b) delivery by the Prepetition ABL Agents of a Carve Out Trigger Notice.

(b) *No Direct Obligation to Pay Case Professional Fees or Committee Expenses*. Except for funding the Professional Fee Escrow Account, none of the Prepetition Credit Parties shall be responsible for the direct payment or reimbursement of any fees or disbursements of any Case Professionals or any Committee Expenses incurred in connection with the Cases or any Successor Case. Nothing in this Final Order or otherwise shall be construed to obligate any of the Prepetition Credit Parties in any way to pay compensation to or to reimburse expenses of any Case Professional (including any Committee Expenses), or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement. Upon receipt of the Carve-Out Trigger Notice, the Debtors shall provide notice by email to all Case Professionals, at the email addresses set forth in each Case Professional's notice of appearance filed with the Court (or, if there is no such notice of appearance, at such Case Professional's last known email address) informing them that such Carve-Out Trigger Notice has been received and further advising them that the Debtors' ability to pay such Case Professionals is subject to and limited by the Carve-Out. Until such time as the ABL Obligations have been paid in full, in cash, Allowed Professional Fees of any Case Professional and Committee

Expenses shall be paid solely from the Professional Fee Escrow Account and any retainer, as applicable.

19. Prohibited Use of Cash Collateral and Carve Out. The Prepetition Collateral, the Cash Collateral and the Carve Out may not be used in connection with: (a) preventing, hindering, or delaying any of the Prepetition Credit Parties' enforcement or realization upon any of the Prepetition Collateral other than during the Remedies Notice Period and otherwise subject to the provisions of this Final Order; (b) using or seeking to use Cash Collateral or selling or otherwise disposing of Prepetition Collateral or Post-Petition Collateral without the consent of the applicable Prepetition Agents and the applicable Required Lenders other than as set forth in this Final Order; (c) using or seeking to use any insurance proceeds constituting Prepetition Collateral or Post-Petition Collateral without the consent of the applicable Prepetition Agents and the applicable Required Lenders; (d) incurring Indebtedness (as defined in the Prepetition ABL Credit Agreement or the Prepetition Term Loan Agreement) without the prior consent of the applicable Prepetition Agents and the applicable Required Lenders, except to the extent permitted under the applicable Prepetition Documents; other than a Permitted DIP Financing; (e) seeking to amend or modify any of the rights granted to the Prepetition Credit Parties under Cash Collateral Orders and the Prepetition Documents, or the Prepetition Documents, including seeking to use Cash Collateral and/or Prepetition Collateral or Post-Petition Collateral on a contested basis other than during the Remedies Notice Period; (f) objecting to or challenging in any way the Prepetition Liens, ABL Obligations, Prepetition Term Loan Obligations, Prepetition Collateral or Post-Petition Collateral (including Cash Collateral), or any other claims or liens, held by or on behalf of any of the Prepetition Credit Parties; (g) asserting, commencing or prosecuting any claims or causes of action whatsoever, including, without limitation, any actions

under Chapter 5 of the Bankruptcy Code or applicable state law equivalents or actions to recover or disgorge payments, against any of the Prepetition Credit Parties, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees; (h) litigating, objecting to, challenging, or contesting in any manner, or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the ABL Obligations, the Prepetition Term Loan Obligations, the Prepetition Liens or any other rights or interests of any of the Prepetition Credit Parties; or (i) seeking to subordinate, recharacterize, disallow or avoid the ABL Obligations or the Prepetition Term Loan Obligations; provided, however, that the Carve Out and such collateral proceeds and loans under the Prepetition Documents may be used for allowed fees and expenses, in an amount not to exceed $125,000 in the aggregate, incurred solely by the Creditors' Committee, in investigating (but not prosecuting or challenging) the validity, enforceability, perfection, priority or extent of the Prepetition Liens and Prepetition Obligations.

20. The Debtors shall not, directly or indirectly, voluntarily purchase, redeem, defease, prepay any principal of, premium, if any, interest, or other amount payable in respect of any indebtedness of the Debtors prior to its scheduled maturity, other than the ABL Obligations and obligations authorized under the Debtors' "first-day" orders. In addition, the Prepetition Collateral, the Post-Petition Collateral, the Cash Collateral, and the 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) against the Prepetition Credit Parties (including any of their respective participants) or that could impair their rights and remedies under the Prepetition Documents or any Cash Collateral Order, or applicable law, including, without limitation, for the payment of any services rendered by the professionals retained by the Debtors or the Creditors' 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, (ii) invalidating, setting aside, avoiding or subordinating, in whole or in part, the Prepetition Liens or the Prepetition Obligations or ABL Obligations, (iii) for monetary, injunctive, or other affirmative relief against the Prepetition Credit Parties (including any of their respective participants), or their collateral, or (iv) preventing, hindering, or otherwise delaying the exercise by the Prepetition Credit Parties of any rights and remedies under the Prepetition Documents or any Cash Collateral Order, or applicable law, or the enforcement or realization (whether by foreclosure, credit bid, further order of the Court or otherwise) by the Prepetition Credit Parties upon any of their collateral,; (b) to make any payment greater than $100,000 individually or $300,000 in the aggregate during the Cases 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 this Court; (c) to pay any fees or similar amounts to any person who has proposed or may propose to purchase interests in the Debtors without the prior written consent of the Prepetition Agents, (d) in connection with or to finance in any way any action, suit, arbitration, proceeding, application, motion, or other litigation of any type objecting to, contesting, or interfering with, in any way, the Prepetition Credit Parties' enforcement or realization upon any of the Prepetition Collateral or Post-Petition Collateral upon the occurrence of the Termination Date, except as provided for in the Cash Collateral Orders, or seeking to prevent the Prepetition Credit Parties from credit bidding in connection with any proposed plan of reorganization or liquidation or any proposed transaction pursuant to section 363 of the Bankruptcy Code; (e) in connection with using or seeking to use Cash Collateral, without the consent of the Prepetition Agents, in a manner

inconsistent with the Budget in accordance with paragraph 3 herein; (f) in connection with using or seeking to use any insurance proceeds constituting Prepetition Collateral or Post-Petition Collateral without the consent of the Prepetition Agents; (g) in connection with incurring Indebtedness outside the ordinary course of business without the prior consent of the Prepetition Agents, except in connection with a Permitted DIP Financing; (h) in connection with or to finance in any way any action, suit, arbitration, proceeding, application, motion, or other litigation of any type objecting to or challenging in any way the claims, liens, or interests held by or on behalf of the Prepetition Credit Parties (including any of their respective participants); (i) in connection with or to finance in any way any action, suit, arbitration, proceeding, application, motion, or other litigation of any type asserting, commencing, or prosecuting any claims or causes of action whatsoever, including, without limitation, any actions under Chapter 5 of the Bankruptcy Code, against the Prepetition Credit Parties (including any of their respective participants and their agents, employees, attorneys, or consultants); or (j) in connection with 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 the Prepetition Liens or any other rights or interests of the Prepetition Credit Parties (including any of their respective participants). Notwithstanding the foregoing, nothing herein shall be deemed to: (a) limit the ability of the Creditors' Committee's professionals to be paid from unencumbered assets for services rendered in the investigation or prosecution of claims against the Prepetition Credit Parties; (b) preclude the Court from awarding fees and expenses to the Creditors Committee professionals pursuant to section 330 of the Bankruptcy Code for such services rendered; nor (c) relieve the Debtors or any plan proponent(s) from paying all allowed administrative expenses in connection with the confirmation of any plan.

21. Payment of Compensation. Nothing herein shall be construed as consent to the allowance of any professional fees or expenses of any Case Professionals or shall affect the right of the Prepetition Agents to object to the allowance and payment of such fees and expenses. So long as no Termination Event has occurred and is continuing, and until the payment in full, in cash, of the ABL Obligations, the Debtors shall be permitted to pay, solely from the Professional Fee Escrow Account, fees and expenses allowed and payable by order (that has not been vacated or stayed, unless the stay has been vacated) under Sections 328, 330 and 331 of the Bankruptcy Code, as the same may be due and payable, and to the extent set forth in the Budget.

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

(a) The admissions, stipulations, agreements, releases, and waivers set forth in this Final Order (collectively, the "**Prepetition Lien and Claim Matters**") are and shall be binding on the Debtors, any subsequent trustee, responsible person, examiner with expanded powers, any other estate representative, and all creditors and parties in interest and all of their successors in interest and assigns, including, without limitation, the Creditors' Committee, unless, and solely to the extent that, a successor or assign of the Debtors with the requisite authority (other than the Debtors, as to which any Challenge (as defined below) is irrevocably waived and relinquished) or another party in interest with standing or the requisite authority (i) has timely filed the appropriate pleadings, and timely commenced the appropriate proceeding required under the Bankruptcy Code and Bankruptcy Rules, including, without limitation, as required pursuant to Part VII of the Bankruptcy Rules (in each case subject to the limitations set forth in this paragraph of the Final Order) challenging the Prepetition Lien and Claim Matters (each such proceeding or appropriate pleading commencing a proceeding or other contested matter, a "**Challenge**") by no later than May 15, 2019 (the "**Challenge Deadline**"), as such

applicable date may be extended in writing from time to time in the sole discretion of the Prepetition ABL Agents (with respect to the Prepetition ABL Credit Documents) and the Prepetition Term Loan Agent (with respect to the Prepetition Term Loan Credit Documents), or by this Court for good cause shown pursuant to an application filed by a party in interest prior to the expiration of the Challenge Deadline, and (ii) this Court enters judgment in favor of the plaintiff or movant in any such timely and properly commenced Challenge proceeding and any such judgment has become a final judgment that is not subject to any further review or appeal; provided, however, that notwithstanding anything to the contrary in this paragraph 22, to the extent the Creditors' Committee or any person (as defined in the Bankruptcy Code) files a motion seeking standing or authority to pursue any cause of action belonging to the Debtors or their estates and attaching a complaint setting forth the proposed causes of action for which such party seeks standing (a "**Standing Motion**") on or before the Challenge Deadline, then solely with respect to those causes of action identified in the Standing Motion, the Challenge Deadline shall be deemed automatically tolled until the date that is three (3) Business Days following the date on which the Court enters any order or ruling on the Standing Motion. If a trustee or examiner with expanded powers is appointed or elected on or before the Challenge Deadline then the Challenge Deadline with respect to such person, shall be the later of (i) the last day of the Challenge Deadline and (ii) the date that is forty-five (45) days after the date on which such person is appointed or elected.

(b) *Binding Effect.* To the extent no Challenge is timely and properly commenced by the Challenge Deadline, then, without further notice, motion, or application to, order of, or hearing before, this Court and without the need or requirement to file any proof of claim, the Prepetition Lien and Claim Matters shall, pursuant to the Cash Collateral Orders,

become binding, conclusive, and final on any person, entity, or party in interest in the Cases, and their successors and assigns, and in any Successor Case for all purposes and shall not be subject to challenge or objection by any party in interest, including, without limitation, a trustee, responsible individual, examiner with expanded powers, or other representative of the Debtors' estates. Notwithstanding anything to the contrary herein, if any such proceeding is properly and timely commenced, the Prepetition Lien and Claim Matters shall nonetheless remain binding on all other parties in interest and preclusive as provided in subparagraph (a) above except to the extent that any of such Prepetition Lien and Claim Matters is expressly the subject of a timely and properly filed Challenge, which Challenge is successful as set forth in a final judgment. To the extent any such Challenge proceeding is timely and properly commenced, the applicable Prepetition Credit Parties other than Non-Released Parties (as defined below) shall be entitled to payment of the related costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred under the Prepetition Documents in defending themselves in any such proceeding as adequate protection. For the avoidance of doubt, nothing in this Final Order vests or confers on the Creditors' Committee or any person (as defined in the Bankruptcy Code) standing or authority to pursue any cause of action belonging to the Debtors or their estates, and all rights to object to such standing are expressly reserved.

(c) Notwithstanding anything herein to the contrary, nothing in this Final Order will release, discharge or impair in any manner any claims or causes of action by the Debtors, their successor or assigns, any Prepetition Credit Parties, the Committee, or any other party in interest against (a) any entity whose employees, principals, officers or directors partners, members or equityholders currently serve or formerly served as board members for any of the Debtors, (a "**Board Participant Party**"), (b) any affiliates, agents or representatives of any

Board Participant Party, or (c) any of the Debtors' current or former professionals or current or former board members in connection with any claims or causes of action against any Board Participant Party or its affiliates, agents or representatives (the parties in foregoing sub-clauses (a) – (c) are referred to, collectively, as the "**Non-Released Parties**"); provided, however, that in the event the Debtors, any successors or assigns, any representative of the estates pursuant to section 1123(b)(3) of the Bankruptcy Code, the Committee, or any party in interest does not commence claims or causes of action against the Non-Released Parties on or before November 19, 2019 (the "**Claim Deadline**") that, but for this paragraph 22(c), would otherwise be released, discharged, or impaired at the expiration of the Challenge Deadline pursuant to paragraph 22(b) hereof if no Challenge were timely and properly commenced, such claims or causes of action shall be released at the expiration of the Claim Deadline and such release shall become binding, conclusive, and final on the Debtors, the Prepetition Credit Parties, and any person, entity, or party in interest in the Cases; provided, further, that notwithstanding anything to the contrary in this paragraph 22(c), to the extent the Creditors' Committee or any person (as defined in the Bankruptcy Code) files a (i) Standing Motion and/or (ii) a motion seeking an order appointing a chapter 11 trustee, responsible individual, examiner with expanded powers, or other representative of the Debtors' estates to pursue claims against the Non-Released Parties and granting standing to pursue such claims (a "**Fiduciary Motion**") on or before November 19, 2019, then (x) the Claim Deadline shall be tolled solely for the purpose of the Court's consideration of the Standing Motion until the Court enters an order on the Standing Motion and, if the Court grants the Standing Motion, the Claim Deadline with respect to and only for the purpose of pursuing those causes of action set forth in a draft complaint attached to the Standing Motion shall be further tolled until the date that is three (3) Business Days following the date on

which the Court enters any order granting the Standing Motion solely for purposes of filing the complaint, or (y) the Claim Deadline shall be tolled, solely for the purpose of the Court's consideration of the Fiduciary Motion until the Court enters an order on the Fiduciary Motion, and if the Court grants the Fiduciary Motion, the Claim Deadline shall be further tolled solely with respect to and for the purpose of pursuing those causes of action set forth in a draft complaint attached to the Fiduciary Motion, until the date that is forty-five (45) calendar days following the date such Fiduciary is appointed but in no event later than ninety (90) calendar days following the date on which the Court enters any order granting the Fiduciary Motion, solely for purposes of filing the complaint. In the event that (a) both a Standing Motion and a Fiduciary Motion are filed prior to November 19, 2019, (b) the Standing Motion seeks standing to prosecute a cause of action that is also included in the Fiduciary Motion as a cause of action for which the movant requests appointment of an estate representative to prosecute, and (c) the Standing Motion is denied while the Fiduciary Motion remains pending, then the extension of the Claim Deadline in subclause (y) in the immediately preceding sentence shall only apply to such cause of action if the sole basis for the denial of the Standing Motion was the Court's determination that it lacked authority to grant derivative standing with respect to such cause of action under applicable Delaware law. In the event the Court enters an order confirming a chapter 11 plan (the "**Confirmation Order**") prior to November 19, 2019 that provides that a liquidating trustee or other person is denominated as a representative of the estates pursuant to section 1123(b)(3) of the Bankruptcy Code, then the Claim Deadline with respect to such person shall be the later of (i) November 19, 2019 and (ii) solely with respect to any causes of action set forth in a draft complaint attached to a plan supplement filed in connection with such chapter 11 plan, the date that is forty-five (45) days after the effective date of such plan but in no event later

than ninety (90) days following the date on which the Court enters the Confirmation Order. The Claim Deadline may be extended by Court Order if good cause is shown upon a motion filed to extend the Claim Deadline prior to the expiration of the Claim Deadline. Nothing herein shall waive the rights of any party to object to any Standing Motion, Fiduciary Motion, or proposed chapter 11 plan or accompanying disclosure statement on any grounds, and all of such parties' rights to object on any grounds are expressly reserved. Nothing herein confers standing on any party to bring claims or causes of action against the Non-Released Parties, and all parties' rights to oppose standing of any party, including, but not limited to, a liquidating trustee or other person denominated as a representative of the estates pursuant to section 1123(b)(3) of the Bankruptcy Code, to bring such causes of action are expressly reserved.

23. Costs, Fees and Expenses. As additional adequate protection of the Prepetition Credit Parties' security interests in the Prepetition Collateral, the Debtors are authorized and directed to pay all reasonable and documented out-of-pocket costs, fees and expenses of the Prepetition ABL Agents, Prepetition ABL Lenders, Prepetition Term Loan Agent and certain Prepetition Term Lender(s) including, without limitation, legal, accounting, collateral examination, monitoring and appraisal fees, financial advisory fees, fees and expenses, of other consultants, and indemnification and reimbursement of fees and expenses and any such other amounts as and to the extent provided in the Prepetition Documents (including without limitation the reasonable and documented fees and expenses of Choate, Hall & Stewart, LLP, Greenberg Traurig LLP, Schulte Roth & Zabel LLP, Thompson Coburn LLP, Norton Rose Fulbright Canada LLP and Mackinac Partners, (the "**ABL Professional Fees"),** Norton Rose Fulbright US LLP and McCarthy Tetrault LLP (the "**Term Agent Professional Fees**") and Kramer Levin Naftalis & Frankel LLP, Fasken Martineau DuMoulin LLP, Stroock & Stroock & Lavan LLP,

AlixPartners, LLP, and Houlihan Lokey (the "**Prepetition Term Lender Professional Fees**"). Except as set forth below with respect to the Term Agent Professional Fees and Prepetition Term Lender Professional Fees payment of all such fees and expenses shall not be subject to the Budget or to allowance by the Court. Professionals for the Prepetition Credit Parties shall not be required to comply with the U.S. Trustee fee guidelines. Notwithstanding the foregoing, the professionals for the Prepetition Credit Parties shall deliver a summary of their respective invoices to counsel for the Debtors, the Creditors' Committee and the U.S. Trustee (the "**Fee Notice Parties**"), redacted as necessary with respect to any privileged or confidential information contained therein. If no objection is raised by any of the Fee Notice Parties with respect to such summaries within ten (10) days of the receipt thereof (the "**Professional Fee Objection Period**") then, without further order of, or application to, the Court or notice to any other party, such fees and expenses shall be promptly paid by the Debtors; provided, however, that to the extent the ABL Professional Fees are not promptly paid by the Debtors, the Prepetition ABL Administrative Agent is authorized to apply funds in the Concentration Account to pay such fees and expenses not subject to any objection that is timely asserted under this paragraph 23. If an objection (solely as to reasonableness) is made by any of the Fee Notice Parties within the Professional Fee Objection Period to payment of the requested fees and expenses, then only the disputed portion of such fees and expenses shall not be paid until the objection is resolved by the applicable parties in good faith or by order of the Court, and the undisputed portion shall be promptly paid by the Debtors or funds shall be applied by the Prepetition ABL Administrative Agent as set forth herein, as applicable. Notwithstanding the foregoing, until payment in full, in cash, of the ABL Obligations, the Debtors are only authorized and directed to pay the Term Agent Professional Fees and Prepetition Term Lender Professional

Fees and other cost and expenses incurred by the Prepetition Term Agent and Prepetition Term Loan Lenders strictly in accordance with and subject to the Budget; for the avoidance of doubt no success, transaction or similar fees shall be paid to any professional retained or engaged by the Prepetition Term Loan Lenders.

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

25. 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 the Prepetition Credit Parties, the Prepetition Collateral, or the Post-Petition Collateral pursuant to Sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of the Prepetition Agents, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

26. No Marshaling/Applications of Proceeds. Except as set forth below, the Prepetition Credit Parties shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Prepetition Collateral or Post-Petition Collateral. Notwithstanding the foregoing or anything to the contrary in this Final Order or the Prepetition Documents, the Prepetition Credit Parties shall use reasonable best efforts to satisfy the Prepetition Obligations from the liens and proceeds of the Prepetition Collateral and Post-Petition Collateral prior to satisfying the Prepetition Obligations from any liens or proceeds of any commercial tort claims and in connection with the Adequate Protection Superpriority Claims, if any, from the proceeds of any Avoidance Actions.

27. Section 552(b). Subject to the entry of the Final Order, the "equities of the case" exception under Bankruptcy Code §552(b) shall not apply to the Prepetition Credit Parties with respect to proceeds, products, offspring, or profits of any of the Prepetition Collateral.

28. 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 Credit Parties' right to seek any other or supplemental relief in respect of the Debtors; (b) any of the rights of the Prepetition Credit Parties 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 the Cases, any Successor Case or the Canadian Case, conversion of the Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with expanded powers or appointment of a receiver, receiver and manager or trustee of the Payless Canada Entities or any of them, or (iii) propose, subject to the provisions of Section 1121 of the Bankruptcy Code, a chapter 11 plan or plans. Other than as expressly set forth in this Final Order, any other rights, claims or privileges (whether legal, equitable or otherwise) of the Prepetition Credit Parties are preserved.

29. No Waiver by Failure to Seek Relief. The failure of the Prepetition Credit Parties to seek relief or otherwise exercise their rights and remedies under Cash Collateral Orders, 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 Prepetition Credit Parties.

30. 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 Credit Parties, all other creditors of the Debtors, the Creditors' Committee or any other court appointed 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 the Cases, any Successor Case, or upon dismissal of the Cases or any Successor Case.

31. No Modification of Final Order. The Debtors irrevocably waive the right to seek and shall not seek or consent to, directly or indirectly: (a) without the prior written consent of the Prepetition Agents (i) any modification, stay, vacatur or amendment to this Final Order; or (ii) a priority claim for any administrative expense or unsecured claim against the Debtors (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation any administrative expense of the kind specified in Sections 503(b), 507(a) or 507(b) of the Bankruptcy Code) in the Cases or any Successor Case, equal or superior to the Adequate Protection Superpriority Claims, other than the Carve Out; (b) without the prior written consent of the Prepetition Agents, any order allowing use of Cash Collateral other than the Cash Collateral Orders and any DIP Order approving a Permitted DIP Financing; and (c) without the prior written consent of the Prepetition Agents, any lien on any of the Post-Petition Collateral with priority equal or superior to the Adequate Protection Liens. The Debtors irrevocably waive any right to seek any material amendment, modification, or extension of this Final Order and, until the payment in full, in cash of the ABL Obligations, any of the DIP Orders, without the prior written consent, as provided in the foregoing, of the Prepetition Agents, and no such consent shall be implied by any other action, inaction or acquiescence of the Prepetition Agents.

32. Access to Prepetition Collateral and Post-Petition Collateral. Notwithstanding anything contained herein to the contrary and without limiting any other rights or remedies, subject to the Existing Intercreditor Agreement, of the Prepetition ABL Agents and the

Prepetition Term Loan Agent, exercisable on behalf of the Prepetition ABL Lenders and Prepetition Term Loan Lenders, respectively, contained in the Cash Collateral Orders, the Prepetition ABL Credit Documents, the Prepetition Term Loan Credit Documents, or otherwise available at law or in equity, and subject to the terms of the Prepetition ABL Credit Documents and Prepetition Term Loan Credit Documents, upon written notice to the landlord of any leased premises that the Termination Date has occurred, the Prepetition ABL Agents or Prepetition Term Loan Agent, as applicable, may, subject to the applicable notice provisions, if any, in this Final Order, any separate applicable agreement by and between such landlord and the Prepetition ABL Agents or Prepetition Term Loan Agent, and applicable law, enter upon any leased premises of the Debtors or any other party for the purpose of exercising any remedy with respect to Prepetition Collateral and Post-Petition Collateral located thereon and shall be entitled to all of the Debtors' rights and privileges as lessee under such lease without interference from the landlords thereunder; provided that the Prepetition ABL Agents and/or Prepetition Term Loan Agent, as applicable, shall be obligated only to pay rent of the Debtors that first accrues after the written notice referenced above and that is payable during the period of such occupancy by the Prepetition ABL Agents and/or Prepetition Term Loan Agent, as applicable, calculated on a daily per diem basis. Nothing herein shall require the Prepetition ABL Agents or Prepetition Term Loan Agent to assume any lease as a condition to the rights afforded in this paragraph. For the avoidance of doubt, subject to (and without waiver of) the rights of the Prepetition Credit Parties under applicable non-bankruptcy law, the Prepetition Credit Parties can only enter upon a leased premises after the Termination Date in accordance with (i) a separate agreement with the landlord at the applicable leased premises, (ii) upon entry of an order of this Court obtained by

motion of any of the Prepetition Credit Parties on such notice to the landlord as shall be required by this Court, or (iii) applicable law.

33. Waiver of Requirement to File Proofs of Claim. The Prepetition Credit Parties shall not be required to file proofs of claim in the Cases or any successor case to maintain their respective claims for payment of the Prepetition Obligations or for payment and performance of the Adequate Protection Liens, the Adequate Protection Payments, or the Adequate Protection Superpriority Claims. The statements of claim in respect of the Prepetition Obligations, the Adequate Protection Liens, the Adequate Protection Payments, and the Adequate Protection Superpriority Claims set forth in this Final Order are deemed sufficient to and do constitute proofs of claim in respect of such obligations and liens.

34. Credit Bidding. Subject to the terms of the Existing Intercreditor Agreement and the right of the Creditors' Committee to object, the Prepetition Credit Parties shall have the right to credit bid up to the full amount of their Prepetition Obligations, as provided for in section 363(k) of the Bankruptcy Code without the need for further Court order authorizing the same and whether any such sale is effectuated through section 363(k) or 1129(b) of the Bankruptcy Code, by a chapter 7 trustee under section 725 of the Bankruptcy Code, or otherwise.

35. Limits on Lender Liability. Nothing in this Final Order or in any of the Prepetition Documents, or any other documents related thereto shall in any way be construed or interpreted to impose or allow the imposition upon the Prepetition Credit Parties of any liability for any claims arising from any activities by the Debtors in the operation of their businesses or in connection with the administration of these Cases. The Prepetition Credit Parties shall not be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms,

or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 29 U.S.C. §§ 9601 *et seq.*, as amended, or any similar federal or state statute). Nothing in this Final Order shall in any way be construed or interpreted to impose or allow the imposition upon any of the Prepetition Credit Parties of any liability for any claims arising from the prepetition or post-petition activities of any of the Debtors; provided, however, that nothing contained in this paragraph 35 shall affect the right of the Creditors' Committee or any person (as defined in the Bankruptcy Code) to challenge the Prepetition Lien and Claim Matters as provided for by paragraph 22 hereof.

36. Insurance Proceeds and Policies. Upon entry of the Interim Order and to the fullest extent provided by applicable law, the Prepetition ABL Agents (on behalf of the Prepetition ABL Lenders) and the Prepetition Term Loan Agent (on behalf of the Prepetition Term Loan Lenders) were, and were deemed to be, without any further action or notice, named as additional insured and loss payee on each insurance policy maintained by the Debtors that in any way relates to the Prepetition Collateral and Post-Petition Collateral; provided, however, that to the extent such insurance policies relate to commercial tort claims or claims for director and officer liability, the Prepetition ABL Agents (on behalf of the Prepetition ABL Lenders) and the Prepetition Term Loan Agent (on behalf of the Prepetition Term Loan Lenders) were not and shall not deemed to be named as additional insured and loss payee on such policies but shall be entitled to the proceeds thereof as provided for by paragraph 4 herein.

37. Continuing Effect of Intercreditor Agreement. The Debtors and Prepetition Credit Parties each shall be bound by, and in all respects of the Prepetition Credit Facilities shall be governed by, and be subject to all the terms, provisions and restrictions of the Existing Intercreditor Agreement, except as expressly modified by this Final Order.

38. Treatment of Proceeds From Sale of Certain Local Taxing Authority Assets. As adequate protection for personal property tax claims asserted by the Local Tax Authorities[5] from the proceeds of the sale of any of the Debtors' assets located in the state of Texas and Maricopa County, Arizona, the amount of $400,000 shall be set aside by the Debtors in a segregated account (the "**Local Tax Account**") as adequate protection for the secured claims of the Local Tax Authorities prior to the distribution of any proceeds to any other creditor. The liens of the Local Tax Authorities shall attach to these proceeds in the Local Tax Account to the same extent and with the same priority as the liens they now hold against the property of the Debtors. These funds in the Local Tax Account shall be adequate protection and shall constitute neither the allowance of the claims of the Local Tax Authorities, nor a cap or floor on the amounts they may be entitled to receive. All parties' rights to object to the priority, validity, amount, and extent of the claims and liens asserted by the Local Tax Authorities are fully preserved. Funds in the Local Tax Account may be distributed upon agreement between the Local Tax Authorities and

[5] As used herein, "Local Tax Authorities" shall mean Alief ISD, Allen ISD, Anderson County, Angelina County, Arlington ISD, Atascosa County, Bastrop County, Bay City ISD, Baybrook MUD #1, Bell County Tax Appraisal District, Bexar County, Bosque County, Bowie County Appraisal District, Brazoria County MUD #6, Brazoria County Tax Office, Brazos County, Bridgestone MUD, City of Burleson, Burleson ISD, Burnet County Appraisal District, Cameron County, Carrollton-Farmers Branch ISD, Clear Creek ISD, City of Cleburne, Cleburne ISD, Comal County, Cooke CAD, Crowley ISD, Cypress-Fairbanks ISD, Dallas County, De Rio, Denton County, Dickinson ISD, Eagle Pass, Eagle Pass ISD, Ector CAD, El Paso, Ellis County, Fallbrook Utility District, Fort Bend County, Fort Bend County Levee Improvement District #2, Fort Bend ISD, Fountainhead MUD, Frisco, Gainesville ISD, Galena Park ISD, Galveston County, City of Garland, Garland ISD, City of Grapevine, Grapevine-Colleyville ISD, Grayson County, Gregg County, Guadalupe County, Harlingen, Harlingen CISD, Harris County, Harris County MUD #132, Harris County MUD #249, Harris County MUD #285, Harrison Appraisal District/Harrison County, City of Haslet, Hays County, Henderson County, Hidalgo County, Hood CAD, Hopkins County, City of Houston, Humble ISD, Hunt County, Irving ISD, City of Jasper, Jasper County, Jasper County Tax Units, Jefferson County, Jim Wells CAD, Johnson County, City of Katy, Katy Management District #1, Kaufman County, Kerr County & City of Kerrville, Klein ISD, Lamar CAD, La Porte ISD, Lewisville ISD, Lubbock CAD, Malcomson Road Utility District, Mansfield ISD, Maricopa County, Matagorda County, McAllen, McLenna County, City of Mercedes, Midland County, Montgomery County, Nacogdoches County, et al., Navarro County, Northeast Tex. Comm. College DIst., Northwest ISD, Nueces County, Orange County, Parker CAD, Pleasanton, Richardson ISD, Rockwall CAD, Roma, Roma ISD, City of Rosenberg, San Marcos CISD, Smith County, Spring Branch ISD, Spring ISD, Starr County, Stephenville, Stephenville ISD, Sulphur Springs, Sulphur Springs ISD, Tarrant County, Taylor Appraisal District, Texas City ISD, City of Tomball, Tomball ISD, Tyler ISD, Val Verde County, Victoria County, City of Waco et al., Walker CAD, Washington County, City of Weslaco, Weslaco ISD, Williamson County, Woodlands Metro Center MUD, Woodlands Road Utility District #1.

the Debtors, with the consent of the Prepetition ABL Agents, or, upon payment in full, in cash, of the ABL Obligations, the Prepetition Term Loan Agent, or by subsequent order of the Court, duly noticed to the Local Tax Authorities and the Prepetition ABL Agents or the Prepetition Term Loan Agent, as applicable.

39. Payless Canada Entities. Notwithstanding anything herein to the contrary, none of the Payless Canada Entities, nor their assets or estate shall be subject to any of the Adequate Protection Payments, Adequate Protection Liens, Adequate Protection Superpriority Claims, the Carve Out, or any other liens, claims, rights, obligations or interests created or confirmed pursuant this Final Order, unless such liens, claims, rights, obligations or interests are created or recognized by Order of the Canadian Court in the Canadian Case. The Payless Canada Entities are hereby, *nunc pro tunc*, authorized to seek relief in respect of the granting of claims, liens, or similar interests from the Canadian Court over each of their estates and any of their assets that constitute property that is subject to this Court's jurisdiction, and section 362 of the Bankruptcy Code is hereby modified solely to the extent necessary to permit such relief. For the avoidance of doubt nothing herein shall obviate the need for any consent or approval that may be required from the Canadian Court with respect to any matter relating to any of the Payless Canada Entities or any of their assets. In the event that both (i) the Prepetition ABL Obligations and (ii) the Prepetition Term Loan Obligations are repaid in full, any distribution to general unsecured creditors of any of the Debtors (including the Payless Canada Entities) pursuant to a plan of reorganization or liquidation or other class distribution mechanism shall be subject to a further order of both this Court and the Canadian Court, which may be a joint hearing pursuant to the cross border protocol approved by this Court and the Canadian Court or separate hearings as may be determined by this Court and the Canadian Court.

40. 503(b)(9) Escrow Account; Stub Rent Agreements.

(a) After entry of this Final Order, the Debtors shall establish (i) a segregated non-interest bearing account at Wells Fargo (the "**503(b)(9) Escrow Account**"), as security for the payment of claims against the Debtors that may be allowed under section 503(b)(9) of the Bankruptcy Code (to the extent allowed the "**503(b)(9) Claims**"). In the week immediately following the entry of this Final Order and each week for the following consecutive three (3) weeks, the Debtors shall deposit the sum of (y) $250,000 into the 503(b)(9) Escrow Account. Following the payment in full, in cash of the ABL Obligations, any obligations under the DIP Financing, and $10,000,000 in the principal amount of the Prepetition Term Loan Obligations, for each additional $5,000,000 in payments of the principal amount of the Prepetition Term Loan Obligations received by the Prepetition Term Loan Agent, on behalf of the Prepetition Term Loan Credit Parties, the Debtors shall deposit the sum of (y) $500,000 of Cash Collateral into the 503(b)(9) Escrow Account (the "**Administrative Expense Deposits**"), provided, however, that in no event shall the amounts deposited in the 503(b)(9) Escrow Account exceed the total amount of estimated, allowed 503(b)(9) Claims. The amount in the 503(b)(9) Escrow Account is not a cap on 503(b)(9) Claims. Thus, to the extent the allowed 503(b)(9) Claims exceed the initial estimates of the 503(b)(9) Claims, additional funds shall be deposited into the 503(b)(9) Escrow Account pursuant to the formula described above until the amount in the 503(b)(9) Escrow Account equals the allowed amount of all 503(b)(9) Claims.

(b) Payments from the 503(b)(9) Escrow Account shall only be made on account of allowed 503(b)(9) Claims.

(c) The Prepetition Obligations and obligations under the DIP Financing shall be secured by liens on the 503(b)(9) Escrow Account and the funds therein. In the event the

amount on deposit in the 503(b)(9) Escrow Account is in excess of 503(b)(9) Claims, the Debtors shall pay to the Prepetition ABL Administrative Agent, agent under DIP Financing or Prepetition Term Loan Agent, as applicable, the amounts deposited in the 503(b)(9) Escrow Account to be applied in accordance with the terms of the Prepetition Documents and DIP Financing Documents, as applicable.

(d) Stub Rent Agreements. The Debtors are authorized and directed to enter into, and perform under, agreements in the form attached hereto as Exhibit C with the landlords under the Debtors' unexpired leases that consent thereto in accordance with the Budget and the Financing Agreements; *provided, however*, the Debtors' obligation to enter into such agreements shall expire on April 19, 2019. To the extent a landlord does not enter into a Stub Rent Agreement, such landlord retains the right to assert its claim for Stub Rent and the Debtors reserves all rights to object thereto.

41. Final Order Controls. In the event of any inconsistency between the terms and conditions of the Prepetition Documents or this Final Order, the provisions of this Final Order shall govern and control.

42. 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 or liquidation in the Cases; (b) converting the Cases to cases under chapter 7 of the Bankruptcy Code; (c) dismissing the Cases or any Successor Case or the Canadian Case; or (d) pursuant to which this Court abstains from hearing the Cases or any Successor Case; provided, however, that the various superpriority claims or other administrative expenses shall survive only to the extent permitted by applicable law. The terms and provisions of this Final Order, including the claims, liens, security interests and other protections granted to the

Prepetition Credit Parties pursuant to this Final Order or the Prepetition Documents, notwithstanding the entry of any such order, shall continue in the Cases, in any Successor Case, or following dismissal of the Cases or any Successor Case, and shall maintain their priority as provided by this Final Order until all Prepetition Obligations have been paid in full.

43. Entry of this Final Order; Waiver of Stay. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 or 9024, any other Bankruptcy Rule or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

44. 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 immediately, notwithstanding anything to the contrary proscribed by applicable law.

45. No later than two (2) business days after the date of this Final Order, the Debtors shall serve a copy of the Final Order on the Notice Parties and shall file a certificate of service no later than 24 hours after service.

Kathy A. Surratt-States

KATHY A. SURRATT-STATES
Chief United States Bankruptcy Judge

DATED: April 4, 2019
St. Louis, Missouri
jjh

Order Prepared By:

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Proposed Counsel to the Debtors and Debtors in Possession

Exhibit A

Budget

Payless
Cash Collateral Budget
($ in 000's)

4-5-4 Month	Mar	Mar	Apr	Apr	Apr	Apr	May	May	May	May	Jun	Jun	Jun	
Week Ending	3/29/2019	4/5/2019	4/12/2019	4/19/2019	4/26/2019	5/3/2019	5/10/2019	5/17/2019	5/24/2019	5/31/2019	6/7/2019	6/14/2019	6/21/2019	
Forecast Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 13 Week
Store Count	2065	1812	1812	1812	1624	1483	1483	1053	730	606	606	606	606	
Forecast/Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
I. Cash Flow														
Receipts														
GOB Receipts	$ 42,038	$ 35,263	$ 31,763	$ 29,183	$ 26,085	$ 23,526	$ 19,795	$ 18,065	$ 14,967	$ 11,604	$ 10,680	$ 10,477	$ 9,324	$ 282,770
Sales Tax	(1,948)	(443)	(408)	(1,624)	(3,312)	(1,687)	(408)	(1,624)	(3,312)	(1,687)	(225)	(1,139)	(3,276)	(21,093)
Canada / Latin / Franchise	3,071	1,561	672	3,120	1,095	561	332	1,385	221	541	742	1,396	2	14,698
Total Receipts	**$ 43,161**	**$ 36,381**	**$ 32,027**	**$ 30,679**	**$ 23,869**	**$ 22,400**	**$ 19,719**	**$ 17,825**	**$ 11,876**	**$ 10,457**	**$ 11,196**	**$ 10,734**	**$ 6,050**	**$ 276,375**
Operating Disbursements														
Merchandise / Freight / Duty	$ (793)	$ (650)	$ (550)	$ (520)	$ (350)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,863)
Payroll & Benefits	(2,021)	(9,227)	(3,437)	(7,947)	(1,835)	(7,736)	(1,932)	(8,086)	(1,586)	(5,765)	(1,863)	(3,524)	(943)	(55,901)
Occupancy	(9,213)	(4,222)	(2,443)	(2,103)	(1,131)	(7,528)	(3,606)	(2,306)	(1,457)	(3,670)	(1,833)	(1,137)	(305)	(40,955)
Other Operating Disbursements	(3,611)	(1,536)	(2,137)	(1,953)	(4,175)	(2,108)	(1,982)	(1,798)	(2,879)	(2,949)	(1,443)	(1,360)	(1,967)	(29,898)
Total Operating Disbursements	**$ (15,637)**	**$ (15,635)**	**$ (8,566)**	**$ (12,523)**	**$ (7,491)**	**$ (17,373)**	**$ (7,520)**	**$ (12,190)**	**$ (5,922)**	**$ (12,384)**	**$ (5,139)**	**$ (6,022)**	**$ (3,215)**	**$ (129,617)**
Total Operating Cash Flow	**$ 27,524**	**$ 20,746**	**$ 23,461**	**$ 18,156**	**$ 16,377**	**$ 5,027**	**$ 12,198**	**$ 5,636**	**$ 5,954**	**$ (1,927)**	**$ 6,058**	**$ 4,713**	**$ 2,834**	**$ 146,758**
Financing														
ABL Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ABL Fees	-	(274)	-	-	-	-	-	-	-	-	-	-	-	(274)
DIP Debt Service	-	(218)	-	-	-	(207)	-	-	-	-	(259)	-	-	(684)
Total Financing	**$ -**	**$ (492)**	**$ -**	**$ -**	**$ -**	**$ (207)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (259)**	**$ -**	**$ -**	**$ (958)**
Total Free Cash Flow	$ 27,524	$ 20,254	$ 23,461	$ 18,156	$ 16,377	$ 4,820	$ 12,198	$ 5,636	$ 5,954	$ (1,927)	$ 5,799	$ 4,713	$ 2,834	$ 145,799
Restructuring Disbursements														
Restructuring Prof Fees / Escrow	-	(530)	-	(4,001)	-	-	(4,073)	(2,285)	-	-	-	(5,255)	(1,723)	(17,867)
ABL Pre-Petition Indemnity Acct	(500)	-	-	-	-	-	-	-	-	-	-	-	-	(500)
L/C Cash Collateralization	-	(1,075)	-	-	-	-	-	-	-	-	-	-	-	(1,075)
Severance / WARN Act	(287)	(1)	(303)	(400)	(349)	(2)	(82)	(638)	(4)	(1,751)	(118)	(212)	(156)	(4,301)
Agency Fees	(282)	(228)	(223)	(195)	(181)	(160)	(130)	(130)	(92)	(77)	(76)	(74)	(62)	(1,910)
Liquidator Expenses	(1,625)	(1,775)	(1,425)	(1,425)	(687)	(775)	(575)	(633)	(324)	(410)	(390)	(390)	(390)	(10,823)
Store Employee Incentive Bonus	-	(1,014)	-	-	(753)	(565)	-	(1,723)	(1,295)	(676)	-	-	-	(6,026)
Retention / KEIP / KERP	-	-	-	-	(409)	-	-	-	-	-	(409)	-	-	(817)
Critical Vendor Payments	(824)	(824)	(824)	(824)	(824)	(824)	-	-	-	-	-	-	-	(4,941)
Utility Deposit	(134)	-	(175)	-	-	-	-	-	-	-	-	-	-	(309)
First Day Motion Freight	(233)	(233)	(233)	-	-	-	-	-	-	-	-	-	-	(700)
First Day Motion Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stub Rent	-	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(3,000)
503(b)9	-	(250)	(250)	(250)	(250)	-	-	-	-	-	-	-	-	(1,000)
Total Restructuring Disbursements	**$ (3,884)**	**$ (6,180)**	**$ (3,683)**	**$ (7,345)**	**$ (3,703)**	**$ (2,575)**	**$ (5,109)**	**$ (5,659)**	**$ (1,964)**	**$ (3,164)**	**$ (1,242)**	**$ (6,180)**	**$ (2,581)**	**$ (53,269)**
Net Cash Flow	**$ 23,640**	**$ 14,074**	**$ 19,779**	**$ 10,811**	**$ 12,675**	**$ 2,245**	**$ 7,089**	**$ (23)**	**$ 3,990**	**$ (5,090)**	**$ 4,556**	**$ (1,468)**	**$ 253**	**$ 92,531**
Liquidity														
Cash Schedule														
Beginning Cash Balance	$ 64,302	$ 58,884	$ 37,632	$ 53,316	$ 64,127	$ 76,802	$ 79,047	$ 86,135	$ 86,112	$ 90,102	$ 85,012	$ 89,568	$ 88,101	$ 64,302
Net Cash Flow	23,640	14,074	19,779	10,811	12,675	2,245	7,089	(23)	3,990	(5,090)	4,556	(1,468)	253	92,531
Revolver - Draw / (Paydown)	(29,058)	(35,326)	(4,095)	-	-	-	-	-	-	-	-	-	-	(68,479)
DIP - Draw / (Paydown)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	$ 58,884	$ 37,632	$ 53,316	$ 64,127	$ 76,802	$ 79,047	$ 86,135	$ 86,112	$ 90,102	$ 85,012	$ 89,568	$ 88,101	$ 88,354	$ 88,354
ABL Schedule														
ABL Outstanding Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
O/S Letters of Credit	6,206	-	-	-	-	-	-	-	-	-	-	-	-	-
FILO Outstanding Balance	33,215	4,095	-	-	-	-	-	-	-	-	-	-	-	-
Total ABL	$ 39,421	$ 4,095	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Exhibit B

Canadian Budget

Payless Canada
Cash Collateral Budget
(US$ in 000's)

4-5-4 Month	Mar	Mar	Mar	Apr	Apr	Apr	Apr	May	May	May	May	Jun	Jun	
Week Ending	3/22/2019	3/29/2019	4/5/2019	4/12/2019	4/19/2019	4/26/2019	5/3/2019	5/10/2019	5/17/2019	5/24/2019	5/31/2019	6/7/2019	6/14/2019	
Forecast Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	**Total 13 Week**
Forecast/Actuals	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
I. Cash Flow														
1 Receipts														
2 Canada Sales Receipts	$ 9,197	$ 3,732	$ 471	$ 191	$ 77	$ 22	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,691
3 Canada Sales Tax (Net of taxes paid on good and services)	(98)	-	(908)	-	-	-	(2,186)	-	-	-	-	130		(3,062)
4 Total Receipts	**$ 9,100**	**$ 3,732**	**$ (438)**	**$ 191**	**$ 77**	**$ 22**	**$ (2,186)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 130**	**$ -**	**$ 10,629**
5 Operating Disbursements														
6 Payroll/Benefits	(1,126)	(559)	(1,245)	(591)	(691)	(56)	(647)	(797)	(15)	-	(15)	(54)	-	(5,795)
7 Occupancy	(14)	(656)	(740)	-	(664)	-	-	-	-	-	-	-	-	(2,074)
8 Stores	(1)	(246)	(42)	(19)	(15)	(14)	(14)	(13)	-	-	-	-	-	(364)
9 Utilities	(3)	(166)	(28)	(16)	(14)	(13)	(13)	-	-	-	-	-	-	(253)
10 Operating Expenses	(1)	(19)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	-	-	(89)
11 Insurance	-	(126)	-	-	-	-	-	-	-	-	-	-	-	(126)
12 IT	-	(9)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	-	-	(22)
13 Other Operating Disbursements	(8)	-	-	-	-	-	-	-	-	-	-	-	-	(8)
14 Interunit-Service & Mgmt Fees [Worldwide to Canada LP]	-	-	-	(70)	-	-	-	(90)	-	-	-	(45)	(35)	(240)
15 Total Operating Disbursements	**$ (1,152)**	**$ (1,780)**	**$ (2,064)**	**$ (706)**	**$ (1,393)**	**$ (92)**	**$ (683)**	**$ (909)**	**$ (24)**	**$ (9)**	**$ (24)**	**$ (99)**	**$ (35)**	**$ (8,971)**
16 Total Operating Cash Flow	**$ 7,947**	**$ 1,953**	**$ (2,502)**	**$ (515)**	**$ (1,316)**	**$ (70)**	**$ (2,869)**	**$ (909)**	**$ (24)**	**$ (9)**	**$ (24)**	**$ 31**	**$ (35)**	**$ 1,658**
17 Restructuring Disbursements														
18 Restructuring Professionals	(149)	(1,657)	(347)	(397)	(389)	(386)	(364)	(239)	(244)	(184)	(229)	(221)	(65)	(4,872)
19 Severance	-	-	-	(407)	-	(37)	-	(253)	-	-	-	(131)	-	(828)
20 Agency Fees	(51)	(759)	(13)	(5)	(2)	(1)	-	-	-	-	-	-	-	(831)
21 Liquidator Expenses	(76)	(590)	(115)	(107)	(101)	(51)	(51)	(20)	-	-	-	-	-	(1,111)
22 Store Employee GOB Incentive Bonus	-	-	-	(434)	-	(40)	-	(409)	-	-	-	-	-	(883)
23 Employee Incentive Plan	-	-	-	-	-	-	-	-	-					-
24 Critical Vendor Payments	-	(300)	-	-	-	-	-	-	-	-	-	-	-	(300)
25 Utility Deposit	-	(112)	-	-	-	-	-	-	-	-	-	-	-	(112)
26 Gift Card Redemption	(27)	-	-	-	-	-	-	-	-	-	-	-	-	(27)
27 Total Restructuring Disbursements	**$ (302)**	**$ (3,418)**	**$ (475)**	**$ (1,352)**	**$ (492)**	**$ (515)**	**$ (415)**	**$ (921)**	**$ (244)**	**$ (184)**	**$ (229)**	**$ (352)**	**$ (65)**	**$ (8,964)**
28 Net Cash Flow	**$ 7,646**	**$ (1,466)**	**$ (2,977)**	**$ (1,867)**	**$ (1,808)**	**$ (585)**	**$ (3,284)**	**$ (1,830)**	**$ (269)**	**$ (194)**	**$ (253)**	**$ (320)**	**$ (100)**	**$ (7,307)**
29 Cash Schedule														
30 Beginning Cash Balance	$ 10,024	$ 16,080	$ 11,659	$ 8,890	$ 8,539	$ 5,138	$ 4,160	$ 3,062	$ 2,404	$ 2,507	$ 2,313	$ 2,060	$ 2,603	$ 10,024
31 Net Cash Flow	7,646	(1,466)	(2,977)	(1,867)	(1,808)	(585)	(3,284)	(1,830)	(269)	$ (194)	$ (253)	$ (320)	$ (100)	(7,307)
32 Canadian Excess Proceeds	(606)	(2,780)	(861)	(326)	(1,593)	(562)	-	-	-	$ -	$ -	$ -	$ -	(6,729)
33 Ending Cash Balance	**$ 17,064**	**$ 11,833**	**$ 7,821**	**$ 6,697**	**$ 5,138**	**$ 3,991**	**$ 876**	**$ 1,232**	**$ 2,135**	**$ 2,313**	**$ 2,060**	**$ 1,740**	**$ 2,503**	**$ 2,503**
34 Contributions (to)/from Reserve Account	(984)	(174)	1,069	1,842	-	169	2,186	1,172	371	$ -	$ -	$ 863	$ 21	
35 Reserve Account Balance	**$ 7,519**	**$ 7,694**	**$ 6,625**	**$ 4,783**	**$ 4,783**	**$ 4,614**	**$ 2,427**	**$ 1,255**	**$ 884**	**$ 884**	**$ 884**	**$ 21**	**$ 0**	
36 Operating Cash Balance	**$ 16,080**	**$ 11,659**	**$ 8,890**	**$ 8,539**	**$ 5,138**	**$ 4,160**	**$ 3,062**	**$ 2,404**	**$ 2,507**	**$ 2,313**	**$ 2,060**	**$ 2,603**	**$ 2,524**	**$ 2,524**
37 Combined Ending Cash Balance - Operating and Reserve Accounts	**$ 23,599**	**$ 19,353**	**$ 15,515**	**$ 13,321**	**$ 9,921**	**$ 8,774**	**$ 5,490**	**$ 3,659**	**$ 3,391**	**$ 3,197**	**$ 2,944**	**$ 2,624**	**$ 2,524**	**$ 2,524**

Exhibit C

Form of Stub Rent Agreement

AGREEMENT REGARDING PAYMENT OF STUB RENT

Payless XXX [Insert Payless Entity that is Party to Lease] ("Debtor"), and [•] ("Landlord") enter into this *Agreement Regarding Payment of Stub Rent,* effective as of [_____], 2019 (this "Agreement").

RECITALS

A. Debtor leases the premises listed on Exhibit 1 from Landlord (the "Leased Premises," and all unexpired leases thereto, as such leases may have been amended, modified, or supplemented, the "Leases"):

B. On February 18, 2019 (the "Petition Date"), Debtor and certain of its affiliates (collectively, the "Debtors"), each filed a voluntary petition for relief under chapter 11 of 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Missouri (the "Court").

C. The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. These chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered under the lead case, In re Payless Holdings, LLC, *et al.*, Case No. 19-40883-659 (collectively, the "Bankruptcy Cases"). On March 1, 2019, the United States Trustee for the Eastern District of Missouri (the "U.S. Trustee") appointed a committee of unsecured creditors (the "Creditors' Committee").

D. Following the Petition Date, the Landlords and the Debtor, or the Debtor's agent, entered into side letters ("Side Letters") to govern the conduct of store closing sales at the Leased Premises.

E. Debtor has occupied the Leased Premises from the Petition Date through the last date of the billing cycle in effect as of the Petition Date, as stated in Exhibit 1 (the "Stub Period").

F. Debtor has not paid to Landlord any rent, common area maintenance, or other monthly charges, cost, or expense chargeable to Debtor under any of the Leases (collectively, "Rent") for the Stub Period (the "Stub Rent").

G. On March 22, 2019, the Court entered the *Order (1) Authorizing and Approving Procedures to Reject or Assume Executory Contracts and Unexpired Leases and (II) Granting Related Relief* [Docket No. 643] (the "Rejection Procedures Order")

H. Debtor and Landlord agree that the Stub Rent owing under all Leases is totaled in Exhibit A.

I. Landlord asserts that it is entitled to payment of the Stub Rent and certain other amounts as an administrative expense in the Bankruptcy Cases under 11 U.S.C. § 503(b)(l)(A). In consideration for the Landlord's agreements contained herein, Debtor stipulates that Landlord is

entitled to payment of the Stub Rent as an administrative expense.

The parties have agreed to settle their dispute regarding the priority of Stub Rent on the terms set forth below:

AGREEMENT

1. **Agreement to Payment of Stub Rent**. Debtor agrees to treat an amount equal to eighty five percent (85%) of the Stub Rent as a postpetition obligation of Debtor's estate and administrative expense under 11 U.S.C. §503(b)(1)(A) ("Allowed Stub Rent Claim") and to pay the amount of the Allowed Stub Rent Claim that exceeds the Reimbursement Rent (as defined below) within fifteen (15) days of the later of (a) the effective date of this Agreement or (b) effective date of the rejection of the Lease, as determined by the Rejection Procedures Order or other applicable order providing for the rejection of the Lease (the "Rejection Date").

2. **Priority of Postpetition Rent**. Subject to the payment to Landlord of all amounts due and owing under this Agreement, Landlord agrees that, with respect to each Lease and corresponding Rent obligations: (a) in full satisfaction of any postpetition Rent obligation owing by Debtor to Landlord under the Leases, Landlord shall have an administrative expense claim for Rent on a *per diem* basis (calculated on the actual number of days in the respective billing cycle) for the period from the end of the Stub Period through the Rejection Date; and (b) Landlord waives its claim for the payment of Stub Rent from February 18, 2019 through February 28, 2019. Nothing herein is a waiver of any claim that the Landlord may have (i) with respect to taxes, Rent, related charges or claims relating to the physical condition of the property that arise or come due before or on or after the Petition Date, with the exception of the agreement of payment for Stub Rent as provided for in this Agreement or the Attorneys Fees Limitation (as defined below), (ii) as a result of the rejection of any of the Leases by Debtor, or (iii) with respect to any other claim unrelated to any of the Leases that arose prior to the Petition Date. Nothing herein shall waive, limit or impair any objection(s) to such claims as may be asserted by Debtors, the Creditors' Committee or any other party in interest. With respect to Landlord's claim for the payment of Stub Rent, Landlord may assert only an unsecured claim for the remaining fifteen percent (15%) of Stub Rent in addition to any further unsecured claims Landlord may have. Any claim by Landlord for attorneys' fees and costs incurred in connection with disputes over the entitlement and payment of Stub Rent shall be limited to: (1) a claim for such fees and costs as part of a claim for "cure" or pecuniary loss under Bankruptcy Code section 365(b)(1) in connection with the proposed assumption and assignment of any lease, (2) a claim for such fees and costs as part of a motion to compel Debtors' payment under this Agreement, and (3) a claim for such fees and costs as part of Landlord's general unsecured claim following rejection of a lease (collectively, the "Attorneys Fees Limitation"). Nothing herein shall waive, limit or impair any objection(s) to such claims for attorneys' fees or costs as may be subsequently asserted by Debtors, the Creditors' Committee or any other party in interest.

3. **Payment of Net Rent Amount**. Notwithstanding any provision in any of the Leases or this Agreement to the contrary, but subject to the Attorneys Fees Limitation,Debtor and Landlord agree that all Rent following the Stub Period shall be timely paid by Debtor in accordance with the

terms of the Leases; *provided* that by the later of (i) fifteen (15) days of the Rejection Date; and (ii) five (5) business days after Debtor presents Landlord, with an invoice itemizing any overpayment, shall reimburse to Debtor the amount of Rent received for the then-current billing cycle, calculated on a *per diem* basis, on account of the remaining days after the Rejection Date in the then-current billing cycle (the "Reimbursement Rent"), that exceeds the amount of the Allowed Stub Rent Claim, if any. In the event that the Landlord does not timely pay the Debtor any reimbursement owed pursuant to this paragraph, the Creditors' Committee and its professionals agree to use commercially reasonable efforts to assist the Debtor with obtaining such reimbursement from Landlord.

4. **Miscellaneous**. Debtor and Landlord each further agree that: (a) the Court has exclusive jurisdiction and power over any and all matters arising from or related this Agreement, including any disputes with respect thereto and expressly submits to such jurisdiction of the Court; (b) it has the full requisite power and authority to execute and deliver this Agreement and to perform hereunder; (c) this Agreement constitutes the valid and binding agreement of Debtor and Landlord, each as the case may be, and is enforceable against such party in accordance with the terms hereof; (d) this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Notwithstanding anything to the contrary contained in this Agreement, the terms of the Side Letters shall remain in full force and effect and nothing herein shall supersede any of the provisions of the Side Letters.

This Agreement is effective on the date set forth above.

DEBTOR:

[Payless Lessee]

By:_____
Name:_____
Its:_____

LANDLORD:

[●], a [●] company

By:_____
Name:_____
Its:_____

EXHIBIT 1

The Leased Premises	Date of the Lease	Stub Rent Amount
[●]	[●]	[●]

APPENDIX "D"

[ATTACHED]

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:	)	Case No. 19-40883-659
	)	Chapter 11
PAYLESS HOLDINGS LLC, *et al.*,	)	
	)	Jointly Administered
Debtors.	)	Related Docket No. 216, 265

FINAL ORDER (I) AUTHORIZING THE DEBTORS TO OBTAIN POSTPETITION FINANCING, (II) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (III) MODIFYING THE AUTOMATIC STAY, AND (IV) GRANTING RELATED RELIEF

Upon the motion (the "**Motion**")[1] of the above-captioned debtors and debtors-in-possession (collectively, the "**Debtors**")[2] in the above-captioned Chapter 11 cases (collectively, the "**Cases**"), seeking entry of the Interim Order (defined below) and this final order (this "**Final Order**", and together with the Interim Order, the "**Financing Orders**") pursuant to Sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d), 364(e), and 507 of title 11 of the United States Code (the "**Bankruptcy Code**") and Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), *inter alia*:

(i) authorizing the Debtors to obtain senior secured postpetition financing on a superpriority basis in the aggregate principal amount of $25,380,710.66 (the "**DIP Facility**," and the term loans thereunder, the "**DIP Loans**") pursuant to the terms and conditions of that certain Senior Secured Superpriority Priming Debtor-in-Possession Term Loan and Guarantee

[1] Capitalized terms used but not defined herein have the meanings given to them in the Motion, the DIP Documents (as defined herein) or the Final Cash Collateral Order (as defined herein), as applicable.

[2] References in this Final Order to "Debtors" shall exclude the Payless Canada Entities (as defined below) unless such entities become Guarantors (as defined below) under the DIP Credit Agreement (as defined below). For the avoidance of doubt, the Payless Canada Entities shall not become Guarantors without a further order of the Canadian Court (as defined below).

Agreement, dated as of March 14, 2019, attached hereto as Exhibit A (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "**DIP Credit Agreement**"), by and among Payless Inc., as Borrower (as defined in the DIP Credit Agreement), the Guarantors (as defined in the DIP Credit Agreement) party thereto from time to time (together with the Borrower, the "**DIP Loan Parties**"), the financial institutions party thereto from time to time as lenders (collectively, the "**DIP Lenders**"), and Wilmington Savings Fund Society, FSB, as administrative agent and collateral agent (in such capacity, the "**DIP Agent**" and, together with the DIP Lenders, the "**DIP Secured Parties**") for and on behalf of itself and the DIP Lenders, providing for the borrowing of delayed draw term loans as follows, in each case subject to the terms and conditions set forth in the DIP Documents (as defined below): (i) one initial draw (the "**Initial DIP Draw**") in an aggregate principal amount equal to $17,000,000 (net of the original issue discount), (ii) an additional draw (the "**Interim DIP Draw**") in an aggregate principal amount of $4,000,000 (net of the original issue discount), and (iii) an additional DIP Draw (the "**Final DIP Draw**", and together with the Initial DIP Draw and the Interim DIP Draw, collectively, the "**DIP Draws**") in an aggregate principal amount of $4,000,000 (net of the original issue discount) on or after the date of entry of this Final Order;

(ii) authorizing and ratifying on a final basis the Debtors' execution and delivery of and entry into the DIP Credit Agreement and any other documentation, including security agreements, pledge agreements, mortgages, guaranties, promissory notes, certificates, instruments, and such other documentation which may be necessary or required to implement the DIP Facility and perform thereunder and/or that may be reasonably requested by the DIP Agent, in each case, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof and hereof (collectively, together with the DIP Credit

Agreement, the "**DIP Documents**"), each of which shall be in form and substance satisfactory to the DIP Agent and the DIP Lenders; and to perform such other acts as may be necessary, desirable or appropriate in connection with the DIP Documents;

(iii) granting to the DIP Secured Parties allowed superpriority administrative expense claims pursuant to Section 364(c)(1) of the Bankruptcy Code in respect of all DIP Obligations (as defined below), and valid, enforceable, non-avoidable and automatically perfected security interests in and liens on all of the DIP Collateral (as defined below), pursuant to Sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code, to secure the DIP Obligations, in each case as and to the extent, and subject to the relative ranking and priorities set forth herein;

(iv) authorizing and directing the Debtors to pay all principal, interest, fees, costs and expenses and other amounts payable under the DIP Documents as such become due, as provided and in accordance therewith; and

(v) 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 the DIP Documents and the Financing Orders.

The Court having considered the Motion, the Declaration of Stephen Marotta, the Debtors' Chief Restructuring Officer, in support of the Chapter 11 petition and first day motions, the Declaration of Derek C. Pitts in support of the Motion, the exhibits attached thereto, and the evidence submitted and the arguments of counsel made at each of the interim hearing held before this Court on February 25, 2019 (the "**Interim Hearing**") and the final hearing held before this Court on March 28, 2019 (the "**Final Hearing**") to consider entry of the Interim Order and the Final Order, respectively; and the Court having entered, on February 25, 2019, the *Interim Order*

(I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Status, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief [Docket No. 265] (the "**Interim Order**"); and notice of the Interim Hearing and the Final Hearing having been given in accordance with Bankruptcy Rules 4001(b), (c) and (d); and the Final Hearing having been held and concluded; and all objections, if any, to the relief requested in the Motion having been withdrawn, resolved or overruled by the Court; and it appearing to the Court that granting the relief requested is necessary to avoid immediate and irreparable harm to the Debtors and their estates, and otherwise is fair and reasonable and in the best interests of the Debtors, their estates, and their creditors and equity holders, and is essential for the preservation of the value of the Debtors' assets; and it appearing that the Debtors' entry into the DIP Credit Agreement was a sound and prudent exercise of the Debtors' business judgment; and after due deliberation and consideration, and for good and sufficient cause appearing therefor;

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING AND THE FINAL HEARING BY THE DEBTORS, INCLUDING THE SUBMISSIONS OF DECLARATIONS AND THE REPRESENTATIONS OF COUNSEL, THE COURT HEREBY MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW[3]:

A. *Petition Date*. On February 18, 2019 (the "**Petition Date**"), the Debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri (the "**Court**") commencing the Cases.

[3] Where appropriate in this Final Order, findings of fact shall be construed as conclusions of law and conclusions of law shall be construed as findings of fact pursuant to Bankruptcy Rule 7052.

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 over the persons and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding under 28 U.S.C. § 157(b)(2). Venue for the Cases and proceedings on the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

D. *Committee Formation*. On March 1, 2019, the Office of the United States Trustee (the "**U.S. Trustee**") appointed the Official Committee of Unsecured Creditors pursuant to Section 1102 of the Bankruptcy Code (the "**Committee**").

E. *Canadian Proceeding*. On February 19, 2019, Payless ShoeSource Canada Inc., a Canadian federal corporation ("**Payless Canada**"), Payless ShoeSource Canada GP Inc., a Canadian federal corporation ("**Payless Canada GP**") and Payless ShoeSource Canada LP, an Ontario limited partnership (together with Payless Canada and Payless Canada GP, collectively, the "**Payless Canada Entities**"), obtained protection in Canada under the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c C-36, as amended (the "**Canadian Case**") in the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**").

F. *Store Closing Sales*. The Debtors have commenced store closures and related dispositions of inventory and other goods at all store locations in North America (the "**Store Closing Sales**") and, in connection therewith, have engaged a joint venture (the "**Liquidation Consultant**") of Great American Group, LLC and Tiger Capital Group, LLC as a consultant to conduct the Store Closing Sales pursuant to that certain Store Closing Program – Consulting Agreement, dated as of February 12, 2019, by and among, *inter alios*, Payless Holdings, LLC

and Payless ShoeSource Canada GP Inc., and the Liquidation Consultant (together with (x) all material documents relating thereto and (y) all exhibits, annexes and schedules thereto, in each case, as amended, restated, supplemented or otherwise modified from time to time, the "**Liquidation Consulting Agreement**").

G. *Authorization to Use Cash Collateral*. On February 20, 2019, the Court entered an interim order [Docket No. 138] (the "**Interim Cash Collateral Order**") approving the Debtors' motion seeking the use of the cash collateral of certain of its prepetition secured creditors on an interim basis. On April 4, 2019, the Court entered a final order [Docket No. 795] (the "**Final Cash Collateral Order**", and together with the Interim Cash Collateral Order, the "**Cash Collateral Orders**") approving the Debtors' motion seeking the use of the cash collateral of certain of its prepetition secured creditors on a final basis. The DIP Facility provided under the DIP Documents and the Financing Orders constitutes "Permitted DIP Financing" under the Cash Collateral Orders.

H. *Stipulations*. Subject to paragraph 22 of the Final Cash Collateral Order, including the reservations in paragraph 22(c), the Debtors' Stipulations set forth in Paragraph H of the Final Cash Collateral Order are fully incorporated herein by reference, without duplication; provided, however, that such Debtor Stipulations shall, pursuant to the DIP Documents and to the extent applicable, also be deemed to have been admitted, stipulated, acknowledged and agreed to by each of the Debtors and the Debtors' non-Debtor affiliate Guarantors (collectively, the "**Non-Debtor Guarantors**").

I. *Findings Regarding Postpetition Financing*.

(i) Request for Postpetition Financing. The Debtors seek authority to enter into the DIP Facility on the terms described herein and in the DIP Documents to administer their Cases and fund their operations.

(ii) Priming of the Prepetition Liens. The priming of the liens of the Prepetition Term Loan Lenders and the Prepetition ABL Lenders (solely as provided herein) under Section 364(d) of the Bankruptcy Code, as contemplated by the DIP Facility and as further described below, will enable the Debtors to obtain the DIP Facility and to continue to operate their businesses to the benefit of their estates and creditors.

(iii) Need for Postpetition Financing. The Debtors have a critical need to obtain credit pursuant to the DIP Facility in order to, among other things, preserve the value of their estates. The ability of the Debtors to maintain business relationships with their vendors, suppliers and customers requires the availability of working capital from the DIP Facility, the absence of which would harm the Debtors, their estates, and parties-in-interest. The Debtors do not have sufficient available sources of working capital and financing to preserve the value of their businesses without the DIP Facility.

(iv) No Credit Available on More Favorable Terms. The DIP Facility is the best source of debtor in possession financing available to the Debtors. Given their current financial condition, financing arrangements, and capital structure, the Debtors have been and continue to be unable to obtain financing from sources other than the DIP Lenders on terms more favorable than the DIP Facility. The Debtors are unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors have also been unable to obtain: (a) unsecured credit having priority over that of administrative

expenses of the kind specified in Sections 503(b), 507(a) and 507(b) of the Bankruptcy Code; (b) credit secured solely by a lien on property of the Debtors and their estates that is not otherwise subject to a lien; or (c) credit secured solely by a junior lien on property of the Debtors and their estates that is subject to a lien. Financing on a postpetition basis is not otherwise available without granting the DIP Agent, for the benefit of itself and the DIP Lenders: (1) perfected security interests in and liens on (each as provided herein) all of the Debtors' existing and after-acquired assets with the priorities set forth herein, (2) superpriority claims, and (3) the other protections set forth in this Final Order.

(v) Use of proceeds of the DIP Facility. As a condition to entry into the DIP Documents, the extension of credit under the DIP Facility, the DIP Secured Parties require, and the Debtors have agreed, that proceeds of the DIP Facility shall be used solely in a manner consistent with the terms and conditions of this Final Order and the DIP Documents.

J. *Sections 506(c)*. In light of the DIP Secured Parties' agreement to extend credit to the Debtors on the terms described herein, each of the DIP Secured Parties is entitled to a waiver of the provisions of Section 506(c) of the Bankruptcy Code.

K. *Good Faith*.

(i) Willingness to Provide Financing. The DIP Lenders have indicated a willingness to provide financing to the Debtors subject to: (a) entry of the Interim Order and this Final Order; (b) approval of the terms and conditions of the DIP Facility and the DIP Documents; (c) satisfaction of the closing conditions set forth in the DIP Documents; and (d) findings by this Court that the DIP Facility is essential to the Debtors' estates, that the DIP Secured Parties are extending credit to the Debtors pursuant to the DIP Documents in good faith, and that the DIP Secured Parties' claims, superpriority claims, security interests and

liens and other protections granted pursuant to the Financing Orders and the DIP Documents will have the protections provided by Section 364(e) of the Bankruptcy Code.

(ii) Business Judgment and Good Faith Pursuant to Section 364(e). The terms and conditions of the DIP Facility, DIP Documents, and the fees paid and to be paid thereunder, are fair, reasonable, and the best available to the Debtors under the circumstances, are ordinary and appropriate for secured financing to debtors in possession, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration. Entry of this Final Order is in the best interests of the Debtors, their estates, and their creditors and equity holders. The terms and conditions of the DIP Facility were negotiated in good faith and at arms' length among the Debtors, DIP Agent, and the DIP Lenders, with the assistance and counsel of their respective advisors. Credit extended or to be extended under the DIP Facility was and shall be deemed to have been allowed, advanced, made, or extended in good faith by the DIP Secured Parties, within the meaning of Section 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument or reconsideration of the Financing Orders or any other order.

L. *Adequate Protection*. The Cash Collateral Orders provide the Prepetition ABL Administrative Agent, for the benefit of itself and the other Prepetition ABL Credit Parties, and the Prepetition Term Loan Agent, for the benefit of itself and the other Prepetition Term Loan Credit Parties with sufficient adequate protection pursuant to Sections 361, 363, 364 and 507(b) of the Bankruptcy Code for any diminution in value of each of their respective interests in the Prepetition Collateral including as a result of, among other things, the priming of the Prepetition Liens by the DIP Liens as provided for herein.

M. *Notice*. Notice of the Final Hearing and the relief requested in the Motion on a final basis has been provided by the Debtors, whether by facsimile, email, overnight courier, or hand delivery, to certain parties in interest, including: (a) the Office of the United States Trustee for the Eastern District of Missouri; (b) the holders of the 50 largest unsecured claims against the Debtors (on a consolidated basis); (c) counsel to the Prepetition ABL Agents, (i) Choate Hall & Stewart LLP (Attn: Kevin Simard, Doug Gooding and Jonathan Marshall) and (ii) Thompson Coburn LLP (Attn: Mark Bossi); (d) counsel to the FILO Agent, Greenberg Traurig, LLP (Attn: Jeffrey Wolf); (e) counsel to certain Prepetition Term Loan Lenders and DIP Lenders, (i) Kramer Levin Naftalis & Frankel LLP (Attn: Stephen D. Zide) and (ii) Doster, Ullom & Boyle, LLC (Attn: Gregory D. Willard), (f) counsel to certain Prepetition Term Loan Lenders, certain DIP Lenders and the DIP Agent, (i) Stroock & Stroock & Lavan LLP (Attn: Kristopher M. Hansen and Daniel A. Fliman) and (ii) Lewis Rice LLC (Attn: Sonette T. Magnus); (g) proposed counsel to the Prepetition Term Loan Agent, Norton Rose Fulbright US LLP (Attn: Stephen Castro and David A. Rosenzweig); (h) the proposed Monitor, FTI Consulting Canada, Inc.; (i) counsel to the proposed Monitor, Bennett Jones LLP; (j) counsel to the Committee; (k) the United States Attorney's Office for the Eastern District of Missouri; (l) the Internal Revenue Service; (m) the United States Securities and Exchange Commission; (n) the state attorneys general for all states in which the Debtors conduct business; and (o) any party that has requested notice pursuant to Bankruptcy Rule 2002. The Debtors 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.

N. *Immediate Entry*. The Debtors have requested immediate entry of this Final Order pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2). Absent entry of this Final

Order, the Debtors' businesses, and estates would be immediately and irreparably harmed. This Court concludes that entry of this Final Order is in the best interests of the Debtors' respective estates and stakeholders.

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 on a final basis in accordance with and subject to the terms and conditions set forth in this Final Order and the DIP Documents. Subject to paragraph 47 hereof, nothing in this Final Order shall abridge or impair any rights or remedies existing under the Final Cash Collateral Order and/or the Existing Intercreditor Agreement. The DIP Obligations shall be deemed Term Obligations for all purposes under the Existing Intercreditor Agreement. Without limiting the generality of the foregoing, for the avoidance of doubt, and notwithstanding anything in the DIP Orders to the contrary: (i) the term "Obligations" as defined under the DIP Credit Agreement does not include any of the Prepetition Term Loan Obligations; (ii) any and all rights to exercise any remedies against any Prepetition Collateral and/or DIP Collateral, as set forth in paragraph 20 herein, and any and all rights to enter onto any leased premises to access any Prepetition Collateral and/or DIP Collateral, as set forth in paragraph 36 herein, is subject to the provisions of the Final Cash Collateral Order and Existing Intercreditor Agreement; (iii) until the ABL Obligations have been paid in full, in cash, the DIP Secured Parties shall not exercise any rights or remedies, including with respect to the rights and remedies set forth in paragraph 20 and paragraph 36 of this Final Order, with respect to ABL Priority Collateral or Term Loan Priority Collateral that is the subject of the Store Closing Sales; and (iv) until the ABL Obligations have been indefeasibly paid in full, in cash, and

notwithstanding anything to the contrary in this Final Order or the DIP Documents, the Debtors shall not pay any DIP Obligations, other than interest accruing at the non-default rate under the DIP Facility so long as a Termination Event has not occurred under the Final Cash Collateral Order, owing to the DIP Secured Parties under the DIP Documents except for proceeds of Term Loan Priority Collateral that is not the subject of the Store Closing Sales. For the avoidance of doubt, the Debtors are authorized to (i) pay interest accruing at the non-default rate under the DIP Facility from ABL Priority Collateral so long as a Termination Event has not occurred under the Final Cash Collateral Order, and (ii) pay DIP Lender Professional Fees from the DIP Draws.

2. Objections Overruled. All objections to the Motion to the extent not withdrawn, waived, settled or resolved are hereby overruled.

3. Authorization of the DIP Facility. The DIP Facility, and the borrowing of the DIP Loans, is hereby approved on a final basis. The Debtors were, by the Interim Order, and are hereby expressly and immediately authorized and empowered to execute and deliver the DIP Documents (and their entry into the DIP Documents is hereby ratified), and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Final Order and the DIP Documents, and to deliver all instruments, certificates, agreements, and documents which may be required or necessary for the performance by the Debtors under the DIP Facility and the creation and perfection of the DIP Liens (as defined herein) described in and provided for by the Financing Orders and the DIP Documents, which delivery, creation and perfection are hereby ratified. The Debtors were, by the Interim Order, and are hereby authorized and directed to pay, in accordance with the DIP Documents and the Financing Orders, the principal, interest, fees, expenses and other amounts described in the DIP Documents as such become due and without need to obtain further Court approval, including, without limitation, original issue

discount, administrative agent's fees, the reasonable and documented fees, costs, disbursements and expenses of the DIP Secured Parties' respective attorneys, advisors, accountants, and other consultants, whether or not such fees arose before or after the Petition Date, all to the extent provided in the Financing Orders or the DIP Documents, including without limitation delivery of invoices to the Fee Notice Parties (as defined herein) as provided for in paragraph 23 herein. The DIP Documents represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms. For the purposes hereof, the term "DIP Obligations" means all "Obligations" as defined in the DIP Credit Agreement, and shall include, without limitation, principal, interest, all loans, advances, extensions of credit, financial accommodations, reimbursement obligations, fees (including any original issue discount and any administrative agent fees), costs, expenses and other liabilities, all other obligations (including indemnities and similar obligations, whether contingent or absolute) and all other amounts due or payable under the DIP Documents, provided, however, that the term "Obligations" expressly excludes any obligations under or relating to the Prepetition Term Loan Credit Documents. Any requirement to obtain a fairness opinion as set forth in Section 5.10 of the Limited Liability Company Agreement for Payless Holdings LLC in connection with the DIP Facility, including with respect to negotiation, execution and delivery of, and performance by the Debtors and their subsidiaries of their obligations under, the DIP Facility and the DIP Documents, was (x) waived as of the entry of the Interim Order, which waiver is hereby approved on a final basis and (y) subsequent to the entry of the Interim Order, waived under and in accordance with the Limited Liability Company Agreement for Payless Holdings LLC.

4. Actions Taken During Interim Period. Prior to entry into the DIP Credit Agreement, the provisions of the DIP Term Sheet (as defined in the Interim Order), the Interim

Order and any other DIP Documents executed prior to entry into the DIP Credit Agreement governed the parties' rights with respect to the DIP Loans. From and after entry into the DIP Credit Agreement until the entry of this Final Order, the provisions of the DIP Credit Agreement, the Interim Order and any other DIP Documents executed in connection therewith governed the parties' rights with respect to the DIP Loans. From and after entry of this Final Order, the DIP Credit Agreement, the other executed DIP Documents and this Final Order shall govern the parties' rights with respect to the DIP Loans. Upon execution of the DIP Credit Agreement, (i) the DIP Term Sheet was no longer be in force and effect and (ii) the DIP Credit Agreement became binding and enforceable against the Debtors, as of the date of the entry of the Interim Order, as if the DIP Credit Agreement were executed upon entry of the Interim Order. Any actions taken in accordance with the DIP Term Sheet will be deemed to have been taken in accordance with the DIP Credit Agreement or other applicable DIP Documents. Any DIP Document entered into, and any and all actions taken by the Debtors, the DIP Agent or the DIP Lenders as contemplated by, in accordance with and/or in furtherance of the Interim Order and the DIP Documents are hereby ratified in full as if taken in accordance with this Final Order.

5. DIP Obligations. The DIP Documents and the Financing Orders shall constitute and evidence the validity and binding effect of the Debtors' DIP Obligations, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto, including without limitation, any trustee appointed in the Cases, or in 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, the "**Successor Cases**"). Upon entry of the Interim Order, as approved on a final basis by this Final Order, the DIP Obligations shall include all loans, obligations, and any other indebtedness or obligations, contingent or absolute,

which may now or from time to time be owing by any of the Debtors to the DIP Agent or any of the DIP Lenders, under the DIP Documents or the Financing Orders, including, without limitation, all principal, accrued interest, costs, fees, expenses and other amounts under the DIP Documents but expressly excluding any obligations owed under or relating to the Prepetition Term Loan Credit Documents. The DIP Loan Parties shall be jointly and severally liable for the DIP Obligations. The DIP Obligations shall be due and payable, without notice or demand, on the DIP Termination Date (as defined herein). No obligation, payment, transfer, or grant of collateral security hereunder or under the DIP Documents (including any DIP Obligation or DIP Liens (as defined below) shall be stayed, restrained, voidable, avoidable, or recoverable, under the Bankruptcy Code or under any applicable law (including, without limitation, under Sections 502(d), 544, and 547 to 550 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act, or similar statute or common law), or subject to any avoidance, reduction, setoff, recoupment, offset, recharacterization, subordination (whether equitable, contractual, or otherwise), counterclaim, cross-claim, defense, or any other challenge under the Bankruptcy Code or any applicable law or regulation by any person or entity.

6. DIP Liens.

(a) To secure the DIP Obligations, upon entry of the Interim Order and effective as of the Petition Date, pursuant to Sections 361, 362, 364(c)(2), 364(c)(3), and 364(d) of the Bankruptcy Code, the DIP Agent, for the benefit of itself and the DIP Lenders, was granted, pursuant to the Interim Order, continuing, valid, binding, enforceable, non-avoidable, and automatically and properly perfected postpetition security interests in and liens (collectively, the "**DIP Liens**") on all DIP Collateral (as defined below) as collateral security for the prompt

and complete performance and payment when due (whether at the stated maturity, by acceleration or otherwise) of the DIP Obligations, which grant is hereby ratified, confirmed and approved on a final basis by entry of this Final Order.

(b) The term "DIP Collateral" shall mean all prepetition and postpetition assets and properties (real and personal) of the DIP Loan Parties, including all "Collateral" as defined in the DIP Credit Agreement, whether now owned by or owing to, or hereafter acquired by, or arising in favor of, the DIP Loan Parties (including under any trade names, styles, or derivations thereof), whether owned or consigned by or to, or leased from or to, the DIP Loan Parties, and wherever located including, without limitation, all cash and cash equivalents of the DIP Loan Parties wherever located, inventory, accounts and accounts receivable, other rights to payment, contracts, instruments, documents and chattel paper, all securities (whether or not marketable), goods, equipment, inventory and fixtures, all real and leasehold property interests, general intangibles, patents, copyrights, trademarks, trade names and all other intellectual property, capital stock, investment property, all books and records, commercial tort claims (including the proceeds of any avoidance actions brought pursuant to Section 549 of the Bankruptcy Code to recover any post-petition transfer of DIP Collateral ("**Section 549 Proceeds**"), but excluding the proceeds of any other avoidance actions arising under Chapter 5 of the Bankruptcy Code) and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing; provided, however, that the DIP Collateral shall not include any assets or property that is expressly excluded from DIP Collateral under the DIP Credit Agreement; provided, further, however, that DIP Collateral shall include all proceeds and products of such excluded assets or property; provided, further, however, that the Alden BVI Liens (as defined below) on the assets of CA, CO and PSS Latin America Holdings shall be *pari*

passu with any liens on such proceeds or products granted to secure the obligations under the DIP Facility. Notwithstanding the foregoing, the DIP Collateral shall not include the Debtors' real property leases but shall include all proceeds of such leases.

(c) The Debtors shall also, to the extent required by, and subject to the terms and conditions set forth in, the DIP Documents, cause the Non-Debtor Guarantors to grant similar security interests in and liens on the DIP Collateral owned by such Non-Debtor Guarantors.

(d) To the fullest extent permitted by the Bankruptcy Code or applicable law, any provision of any lease, loan document, easement, use agreement, proffer, covenant, license, contract, organizational document, or other instrument or agreement that requires the consent or the payment of any fees or obligations to any governmental entity or non-governmental entity in order for the Debtors to pledge, grant, mortgage, sell, assign, or otherwise transfer any fee or leasehold interest or the proceeds thereof or other DIP Collateral, shall have no force or effect with respect to the DIP Liens on such leasehold interests or other applicable DIP Collateral or the proceeds of any assignment and/or sale thereof by any Debtor, in favor of the DIP Secured Parties in accordance with the terms of the DIP Documents and this Final Order.

7. DIP Lien Priority.

(a) The DIP Liens securing the DIP Obligations are valid, automatically and properly perfected, non-avoidable, liens on all DIP Collateral, and shall have the following priorities, subject to paragraph 7(b) herein:

(i) pursuant to Section 364(c)(2) of the Bankruptcy Code, a first-priority perfected lien on, and security interest in, all DIP Collateral that is not subject to a valid,

perfected, enforceable and unavoidable lien or security interest in existence as of the Petition Date (the "**Permitted Prior Liens**");

(ii) a perfected lien on, and security interest in, all DIP Collateral that constitutes ABL Priority Collateral (as defined in the Existing Intercreditor Agreement) including, without limitation, all assets supporting the Store Closing Sales and proceeds thereof (including all North American real estate, inventory and receivables, and all proceeds thereof) (collectively, "**GOB Collateral**"), which DIP Liens shall (a) pursuant to Section 364(c)(3) of the Bankruptcy Code, be junior in priority to (x) Permitted Prior Liens (other than the Prepetition Term Loan Liens), (y) the ABL Adequate Protection Lien and (z) the Prepetition ABL Liens; and (b) pursuant to Section 364(d) of the Bankruptcy Code, be priming liens senior in priority to all other liens on such assets, including, without limitation, the Prepetition Term Loan Liens;

(iii) a perfected lien on, and security interest in, all DIP Collateral that does not constitute ABL Priority Collateral, including, without limitation, any Term Priority Collateral (as defined in the Existing Intercreditor Agreement), all intellectual property and all of the Loan Parties' franchise operations, which DIP Liens shall be (a) pursuant to Section 364(c)(3) of the Bankruptcy Code, junior in priority to Permitted Prior Liens and (b) pursuant to Section 364(d) of the Bankruptcy Code, priming liens senior in priority to (x) the Prepetition ABL Liens, and (y) the Prepetition Term Loan Liens.

(b) Except as expressly set forth herein, the DIP Liens and the DIP Superpriority Claims: (i) shall not be made subject to or *pari passu* with (A) any lien, security interest or claim heretofore or hereinafter granted in any of the Cases or any Successor Cases, and shall be valid and enforceable against the Debtors, their estates, any trustee or any other estate representative appointed or elected in the Cases or any Successor Cases and/or upon the

dismissal of any of the Cases or any Successor Cases, (B) any lien that is avoided and preserved for the benefit of the Debtors and their estates under Section 551 of the Bankruptcy Code or otherwise, and (C) any intercompany or affiliate lien or claim; and (ii) shall not be subject to Sections 506(c), 510, 549, 550 or 551 of the Bankruptcy Code. Notwithstanding anything contained in this Final Order to the contrary, the DIP Liens shall be (a) junior to (x) the Carve-Out (as defined in the Final Cash Collateral Order as of the date hereof) and (y) the ABL Adequate Protection Liens (as defined in the Final Cash Collateral Order as of the date hereof) solely with respect to ABL Priority Collateral; and (b) senior to (x) the ABL Adequate Protection Liens solely with respect to Term Priority Collateral (the "**Term Priority Collateral Priming Lien**") and (y) the Prepetition Term Loan Adequate Protection Liens; provided, however, that the value of the Term Priority Collateral Priming Lien shall not exceed the lesser of (i) the amount advanced under the DIP Facility and (ii) the actual realized value of Augmentation Inventory (as defined in the Interim Order) received in the Debtors' U.S. stores and/or U.S. distribution center (net of any sales tax, commissions owing under the Liquidation Consultant Agreement, and other costs of sale relating to the Augmentation Inventory paid out of ABL Priority Collateral) and less any interest, fees or expenses paid in connection with or related to the DIP Facility out of ABL Priority Collateral, and less such other amounts determined by mutual agreement of the Prepetition ABL Agents and the DIP Agent or ordered by the Court.

(c) Consent to Priming. The consent of the Prepetition Term Loan Lenders to the priming by the DIP Liens of their Prepetition Term Loan Adequate Protection Liens and the Prepetition Term Loan Liens are solely with respect to the DIP Facility contemplated herein and shall not be construed as a consent for any other financing or other arrangement that primes the Prepetition Term Loan Adequate Protection Liens or the Prepetition Term Loan Liens. The

Prepetition Term Loan Lenders reserve their rights to contest the priming of the Term Loan Adequate Protection Liens and the Term Loan Prepetition Liens in any manner or by any other party, and reserve all rights under the Prepetition Term Loan Credit Documents. The Debtors reserve all rights to seek to refinance the DIP Facility with financing on similar terms as the DIP Facility.

8. DIP Superpriority Claim. Upon entry of the Interim Order and effective as of the Petition Date, the DIP Secured Parties were granted, pursuant to Section 364(c)(1) of the Bankruptcy Code, allowed superpriority administrative expense claims in each of the Cases and any Successor Cases (collectively, the "**DIP Superpriority Claim**") for all DIP Obligations, which grant is hereby ratified, confirmed and approved on a final basis by entry of this Final Order: (a) except as set forth herein, with priority over any and all administrative expense claims and unsecured claims against the Debtors or their estates in any of the Cases and any Successor Cases, at any time existing or arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to Bankruptcy Code Sections 105, 326, 328, 330, 331, 364, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 546(d), 726, 1113 and 1114, and any other provision of the Bankruptcy Code, as provided under Section 364(c)(1) of the Bankruptcy Code; and (b) which shall at all times be senior to the rights of the Debtors and their estates, and any successor trustee or other estate representative to the extent permitted by law; provided, however, that the DIP Superpriority Claim shall be (x) junior to the Carve-Out (as defined in the Final Cash Collateral Order as of the date hereof); (y) *pari passu* with the ABL Adequate Protection Superpriority Claim (as defined in the Final Cash Collateral Order as of the date hereof); and (z) senior to the Prepetition Term Loan Adequate Protection Superpriority Claim. The DIP Superpriority Claim shall, for purposes of Section

1129(a)(9)(A) of the Bankruptcy Code, be considered an administrative expense allowed under Section 503(b) of the Bankruptcy Code, shall be against each Debtor on a joint and several basis, and shall be payable from and have recourse to (i) all DIP Collateral and (ii) the proceeds of all claims and causes of action arising under Chapter 5 of the Bankruptcy Code (collectively, "**Avoidance Action Proceeds**").

9. Adequate Protection. The Prepetition ABL Agents, for the benefit of themselves and the other Prepetition ABL Credit Parties, and the Prepetition Term Loan Agent, for the benefit of the Prepetition Term Loan Parties, are each entitled to receive adequate protection pursuant to Sections 361, 363, 364 and 507(b) of the Bankruptcy Code for any diminution in value of each of their respective interests in the Prepetition Collateral including as a result of the imposition of the automatic stay, the priming of the Prepetition Liens, including the priming of the Prepetition Liens by the DIP Liens as provided for herein, the Debtors' use, sale or lease of the Prepetition Collateral, and the subordination of the Prepetition Liens to the Carve Out, each as set forth in this Final Order and the Final Cash Collateral Order, which provisions are fully incorporated herein by reference, without duplication.

10. No Obligation to Extend Credit. The DIP Secured Parties shall have no obligation to make any loan or advance under the DIP Documents, unless all of the conditions precedent to the making of such extension of credit under the DIP Documents and the Financing Orders have been satisfied in full or waived by the DIP Agent (acting at the direction of the Required DIP Lenders), as applicable, and in accordance with the terms of the DIP Credit Agreement.

11. Use of Proceeds of DIP Facility; DIP Deposit Account.

(a) From and after the Petition Date, the Debtors shall use advances of credit under the DIP Facility only for the purposes specifically set forth in this Final Order and the DIP Documents, and in compliance with the terms and conditions in this Final Order and the DIP Documents, and in accordance with a budget (a summary of which is attached as Exhibit B hereto), as the same may be amended, supplemented, or otherwise modified from time to time in accordance with this Final Order and the DIP Documents or with the prior written consent of the DIP Agent (as so amended, supplemented, or otherwise modified from time to time, the "**DIP Budget**"), solely for: (a) the purchase of the Augmentation Inventory and payment of any costs or expenses in connection with the purchase, importation or handling of such Augmentation Inventory (collectively, the "**Inventory Related Expenses**") and (b) payment of all reasonable and documented accrued and unpaid transaction costs, fees and expenses with respect to the DIP Facility, including reasonable and documented costs, fees and expenses of professional advisors to the DIP Secured Parties (the purposes set forth in clauses (a) and (b), the "**Permitted DIP Uses**"); provided that Inventory Related Expenses shall be paid solely from proceeds of the DIP Facility, and the proceeds of the DIP Facility shall be used solely to pay such amounts; provided, further, that other than as set forth in the DIP Budget, without the prior written consent of the Prepetition ABL Agents and the Required DIP Lenders, no proceeds of the DIP Loans will be used to make any investment in, or to pay direct expenses, obligations or liabilities of, the Debtors' LatAm Business (as defined in the DIP Documents) or any direct or indirect Subsidiary of Collective Brands Cooperatief U.A.

(b) The proceeds of the DIP Facility shall be deposited by the Debtors in a segregated deposit account (the "**DIP Deposit Account**") and shall be used solely for the purpose of funding the purchase of the Augmentation Inventory and as otherwise permitted

under the DIP Documents. The funds in the DIP Deposit Account shall not be subject to the Debtors' cash management system until such funds are transferred to the Debtors' Operating Account to fund purchases authorized by the DIP Budget, and the DIP Deposit Account shall not constitute Prepetition Collateral or Post-Petition Collateral (as those terms are defined in the Final Cash Collateral Order).

12. Amendment of the DIP Documents. The DIP Documents may from time to time be amended, modified or supplemented by the parties thereto without further order of the Court if: (a) the amendment, modification, or supplement (i) is in accordance with the DIP Documents, and (ii) does not prejudice the rights of the Prepetition ABL Credit Parties or the Debtors in any material respect; (b) a copy (which may be provided through electronic mail or facsimile) of the amendment, modification or supplement is provided to counsel to the Prepetition ABL Agents, the Prepetition Term Loan Agent, the Committee and the U.S. Trustee (together, the "**Notice Parties**"); and (c) the amendment, modification or supplement is filed with the Court; provided, however, that neither consent of the Notice Parties nor approval of the Court will be necessary to effectuate any non-material amendment, modification or supplement and provided further that such amendment, modification or supplement shall be without prejudice to the right of any party in interest to be heard.

13. Budget Maintenance. The use of borrowings under the DIP Facility shall be in accordance with the DIP Budget and the terms and conditions set forth in the DIP Documents. The DIP Budget and any modification to, or amendment or update of, the DIP Budget shall be as set forth in the DIP Documents and, solely to the extent such modification, amendment, or update relates to a use of borrowings other than pursuant to a Permitted DIP Use, subject to the consent of the Prepetition ABL Agents. Subject to the consent of the Prepetition ABL Agents,

the Debtors, the DIP Agent, and the Required DIP Lenders are hereby authorized to modify, amend or update the DIP Budget from time to time in their sole discretion without further notice or order of the Court, provided that counsel for the Committee, the Prepetition ABL Agents, the Prepetition Term Loan Agent, the U.S. Trustee and FTI Consulting Canada Inc. in its capacity as Monitor of the Payless Canada Entities in the Canadian Case, shall receive notice of such modification, amendment or update as soon as reasonably practicable but in no event less than two (2) Business Days prior to such modification, amendment or update becoming effective. Upon the payment in full, in cash, of the ABL Obligations, the then-current Budget shall expire and the Debtors shall deliver a new Budget that, subject to the approval by the DIP Agent, shall become the new Budget.

14. Budget Compliance. The use of borrowings under the DIP Facility shall be in accordance with the DIP Budget, this Final Order and the DIP Documents.

15. Modification of Automatic Stay. The automatic stay imposed under Section 362(a) of the Bankruptcy Code is hereby modified as necessary to effectuate all of the terms and provisions of the Financing Orders and the DIP Documents, including, without limitation, to: (a) permit the Debtors to grant the DIP Liens and the DIP Superpriority Claim; (b) permit the Debtors to perform such acts as the DIP Agent or the DIP Lenders each may reasonably request to assure the perfection and priority of the liens granted herein; (c) permit the Debtors to incur all liabilities and obligations to the DIP Secured Parties under the DIP Documents, the DIP Facility and the Financing Orders; and (d) authorize the Debtors to pay, and the DIP Secured Parties to retain and apply, payments made in accordance with the terms of the Financing Orders.

16. Automatic Perfection of DIP Liens. The Financing Orders shall be sufficient and conclusive evidence of the creation, validity, perfection, and priority of the DIP Liens without

the necessity of filing or recording any financing statement, mortgage, notice, or other instrument or document that 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, filing of Uniform Commercial Code financing statements, mortgages, assignments, notices of lien and similar documents, and entering into any deposit account control agreement, customs broker agreement or freight forwarding agreement) to validate or perfect (in accordance with applicable non-bankruptcy law) the DIP Liens, or to entitle the DIP Secured Parties to the priorities granted herein. Notwithstanding the foregoing, the DIP Agent is authorized to file, as it in its sole discretion deems necessary or advisable, such financing statements, security agreements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence the DIP Liens, 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 DIP Liens. The Debtors are authorized and directed to execute and deliver promptly upon demand to the DIP Agent all such financing statements, mortgages, notices and other documents as the DIP Agent may reasonably request. The DIP Agent, in its 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.

17. Proceeds of Subsequent Financing. If the Debtors, any trustee, any examiner with expanded powers, or any responsible officer subsequently appointed in these Cases or any Successor Cases shall obtain credit or incur debt pursuant to Bankruptcy Code Sections 364(b), 364(c) or 364(d) or in violation of the DIP Documents at any time prior to the indefeasible

repayment in full of all DIP Obligations and the termination of the DIP Secured Parties' obligation to extend credit under the DIP Facility, including subsequent to the confirmation of any plan with respect to any or all of the Debtors and the Debtors' estates, and such facilities are secured by any DIP Collateral, then all the cash proceeds derived from such credit or debt shall immediately be turned over to the DIP Agent or the Prepetition ABL Administrative Agent, as applicable, to be applied in accordance with this Final Order, the Cash Collateral Orders, and, as applicable, the DIP Documents or the Prepetition Documents (as defined in the Interim Cash Collateral Order), which shall include the Existing Intercreditor Agreement.

18. Maintenance of DIP Collateral. Until the indefeasible payment in full of all DIP Obligations and the termination of the DIP Secured Parties' obligation to extend credit under the DIP Facility, the Debtors shall, and shall cause the Non-Debtor Guarantors to: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Credit Documents, as applicable; and (b) maintain the cash management system in effect as of the Petition Date, as modified by any order that may be entered by the Court which has first been agreed to by the DIP Agent or as otherwise required by the DIP Documents.

19. DIP Termination Events. Each of the following occurrences or events, unless waived by the DIP Agent in writing and in accordance with the terms of the DIP Credit Agreement, shall constitute a termination event under this Final Order (each, a "**DIP Termination Event**", and the date upon which such DIP Termination Event occurs, the "**DIP Termination Date**"): (i) the occurrence of the maturity date of the DIP Facility; (ii) the failure by the Debtors to perform, in any material respect, any of the terms, provisions, conditions, covenants, or obligations under this Final Order; (iii) the consummation of one or more sales that, in the aggregate, constitute a sale of all or substantially all of the Non-GOB Collateral under

Section 363 of the Bankruptcy Code or otherwise; and (iv) the date of substantial consummation (as defined in Section 1101 of the Bankruptcy Code and which for purposes hereof shall be no earlier than the "effective date" thereof) of any Chapter 11 plan; and (v) the occurrence of an "Event of Default" under, and as defined in, the DIP Credit Agreement.

20. Rights and Remedies Upon a DIP Termination Event. Subject to the limitations set forth in paragraph 1 herein, immediately upon the occurrence and during the continuation of a DIP Termination Event, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from the Court, but subject to the terms of this Final Order, the DIP Agent may declare (any such declaration shall be referred to herein as a "**Termination Declaration**"): (1) all DIP Obligations owing under the respective DIP Documents to be immediately due and payable, (2) the termination, reduction or restriction of any further commitment to extend credit to the Debtors to the extent any such commitment remains under the DIP Facility, and (3) the termination of the DIP Facility and the respective DIP Documents as to any future liability or obligation of the DIP Secured Parties, but without affecting any of the DIP Liens or the DIP Obligations. The Termination Declaration shall be given by electronic mail (or other electronic means) to counsel to the Debtors, counsel to the Committee, counsel to the Prepetition ABL Agents, counsel to the Prepetition Term Loan Agent and the U.S. Trustee. The automatic stay in the Cases otherwise applicable to the DIP Agent, the DIP Lenders and the Prepetition Credit Parties is hereby modified so that five (5) business days after the date a Termination Declaration is delivered (such period, the "**Remedies Notice Period**"): the DIP Secured Parties shall be entitled to exercise their rights and remedies, subject to the terms of the Existing Intercreditor Agreement, in accordance with the respective DIP Documents and this Final Order, including without limitation, exercising rights of setoff or

foreclosing on all or a portion of the DIP Collateral, occupying the Debtors' premises, or a sale or disposition of the DIP Collateral, and shall be permitted to satisfy the relevant DIP Obligations, DIP Superpriority Claim and DIP Liens. During the Remedies Notice Period, the only basis on which the Debtors and/or the Committee shall be entitled to seek an emergency hearing with the Court shall be to contest whether a DIP Termination Event has occurred and/or is continuing, and the DIP Lenders shall consent to such emergency hearing. Unless during the Remedies Notice Period, the Court determines that a DIP Termination Event has not occurred, the automatic stay imposed under Section 105 or 362(a) of the Bankruptcy Code or otherwise, as to the DIP Secured Parties, shall automatically be terminated at the end of the Remedies Notice Period without further notice or order. Upon expiration of the Remedies Notice Period, the DIP Secured Parties shall be permitted to exercise all remedies set forth herein, in the DIP Documents, and as otherwise available at law without further order of or application or motion to the Court. The Debtors shall, and shall cause the Non-Debtor Guarantors to, cooperate with the DIP Agent in its exercise of rights and remedies, whether against the DIP Collateral or otherwise. Notwithstanding the foregoing, until the payment in full, in cash of the ABL Obligations, the DIP Secured Parties shall have no right to exercise any remedies granted under this Final Order against any ABL Priority Collateral, including any Prepetition Collateral or DIP Collateral being sold in the Store Closing Sales.

21. Good Faith Under Section 364(e) of the Bankruptcy Code; No Modification or Stay of this Final Order. The DIP Secured Parties have acted in good faith in connection with the Financing Orders and are entitled to rely upon the protections granted herein and therein and by Section 364(e) of the Bankruptcy Code. Based on the findings set forth in the Financing Orders and the record made during the Interim Hearing and the Final Hearing, and in accordance

with Section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of the Financing Orders are hereafter modified, amended or vacated by a subsequent order of this Court or any other court, the DIP Secured Parties are entitled to the protections provided in Section 364(e) of the Bankruptcy Code. Any such modification, amendment or vacatur shall not affect the validity and enforceability of any advances previously made or made hereunder, or lien, claim or priority authorized or created hereby.

22. Debtors' Stipulations. Subject to paragraph 22 of the Final Cash Collateral Order, including the reservations in paragraph 22(c), the Debtors' Stipulations shall be binding on the Debtors' estates and all parties-in-interest, including, without limitation, the Committee.

23. DIP and Other Expenses. The Debtors are authorized and directed to pay all reasonable and documented prepetition and postpetition fees, costs, disbursements and expenses of the DIP Secured Parties in connection with the DIP Facility, as provided in the DIP Documents, whether or not the transactions contemplated hereby are consummated, as set forth herein, in each case, including attorneys' fees, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, and indemnification and reimbursement of fees and expenses (including, without limitation, the reasonable and documented fees and expenses of Stroock & Stroock & Lavan LLP, Lewis Rice, LLC, Kramer Levin Naftalis & Frankel LLP, Doster, Ullom & Boyle LLC, Fasken Martineau DuMoulin LLP, Conyers, Dill & Pearman, Alix Partners, and Houlihan Lokey (the "**DIP Lender Professional Fees**"), and in connection therewith to execute engagement letters with the applicable professionals. Payment of the DIP Lender Professional Fees shall not be subject to the DIP Budget and not be subject to allowance by the Court. Professionals for the DIP Secured Parties shall not be required to comply with the U.S. Trustee fee guidelines and no attorney or advisor to the DIP Agent or DIP Lenders shall be

required to file an application seeking compensation for services or reimbursement of expenses with the Court. Notwithstanding the foregoing, the professionals for the DIP Secured Parties shall deliver a summary of their respective invoices to counsel for the Debtors, counsel to the Committee, counsel to the Prepetition ABL Agents and the U.S. Trustee (the "**Fee Notice Parties**"), redacted as necessary with respect to any privileged or confidential information contained therein. If no objection is raised by any of the Fee Notice Parties with respect to such summaries within ten (10) days of the receipt thereof (the "**Professional Fee Objection Period**") then, without further order of, or application to, the Court or notice to any other party, such fees and expenses shall be promptly paid by the Debtors. If an objection (solely as to reasonableness) is made by any of the Fee Notice Parties within the Professional Fee Objection Period to payment of the requested fees and expenses, then only the disputed portion of such fees and expenses shall not be paid until the objection is resolved by the applicable parties in good faith or by order of the Court, and the undisputed portion shall be promptly paid by the Debtors. Any and all fees, costs, and expenses paid prior to the Petition Date by any of the Debtors to the DIP Agent or DIP Lenders in connection with or with respect to the DIP Facility are hereby approved in full. Notwithstanding the foregoing, the Debtors (a) were authorized and directed pursuant to the Interim Order to pay upon the Interim DIP Draw all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Secured Parties incurred on or prior to such date to the extent payable in accordance with the terms of the DIP Documents (which payment is hereby ratified, approved and confirmed by this Final Order); and (b) are authorized and directed to pay upon the Final DIP Draw all reasonable and documented fees, costs, and out-of-pocket expenses of the DIP Secured Parties incurred on or prior to such date to the extent payable in accordance with the terms of the DIP Documents.

24. Indemnification. The Debtors shall, and shall cause the Non-Debtor Guarantors to, indemnify and hold harmless the DIP Secured Parties in accordance with the terms and conditions of the DIP Credit Agreement.

25. Limitations on Use of DIP Proceeds and Carve-Out. No DIP Collateral, DIP Loans or the proceeds of the foregoing or any portion of the Carve-Out may be used directly or indirectly by any of the Debtors, the Payless Canada Entities, the Committee or any trustee or other estate representative appointed in the Cases or any Successor Cases or any other person or entity (or to pay any professional fees, disbursements, costs or expenses incurred in connection therewith) in connection with: (a) preventing, hindering, or delaying the DIP Agent's or the DIP Lenders' enforcement or realization upon any of the DIP Collateral; (b) using or selling or otherwise disposing of DIP Collateral without the consent of the DIP Agent; (c) using or seeking to use any insurance proceeds constituting DIP Collateral without the consent of the DIP Agent and the Required DIP Lenders except to the extent permitted under the DIP Credit Agreement; (d) incurring Indebtedness without the prior consent of the DIP Agent and the Required DIP Lenders, except to the extent permitted under the DIP Credit Agreement; (e) seeking authorization to obtain liens or security interests that are senior to, or on a parity with, the DIP Liens or the DIP Superpriority Claim; (f) seeking to amend or modify any of the rights granted to the DIP Agent or the DIP Lenders, including seeking to use DIP Collateral on a contested basis; (g) objecting to or challenging in any way the DIP Liens, the DIP Obligations, and/or the DIP Collateral, or the Prepetition Liens, the ABL Obligations, Prepetition Term Loan Obligations and/or the Prepetition Collateral or any other claims or liens, held by or on behalf of any of the DIP Agent, the DIP Lenders or the Prepetition Credit Parties; (h) asserting, commencing or prosecuting any claims or causes of action whatsoever, including, without

limitation, any actions under Chapter 5 of the Bankruptcy Code or applicable state law equivalents or actions to recover or disgorge payments, against the DIP Agent, the DIP Lenders or the Prepetition Credit Parties, or any of their respective affiliates, agents, attorneys, advisors, professionals, officers, directors and employees; (i) litigating, objecting to, challenging, investigating (including by way of examination or discovery), contesting in any manner, or raising any defenses to, the validity, extent, amount, perfection, priority, or enforceability of any of the DIP Obligations, DIP Liens, the ABL Obligations or the Prepetition Term Loan Obligations, or any other rights or interests of the DIP Agent, the DIP Lenders or the Prepetition Credit Parties; or (j) seeking to subordinate, recharacterize, disallow or avoid the DIP Liens, the DIP Obligations, the Prepetition Liens or ABL Obligations or the Prepetition Term Loan Obligations; provided, however, that the Carve Out and proceeds of the DIP Collateral may be used for allowed fees and expenses, in an amount not to exceed $125,000 in the aggregate (including, and without duplication, amounts incurred in accordance with paragraph 19 of the Final Cash Collateral Order), incurred solely by the Committee, in investigating (but not prosecuting or challenging) the validity, enforceability, perfection, priority or extent of the Prepetition Liens and Prepetition Obligations (each as defined in the Final Cash Collateral Order).

26. Financial Information and Reporting Requests.

(a) The Debtors shall allow the DIP Agent reasonable access during business hours (but in no event more than once per month) to the premises, officers, employees, auditors, appraisers, financial advisors, and the books and records of the Debtors, upon reasonable advance written notice, in order to conduct appraisals (including, without limitation, the performance of weekly desktop appraisals in form and substance acceptable to the DIP Agent),

analyses, and audits of the DIP Collateral, and the Debtors' financial affairs, and shall otherwise cooperate in providing any other financial information reasonably requested by the DIP Agent, all at the cost and expense of the Debtors (other than information (i) that constitutes trade secrets or proprietary information, (ii) in respect of which disclosure is prohibited or restricted by any applicable law or confidentiality restrictions or (iii) that is subject to attorney-client or similar privilege or constitutes attorney work product). The Debtors shall furnish to the DIP Agent such financial and other information as the DIP Agent shall reasonably request.

(b) The Debtors as and when required under the DIP Documents shall furnish to the DIP Agent each of the financial reports provided for under the DIP Documents, and shall concurrently furnish such reports to the Committee. The Debtors shall provide the DIP Agent and the Committee with all financial reporting provided to the Prepetition ABL Agents under the Final Cash Collateral Order.

27. Communication with Financial Advisors. The Debtors authorize the DIP Agent and the DIP Lenders and their respective representatives to communicate directly with PJ Solomon, Ankura Consulting Group, LLC and Malfitano Partners (collectively, the "**Financial Advisors**) and shall instruct the Financial Advisors to communicate to the DIP Agent, the DIP Lenders and their representatives information relating to the Debtors with respect to their business, results of operations, prospects and financial condition. The Debtors acknowledge and agree that the Debtors and their representatives will reasonably cooperate with the Financial Advisors and any professionals retained by the DIP Agent or the DIP Lenders. The Financial Advisors shall, together with senior management of the Debtors, participate in weekly telephonic calls with the DIP Agent (and/or their advisors and counsel) and the DIP Lenders to discuss

various matters, including, without limitation, the DIP Budget, the Budget, budget variance, Store Closing Sales and bankruptcy milestones upon the reasonable request of the DIP Agent.

28. Disposition of DIP Collateral; Rights of Prepetition Credit Parties. Unless otherwise authorized by the Court, the Debtors shall not, and shall cause the Non-Debtor Guarantors to not, sell, transfer, lease, encumber, or otherwise dispose of any portion of the DIP Collateral (other than sales and collection of accounts receivables in accordance with the Liquidation Consulting Agreement) other than in the ordinary course of business and the Store Closing Sales without the prior written consent of the DIP Agent (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent or DIP Lenders), except as otherwise provided for in the DIP Documents. Nothing provided herein shall limit the rights of the DIP Agent or the DIP Lenders to object to any proposed disposition of DIP Collateral.

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

30. 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 the DIP Secured Parties or the DIP Collateral pursuant to Sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent of each of the DIP Secured Parties, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agent or lenders.

31. No Marshaling. The DIP Secured Parties shall not be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the DIP Collateral; provided, that the DIP Secured Parties shall use reasonable best efforts under the circumstances

to seek to recover out of other DIP Collateral before seeking to recover out of commercial tort claims and, with respect to the DIP Superpriority Claims, Avoidance Action Proceeds.

32. Rights Preserved. Notwithstanding anything herein to the contrary, the entry of the Financing Orders is without prejudice to, and does not constitute a waiver of, expressly or implicitly: (a) the DIP Secured Parties' right to seek any other or supplemental relief in respect of the Debtors; (b) any of the rights of the DIP Secured Parties 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 the Cases, any Successor Case or the Canadian Case, conversion 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. Other than as expressly set forth in this Final Order, any other rights, claims or privileges (whether legal, equitable or otherwise) of the DIP Secured Parties are preserved.

33. No Waiver by Failure to Seek Relief. The failure of the DIP Secured Parties to seek relief or otherwise exercise their rights and remedies under the Financing Orders, the DIP Documents, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of DIP Secured Parties.

34. 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 DIP Secured Parties, all other creditors of the Debtors, the Committee or any other court appointed 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 the Cases, any Successor Case, or upon dismissal of the Cases or any Successor Case.

35. No Modification of Final Order. Until and unless the DIP Obligations have been indefeasibly paid in full in cash in accordance with the terms thereof (such payment being without prejudice to any terms or provisions contained in the DIP Facility which survive such discharge by their terms), and all commitments to extend credit under the DIP Facility have been terminated, the Debtors irrevocably waive the right to seek and shall not seek or consent to, directly or indirectly: (a) without the prior written consent of the DIP Secured Parties and, until payment in full, in cash of the ABL Obligations, the Prepetition ABL Agents, (i) any modification, stay, vacatur or amendment to this Final Order; or (ii) a priority claim for any administrative expense or unsecured claim against the Debtors (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation any administrative expense of the kind specified in Sections 503(b), 507(a) or 507(b) of the Bankruptcy Code) in the Cases or any Successor Case, equal or superior to the DIP Superpriority Claim; or (b) without the prior written consent of the DIP Agent and, until payment in full, in cash of the ABL Obligations, the Prepetition ABL Agents, any lien on any of the DIP Collateral with priority equal or superior to the DIP Liens. The Debtors irrevocably waive any right to seek any material amendment, modification, or extension of this Final Order without the prior written consent, as provided in the foregoing, of the DIP Agent and, until payment in full, in cash of the ABL Obligations, the Prepetition ABL Agents, and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Agent or the Prepetition ABL Agents, as applicable. Notwithstanding anything to the contrary herein, the consent of the Prepetition ABL Agents that is otherwise required pursuant to this paragraph shall not be unreasonably delayed or withheld.

36. Access to Prepetition Collateral and DIP Collateral. Subject to the limitations set forth in paragraph 1 herein and subject to the terms of the Existing Intercreditor Agreement, notwithstanding anything contained herein to the contrary and without limiting any other rights or remedies of the DIP Agent, exercisable on behalf of the DIP Lenders contained in this Final Order, the DIP Documents, or otherwise available at law or in equity, subject to the Remedies Notice Period, upon written notice to the landlord of any leased premises that a DIP Termination Event or the DIP Termination Date has occurred and is continuing, the DIP Agent may, subject to the applicable notice provisions, if any, in this Final Order, any separate applicable agreement by and between such landlord and the DIP Agent, and applicable law, enter upon any leased premises of the Debtors or any other party for the purpose of exercising any remedy with respect to DIP Collateral located thereon and shall be entitled to all of the Debtors' rights and privileges as lessee under such lease without interference from the landlords thereunder; provided that the DIP Agent shall be obligated only to pay rent of the Debtors that first accrues after the written notice referenced above and that is payable during the period of such occupancy by the DIP Agent calculated on a daily per diem basis. Nothing herein shall require the DIP Agent to assume any lease as a condition to the rights afforded in this paragraph. For the avoidance of doubt, subject to (and without waiver of) the rights of the DIP Secured Parties under applicable nonbankruptcy law, the DIP Secured Parties can only enter upon a leased premises after a DIP Termination Event or the DIP Termination Date, and in any case subject to the Remedies Notice Period, in accordance with (i) a separate agreement with the landlord at the applicable leased premises, (ii) upon entry of an order of this Court obtained by motion of any of the DIP Secured Parties on such notice to the landlord as shall be required by this Court, or (iii) applicable law.

37. Limits on Lender Liability. Nothing in the Financing Orders or in any of the DIP Documents, or any other documents related thereto shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent or the DIP Lenders of any liability for any claims arising from any activities by the Debtors in the operation of their businesses or in connection with the administration of these Cases. The DIP Agent, and the DIP Lenders shall not be deemed in control of the operations of the Debtors or to be acting as a "responsible person" or "owner or operator" with respect to the operation or management of the Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 29 U.S.C. §§ 9601 *et seq.*, as amended, or any similar federal or state statute). Nothing in the Financing Orders or the DIP Documents shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent or the DIP Lenders of any liability for any claims arising from the prepetition or postpetition activities of any of the Debtors.

38. Insurance Proceeds and Policies. Upon entry of the Interim Order (and hereby ratified, confirmed and approved on a final basis) and to the fullest extent provided by applicable law, the DIP Agent (on behalf of the DIP Lenders) were, and shall be deemed to be, without any further action or notice, named as additional insured and loss payee on each insurance policy maintained by the Debtors that in any way relates to the DIP Collateral; provided, however, that to the extent such insurance policies cover director and officer liability, the DIP Agent (on behalf of the DIP Lenders) was not and shall not be deemed to be named as additional insured and loss payee on such insurance policies but shall be entitled to the proceeds thereof as provided for herein and in the DIP Documents.

39. Joint and Several Liability. Nothing in this Final Order shall be construed to constitute a substantive consolidation of any of the Debtors' estates or a substantive consolidation with any Non-Debtor Guarantor, it being understood, however, that the DIP Loan Parties (including, for the avoidance of doubt, the Non-Debtor Guarantors) shall be jointly and severally liable for the obligations hereunder and all DIP Obligations in accordance with the terms hereof and of the DIP Facility and the DIP Documents.

40. Non-Debtor Guarantors. Any direct or indirect subsidiary of the Debtors that hereafter becomes a debtor in a case under Chapter 11 of the Bankruptcy Code in the Court and is or is required to be a Guarantor (as defined in the DIP Credit Agreement) under the DIP Credit Agreement automatically and immediately, upon the filing of a petition for relief for such Subsidiary, shall be deemed to be one of the "Debtors" hereunder in all respects, and all the terms and provisions of the Interim Order and this Final Order, including, those provisions granting security interests in, and liens on, the DIP Collateral, and DIP Superpriority Claim in each of the Cases, shall, to the extent not already, immediately be applicable in all respects to such subsidiary and its Chapter 11 estate, subject to the terms and conditions of the Final Cash Collateral Order, the Existing Intercreditor Agreement and this Final Order. Within two (2) Business Days of the filing of a petition for relief for any such Subsidiary, the Debtors shall file a notice with the Court indicating that the subsidiary is a Guarantor under the DIP Credit Agreement.

41. Payless Canada Entities. Notwithstanding anything herein to the contrary, none of the Payless Canada Entities, nor their assets or estates shall be subject to any of the DIP Liens, the DIP Superpriority Claim, any DIP Obligations, or any other liens, claims, rights, obligations or interests created or confirmed pursuant this Final Order. For the avoidance of doubt, nothing

herein shall obviate the need for any consent or approval that may be required from the Canadian Court with respect to any matter relating to any of the Payless Canada Entities or any of their assets.

42. Waiver of Requirement to File Proofs of Claim. The DIP Secured Parties 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, the DIP Agent on behalf of itself and the DIP Lenders, is hereby authorized and entitled, 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 the DIP Agent shall be deemed to be in addition to and not in lieu of any other proof of claim that may be filed by any of the DIP Lenders. Any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases shall not apply to any claim of the DIP Agent and the DIP Lenders.

43. Credit Bidding. Subject to the terms of the Existing Intercreditor Agreement, the DIP Secured Parties shall have the right to credit bid for the assets and property of the Debtors and Non-Debtor Guarantors up to the full amount of their DIP Obligations, as provided for in Section 363(k) of the Bankruptcy Code, without the need for further Court order authorizing the same and whether any such sale is effectuated through Section 363(k) or 1129(b) of the Bankruptcy Code, by a Chapter 7 trustee under Section 725 of the Bankruptcy Code, or otherwise.

44. Final Order Controls. In the event of any inconsistency between the terms and conditions of the DIP Documents, the Interim Order and/or this Final Order, the provisions of this Final Order shall govern and control.

45. Discharge. The DIP Obligations and the obligations of the Debtors with respect to the adequate protection provided herein shall not be discharged by the entry of an order confirming any plan of reorganization in any of the Cases, notwithstanding the provisions of Section 1141(d) of the Bankruptcy Code, unless (i) such obligations have been indefeasibly paid in full in cash, on or before the effective date of such confirmed plan of reorganization, or (ii) each of the DIP Secured Parties has otherwise agreed in writing. None of the Debtors shall propose or support any plan of reorganization or sale of all or substantially all of the Debtors' assets, or order confirming such plan or approving such sale, that is not conditioned upon the indefeasible payment of the DIP Obligations in full in cash within a commercially reasonable period of time (and in no event later than the effective date of such plan of reorganization or sale) or is otherwise acceptable to the Required DIP Lenders in their sole discretion (a "**Prohibited Plan or Sale**"). For the avoidance of doubt, the Debtors' proposal or support of a Prohibited Plan or Sale, or the entry of an order with respect thereto, shall constitute a DIP Termination Event hereunder and under the DIP Documents.

46. 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 or liquidation in the Cases; (b) converting the Cases to cases under Chapter 7 of the Bankruptcy Code; (c) dismissing the Cases or any Successor Case; or (d) pursuant to which this Court abstains from hearing the Cases or any Successor Case, provided however that the various superpriority claims or other administrative expenses shall survive only to the extent

permitted by applicable law. The terms and provisions of this Final Order, including the claims, liens, security interests and other protections granted to the DIP Secured Parties pursuant to this Final Order or the DIP Documents, notwithstanding the entry of any such order, shall continue in the Cases, in any Successor Case, or following dismissal of the Cases or any Successor Case, and shall maintain their priority as provided by this Final Order until all DIP Obligations have been paid in full.

47. Claims Against Alden Parties. Notwithstanding anything to the contrary, including any provision in the Cash Collateral Orders, any and all claims, interests, obligations, rights, suits, damages, causes of action, remedies, and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of any Debtor or their chapter 11 estates, as applicable, against any of Alden Global Capital LLC or Alden Global Opportunities Master Fund, L.P. or their current or former affiliates, subsidiaries, member firms, associated entities, shareholders, principals, members, limited partners, general partners, equity investors, managed entities, and their respective attorneys, financial advisors, investment advisors, employees, officers, directors, managers, members, agents and other authorized representatives, predecessors, successors, and assigns (collectively, the "**Alden Parties**"), whether known or unknown, foreseen or unforeseen, existing as of the Petition Date, in law, equity, or otherwise, that any Debtor or their chapter 11 estates are legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the purchase, ownership, sale, transfer or rescission of the purchase, sale or transfer of any debt, security, asset, right, or interest of or in any Debtor, the business or contractual arrangements of any Debtor with the Alden Parties or otherwise, or the extent, validity, priority, perfection, or avoidability of any debt, security, asset, right, or interest of any Debtor owned or

assertable by any of the Alden Parties (including, for the avoidance of doubt, equitable subordination of any of the Alden Parties' claims against any of the Debtors) (the "**Alden Claims**") shall be deemed to be conclusively, absolutely, unconditionally, irrevocably released, waived, and discharged upon the expiration of 270 days from the Petition Date (the "**Claim Deadline**") except for Alden Claims brought by the Debtors, any statutory committee, or any other party in interest that are commenced in the Bankruptcy Court prior to the Claim Deadline; provided, however, that notwithstanding anything to the contrary in this paragraph 47, to the extent the Creditors' Committee or any person (as defined in the Bankruptcy Code) files a (i) motion for standing or authority to pursue the Alden Claims (a "**Standing Motion**") and/or (ii) a motion seeking an order appointing a chapter 11 trustee, responsible individual, examiner with expanded powers, or other representative of the Debtors' estates to pursue the Alden Claims and granting standing to pursue such claims (a "**Fiduciary Motion**") on or before November 19, 2019, then (x) the Claim Deadline shall be tolled solely for the purpose of the Court's consideration of the Standing Motion until the Court enters an order on the Standing Motion and, if the Court grants the Standing Motion, the Claim Deadline with respect to and only for the purpose of pursuing those Alden Claims set forth in a draft complaint attached to the Standing Motion shall be further tolled until the date that is three (3) Business Days following the date on which the Court enters any order granting the Standing Motion solely for purposes of filing the complaint, or (y) the Claim Deadline shall be tolled solely for the purpose of the Court's consideration of the Fiduciary Motion until the Court enters an order on the Fiduciary Motion, and if the Court grants the Fiduciary Motion, the Claim Deadline shall be further tolled solely with respect to and for the purpose of pursuing those Alden Claims set forth in a draft complaint attached to the Fiduciary Motion, until the date that is forty-five (45) calendar days following the

date such Fiduciary is appointed but in no event later than ninety (90) calendar days following the date on which the Court enters any order granting the Fiduciary Motion, solely for purposes of filing the complaint. In the event that (a) both a Standing Motion and a Fiduciary Motion are filed prior to November 19, 2019, (b) the Standing Motion seeks standing to prosecute a cause of action that is also included in the Fiduciary Motion as a cause of action for which the movant requests appointment of an estate representative to prosecute, and (c) the Standing Motion is denied while the Fiduciary Motion remains pending, then the extension of the Claim Deadline in subclause (y) in the immediately preceding sentence shall only apply to such cause of action if the sole basis for the denial of the Standing Motion was the Court's determination that it lacked authority to grant derivative standing with respect to such cause of action under applicable Delaware law. In the event the Court enters an order confirming a chapter 11 plan (the "Confirmation Order") prior to November 19, 2019 that provides that a liquidating trustee or other person is denominated as a representative of the estates pursuant to section 1123(b)(3) of the Bankruptcy Code, then the Claim Deadline with respect to such person shall be the later of (i) November 19, 2019 and (ii) solely with respect to any Alden Claims set forth in a draft complaint attached to a plan supplement filed in connection with such chapter 11 plan, the date that is forty-five (45) days after the effective date of such plan, but in no event later ninety (90) days following the date on which the Court enters the Confirmation Order. The Claim Deadline may be extended by Court Order if good cause is shown upon a motion filed to extend the Claim Deadline prior to the expiration of the Claim Deadline. Nothing herein shall waive the rights of any party to object to any Standing Motion, Fiduciary Motion, or proposed chapter 11 plan or accompanying disclosure statement on any grounds, and all of such parties' rights to object on any grounds are expressly reserved. Nothing herein confers standing on any party to bring

claims or causes of action against the Non-Released Parties, and all parties' rights to oppose standing of any party, including, but not limited to, a liquidating trustee or other person denominated as a representative of the estates pursuant to section 1123(b)(3) of the Bankruptcy Code, to bring such causes of action are expressly reserved. Notwithstanding anything to the contrary, nothing herein shall release any claim against the Debtors or their direct and indirect subsidiaries

48. Additional DIP Terms. The Debtors, the DIP Lenders and the Alden Parties are deemed to agree and the Court hereby orders, the following:

(a) Although Payless CA Management Ltd ("**CA**") and Payless CO Management Limited ("**CO**") are Delayed Guarantors (as defined in DIP Motion) of the Debtors' obligations under the DIP Facility, the DIP Lenders or the DIP Agent will not take any liens or pledges on any equity interests in the direct or indirect subsidiaries of CA and CO (collectively, the "**LatAm JVs**") to secure the DIP Facility. None of the lenders or agents (including the Alden Parties that are party thereto, collectively, the "**CA Lender Parties**") under that certain Term Loan and Guarantee Agreement dated as of October 2, 2018, among Payless CA Management Limited, as Borrower, the guarantors and lenders from time to time party hereto, and Alden Global Opportunities Master Fund, L.P., as agent (the "**CA Credit Agreement**") may take any liens or pledges on any equity interests in the LatAm JVs to secure the obligations of the obligors under the CA Credit Agreement or the documents related thereto.

(b) Neither CA nor CO will grant a lien or pledge on the equity interests in the LatAm JVs or suffer any such lien or pledge to exist on such assets.

(c) The CA Lender Parties and CA will enter into an amendment to the CA Credit Agreement to include in the CA Credit Agreement a covenant that CA will not grant a

lien or pledge on the equity interests it owns in the LatAm JVs or suffer any such lien or pledge to exist on such assets.

(d) The liens granted or to be granted by each of CA, CO and PSS Latin America Holdings (the "**DIP BVI Liens**") to secure the guarantee obligations of such entities with respect to the DIP Facility (the "**DIP BVI Guarantees**") on the assets and properties of such entities on which such entities granted, or may in the future grant, liens (the "**Alden BVI Liens**") to any of the CA Lender Parties to secure the obligations under the CA Credit Agreement (the "**Alden BVI Obligations**"), shall be equal and ratable in all respects with the Alden BVI Liens and the DIP BVI Guarantees shall be *pari passu* in all respects with the Alden BVI Obligations, regardless of and notwithstanding the fact that the DIP BVI Liens shall be issued, filed and perfected later in time than the Alden BVI Liens, and the CA Lender Parties shall enter into such documents and execute such instruments governed by the relevant jurisdictions as may be necessary to effectuate the foregoing.

(e) Alden Global Capital LLC and its affiliates ("**Alden**") has agreed to waive, and is hereby deemed to waive (1) any of the provisions of paragraph 48(e) of the Interim Order that would have been triggered as a result of the language in paragraph 47 of this Final Order being different from the language in paragraph 47 of the Interim Order in a manner adverse to Alden and (2) the occurrence of any Snapback Event as defined in and pursuant to the DIP Credit Agreement.

(f) Alden is hereby deemed to have waived any requirement for a fairness opinion as set forth in Section 5.10 of the Limited Liability Company Agreement for Payless Holdings LLC with respect to the negotiation, execution and delivery of, and performance by the Debtors' and their subsidiaries' of their obligations under, the DIP Facility and the DIP

Documents. Alden shall execute and deliver such documentation as may be necessary to effectuate the foregoing waiver.

49. Milestone Schedule Amendments. Schedule 7.17(a) to the DIP Credit Agreement shall be amended as follows: (1) in paragraph 2, "June 15, 2019" shall be replaced with "June 30, 2019" and (2) in paragraph 3, "March 31, 2019" shall be replaced with "April 5, 2019".

50. Credit Ratings. Notwithstanding anything to the contrary contained in Section 7.14 of the DIP Credit Agreement, the Debtors shall use commercially reasonable efforts to obtain and maintain a rating for the DIP Facility from (x) S&P within twenty (20) days following the Closing Date (as defined in the DIP Credit Agreement) and (y) if requested by the Required DIP Lenders in writing, Moody's within twenty (20) days following receipt of such written request by the Required DIP Lenders, in either case, with no requirement to maintain any specific minimum rating (it being understood and agreed that "commercially reasonable efforts" shall in any event include the payment by the Borrower of customary rating agency fees and reasonable cooperation with information and data requests by Moody's and S&P in connection with their ratings process), and no Default or Event of Default shall arise under the DIP Credit Agreement as a result of the Debtors' failure to use commercially reasonable efforts to obtain and maintain a rating for the DIP Facility from Moody's within 20 calendar days of the Initial Funding Date (as defined in the DIP Credit Agreement).

51. LatAm JV Companies. Nothing in this Final Order, the Interim Order, the DIP Documents or the financing provided hereunder or thereunder, requires (i) the guarantee by Payless ShoeSource (BVI) Holdings, Ltd., Payless ShoeSource Andean Holdings, Payless Colombia (BVI) Holdings, LTD., or Payless ShoeSource Peru Holding, S.L., or any of the foregoing entities' direct or indirect subsidiaries (collectively, the "**LatAm JV Companies**") of

any of the Debtors' or their Subsidiaries' pre-petition or post-petition indebtedness, (ii) the incurrence of any indebtedness by the LatAm JV Companies with respect to such financing, or (iii) the granting of any security interest in or lien on any of the assets of LatAm JV Companies or the equity interests held by the Debtors or their Subsidiaries in the LatAm JV Companies as collateral for such financing.

52. Chubb Provisions. For the avoidance of doubt, (i) to the extent ACE American Insurance Company and/or any of its affiliates (collectively, and together with each of their successors, "**Chubb**") had valid, enforceable, perfected and non-avoidable liens and/or security interests on property (including Cash Collateral) of the Debtors as of the Petition Date, which liens and/or security interests were senior to the liens and/or security interests of each of the Prepetition Secured Parties, such liens and/or security interests shall be senior to any liens and/or security interests granted pursuant to this Final Order, (ii) the DIP Liens shall be subject to the rights of Chubb with respect to any letter(s) of credit outstanding as of the Petition Date for which Chubb is the beneficiary, and (iii) this Order does not grant the Debtors any right to use any property (or the proceeds thereof) held by Chubb as collateral to secure obligations under insurance policies and related agreements.

53. Effect of this Final Order. Notwithstanding Bankruptcy Rules 4001(a)(3), 6004(h), 6006(d), 7062 and 9024 or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Final Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Final Order.

Kathy A. Surratt-States

KATHY A. SURRATT-STATES
Chief United States Bankruptcy Judge

DATED: April 4, 2019
St. Louis, Missouri
jjh

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Proposed Counsel to the Debtors and Debtors in Possession

Exhibit A

DIP Credit Agreement

EXECUTION VERSION

$25,380,710.66

SENIOR-SECURED SUPER-PRIORITY PRIMING

DEBTOR-IN-POSSESSION TERM LOAN AND GUARANTEE AGREEMENT

among

Payless Inc.,
as Borrower,

Payless Holdings LLC and Each Subsidiary Thereof Party Hereto,
as Guarantors,

The Several Lenders from Time to Time Parties Hereto,

and

Wilmington Savings Fund Society, FSB,
as Administrative Agent and Collateral Agent,

Dated as of March 14, 2019

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

SENIOR-SECURED SUPER-PRIORITY PRIMING DEBTOR-IN-POSSESSION TERM LOAN AND GUARANTEE AGREEMENT ("Agreement"), dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company ("Holdings") and each of the Subsidiary Guarantors from time to time party hereto, as Guarantors, each of the Lenders from time to time party hereto and Wilmington Savings Fund Society, FSB ("WSFS"), as Administrative Agent and Collateral Agent.

W I T N E S S E T H:

WHEREAS, on February 18, 2019 (the "Petition Date") each of the Borrower, Holdings, Payless Intermediate Holdings, LLC, a Delaware limited liability company, WBG-PSS Holdings LLC, a Delaware limited liability company, Payless Finance, Inc., a Nevada corporation, Collective Brands Services, Inc., a Delaware corporation, PSS Delaware Company 4, Inc., a Delaware corporation, Shoe Sourcing, Inc., a Kansas corporation, Payless ShoeSource, Inc., a Missouri corporation, Eastborough, Inc., a Kansas corporation, Payless Purchasing Services, Inc., a Kansas corporation, Payless ShoeSource Merchandising, Inc., a Kansas corporation, Payless Gold Value CO, Inc., a Colorado corporation, Payless ShoeSource Distribution, Inc., a Kansas corporation, Payless ShoeSource Worldwide, Inc., a Kansas corporation, Payless NYC, Inc., a Kansas corporation, Payless ShoeSource of Puerto Rico, Inc., a Puerto Rico corporation, Payless Collective GP, LLC, a Delaware limited liability company, Collective Licensing, LP, a Delaware limited partnership, Collective Licensing International, LLC, a Delaware limited liability company, Clinch, LLC, a Delaware limited liability company, Collective Brands Franchising Services, LLC, a Kansas limited liability company, Payless International Franchising, LLC, a Kansas limited liability company, PSS Canada, Inc., a Kansas corporation, Payless ShoeSource Canada, Inc., a Canadian federal corporation, Payless ShoeSource Canada GP, Inc., a Canadian federal corporation, and Payless ShoeSource Canada, L.P., an Ontario limited partnership (collectively, the "Debtors" and each a "Debtor") commenced certain Chapter 11 Cases, as administratively consolidated as Chapter 11 Case No. 19-40883-659 (each a "Chapter 11 Case" and collectively, the "Chapter 11 Cases") by filing separate voluntary petitions for reorganization under chapter 11 of title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), with the United States Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court"). Each Debtor continues to operate its business and manage its properties as a debtor and debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, Borrower has requested that Lenders provide senior-secured super-priority priming term loan secured facilities in the aggregate principal amount of $25,380,710.66 (the "Facility");

WHEREAS, the Lenders are willing to extend such credit to the Borrower, subject to the terms and conditions in this Agreement and the Orders (as defined below); and

WHEREAS, the Obligations of the Borrower are guaranteed by the Guarantors and secured by Liens on the Collateral, in each case, as set forth in, and subject to, the Loan Documents (as defined below), the Orders and the Existing Intercreditor Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

SECTION 1.
DEFINITIONS

1.1 Defined Terms. As used in this Agreement (including the recitals hereof), the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Acceptable Plan of Reorganization" shall mean a plan of reorganization or plan of liquidation filed in the Chapter 11 Cases that (i) provides for the repayment in full in cash of the Facility on or prior to the effective date of such plan or (ii) is otherwise acceptable to the Required DIP Lenders in their sole discretion.

"Account Control Agreement" shall have the meaning set forth in Section 7.15(b).

"Actual Total Operating Disbursements" means, for any Testing Period, the aggregate actual disbursements of the type included in the line item "Total Operating Disbursements" in the Approved Budget for such Testing Period.

"Actual Total Receipts" means, for any Testing Period, the aggregate actual receipts of the type included in the line item "Total Receipts" in the Approved Budget for such Testing Period.

"Actual Total Restructuring Disbursements" means, for any Testing Period, the aggregate actual disbursements of the type included in the line item "Total Restructuring Disbursements" in the Approved Budget for such Testing Period.

"Additional Security Documents" shall mean the documents granting to the Collateral Agent for the benefit of the Secured Parties security interests and/or perfecting such security interests, including, without limitation, each Account Control Agreement, Mortgages and Foreign Security Documents.

"Adjusted Net Worth" shall have the meaning set forth in Section 9.9.

"Administrative Agent" shall mean WSFS, in its capacity as administrative agent for the Lenders hereunder and under the other Loan Documents, and shall include any successor to the Administrative Agent appointed pursuant to Section 11.9.

"Administrative Agent Fee Letter" shall mean the agent fee letter dated as of the date hereof among the Borrower and the Administrative Agent.

"Affected Net Foreign Proceeds" shall have the meaning set forth in Section 4.2(c).

"Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect

to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided, however, that neither any Lender nor any Agent (nor any of their Affiliates) shall be deemed to be an Affiliate of Holdings, the Borrower or any of their respective Subsidiaries solely by virtue of its capacity as a Lender or Agent hereunder.

"Affiliate Transaction" shall have the meaning set forth in Section 8.8.

"Agents" shall mean and include the Administrative Agent and the Collateral Agent.

"Aggregate Deficit Amount" shall have the meaning set forth in Section 9.9.

"Aggregate Excess Amount" shall have the meaning set forth in Section 9.9.

"Agreement" shall mean this Senior Secured Super-Priority Priming Debtor-in-Possession Term Loan and Guarantee Agreement, as modified, supplemented, amended, restated (including any amendment, restatement, amendment and restatement, supplement or other modification hereof), extended or renewed from time to time in accordance with the terms hereof.

"All-in Yield" means the yield of the applicable Indebtedness, whether in the form of interest rate, margin, commitment or ticking fees, original issue discount, upfront fees, index floors or otherwise, in each case, payable generally to lenders thereunder; provided that original issue discount and upfront fees shall be equated to interest rate assuming a six-month life to maturity, and All-in Yield shall not include arrangement fees, structuring fees or other fees not paid to the applicable lenders generally.

"Alden" shall have the meaning set forth in the definition of Snapback Event.

"Anti-corruption Laws" shall mean the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010 and any other applicable anti-corruption law.

"Applicable Margin" shall mean in the case of (i) Base Rate Loans, a rate per annum of 7.00% and (ii) LIBOR Loans, a rate per annum of 8.00%.

"Approved Budget" means (x) the Initial Budget, at all times until updated pursuant to Section 7.16(b) by an Updated Budget during the continuance of the Chapter 11 Cases and (y) following any such update, the most recent Updated Budget.

"Approved Fund" shall have the meaning set forth in Section 12.4.

"Asset Sale" shall mean any Disposition by Holdings or any of its Subsidiaries pursuant to Sections 8.4(a), (b), (c), (g) (if for cash or Cash Equivalents), (h) (if for cash or Cash Equivalents), (l), (o), (q), (s) or (t).

"Assignee" shall have the meaning set forth in Section 12.4(a)(i).

"Assignment and Assumption" shall mean an assignment and assumption, substantially in the form of Exhibit A, or such other form reasonably satisfactory to the Administrative Agent.

"Augmentation Inventory" shall have the meaning set forth in Section 5.12(a).

"Authorized Officer" shall mean the chief executive officer, president, chief financial officer, any vice president, controller, treasurer or assistant treasurer, secretary or assistant secretary of a Loan Party or any of the other individuals designated in writing to the Administrative Agent by an existing Authorized Officer of a Loan Party as an authorized signatory of any certificate or other document to be delivered hereunder.

"Automatic Stay" shall mean the automatic stay imposed under section 362 of the Bankruptcy Code.

"Avoidance Actions" means any and all claims and causes of action of any Borrower's estate arising under Sections 542, 544, 545, 547, 548, 549, 550, 551, 553(b) or 724(a) of the Bankruptcy Code, together with any proceeds therefrom.

"Bail-In Action" shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Code" shall have the meaning assigned to such term in the recitals to this Agreement.

"Bankruptcy Court" shall have the meaning assigned to such term in the recitals to this Agreement.

"Base Rate" shall mean, at any time, the highest of (i) the Prime Lending Rate at such time, (ii) 1/2 of 1% in excess of the overnight Federal Funds Rate at such time and (iii) the LIBOR Rate that would then be in effect for a LIBOR Loan with an Interest Period of one month plus 1% per annum; provided, that the Base Rate shall not be less than 2.00% per annum. For purposes of this definition, the LIBOR Rate shall be determined using the LIBOR Rate as otherwise determined by the Administrative Agent in accordance with the definition of LIBOR Rate, except that (x) if a given day is a Business Day, such determination shall be made on such day (rather than two (2) Business Days prior to the commencement of an Interest Period) or (y) if a given day is not a Business Day, the LIBOR Rate for such day shall be the rate determined by the Administrative Agent pursuant to preceding clause (x) for the most recent Business Day preceding such day. Any change in the Base Rate due to a change in the Prime Lending Rate, Federal Funds Rate or such LIBOR Rate shall be effective as of the opening of business on the day of such change in the Prime Lending Rate, the Federal Funds Rate or such LIBOR Rate, respectively.

"Base Rate Loan" shall mean each Term Loan designated or deemed designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower" shall have the meaning assigned to such term in the preamble to this Agreement.

"Borrowing" shall mean the borrowing of one Type of Term Loan from all the Lenders having Term Loan Commitments on a given date (or resulting from a conversion or conversions on such date) and, in the case of LIBOR Loans, having the same Interest Period; provided that Base Rate Loans incurred pursuant to Section 2.11(b) shall be considered part of the related Borrowing of LIBOR Loans.

"Budgeted Total Operating Disbursements" means, for a Testing Period, the aggregate amount of budgeted "Total Operating Disbursements" in the Approved Budget for such Testing Period.

"Budgeted Total Receipts" means, for a Testing Period, the aggregate amount of budgeted "Total Receipts" in the Approved Budget for such Testing Period.

"Budgeted Total Restructuring Disbursements" means, for a Testing Period, the aggregate amount of budgeted "Total Restructuring Disbursements" in the Approved Budget, for such Testing Period.

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day except Saturday, Sunday and any day which shall be in the state of New York, a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, LIBOR Loans, any day which is a Business Day described in clause (i) above and which is also a day for trading by and between banks in U.S. dollar deposits in the London interbank market.

"BVI Intercreditor Agreement" shall mean an intercreditor or similar agreement among the Collateral Agent and the Existing Payless CA Credit Facility Agent and acknowledged by the Borrower, in form and substance reasonably acceptable to the Collateral Agent and the Existing Payless CA Credit Facility Agent and the Borrower, as the same may amended, restated, supplemented or otherwise modified from time to time.

"Capital Lease Obligations" shall mean, with respect to any Person for any period, all rental obligations of such Person which, under GAAP, are required to be capitalized on the books of such Person, in each case taken at the amount thereof accounted for as indebtedness in accordance with such principles. For the avoidance of doubt, "Capital Lease Obligations" shall not include obligations or liabilities of any Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations would be required to be classified and accounted for as an operating lease under GAAP as existing on the Closing Date.

"Capital Stock" shall mean any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation (including common stock and preferred stock), any and all equivalent ownership interests in a Person (other than a corporation), including partnership interests (general and limited), and membership and limited liability company interests, and any and all warrants, rights or options to purchase any of the foregoing (but excluding any debt security that is exchangeable for or convertible into such capital stock).

"Carve-Out" has the meaning in (a) prior to the date of entry of the Final Order, the Interim Order or (b) for all purposes after the date on which the Final Order is entered, the Final Order, as the case may be.

"Cash Collateral Orders" means the Interim Cash Collateral Order and/or the Final Cash Collateral Order, as the context requires.

"Cash Equivalents" shall mean, as of any date of determination, (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the United States Government or (b) issued by any agency of the United States in each case maturing within thirteen months after such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within thirteen months after such date and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's; (iii) (a) commercial paper maturing no more than thirteen months from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's and (b) other corporate obligations maturing no more than thirteen months from the acquisition thereof and having, at the time of the acquisition thereof, a rating of at least AA from S&P or at least Aa2 from Moody's; (iv) variable rate demand notes and auction rate securities maturing no more than thirteen months from the date of creation thereof; (v) certificates of deposit or bankers' acceptances maturing within thirteen months after such date and issued or accepted by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than $100,000,000; (vi) shares of any money market mutual fund that (a) has substantially all of its assets invested continuously in the types of investments referred to in clauses (i) and (ii) above, (b) has net assets of not less than $500,000,000 and (c) has the highest rating obtainable from either S&P or Moody's and (vii) solely with respect to any Foreign Subsidiary (which, for purposes of this section, shall not include any Foreign Subsidiaries organized under the laws of the United States or any state thereof), substantially similar investments to those outlined in clauses of (i) through (vi) above, of reasonably comparable credit quality (taking into account the jurisdiction where such Foreign Subsidiary conducts business) in any jurisdiction in which such Person conducts business (it being understood that such investments may be denominated in the currency of any jurisdiction in which such Person conducts business).

"Certificated Securities" shall have the meaning set forth in Section 5.19(b).

"Change in Tax Law" shall mean the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (including the Code), treaty, regulation or rule (or in the official application or interpretation of any law, treaty, regulation or rule, including a holding, judgment or order by a court of competent jurisdiction) relating to taxation.

"Change of Control" shall mean, at any time (a) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), other than the Permitted Holders, beneficially own, directly or indirectly, more than 50% of the voting interests in Holdings' Capital Stock (on a fully diluted basis), (b) a "change of control" or similar event occurs under any Material Indebtedness of Holdings or its Subsidiaries (unless the exercise of any rights or remedies by a holder of such Material Indebtedness is subject to the automatic stay in the Chapter 11 Cases), (c) any plan for the liquidation or dissolution of the Borrower or any Guarantor is approved by holders of the Capital Stock of such entity, other than the GOB Sales or as permitted under Section 8.3 or Section 8.4 , or (d) all or substantially all of the assets of any Borrower or Guarantor are sold, leased, transferred or otherwise disposed of, other than in connection with the GOB Sales or as permitted under Section 8.3 or Section 8.4.

"Chapter 11 Cases" has the meaning specified in the recitals.

"Closing Date" shall have the meaning set forth in Section 6.1.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated and rulings issued thereunder.

"Collateral" shall mean all property and assets (whether real or personal) with respect to which any security interests have been granted (or purported to be granted) pursuant to any Security Document and/or the Orders; provided, that, (x) for the avoidance of doubt, the Collateral granted by Loan Parties that are not Debtors shall not include any Excluded Property and (y) subject to the terms of the Orders, the Collateral shall include all proceeds of Avoidance Actions but not the Avoidance Actions.

"Collateral Agent" shall mean the Administrative Agent acting as collateral agent for the Secured Parties pursuant to the Security Documents, and shall include any successors or assigns.

"Commonly Controlled Entity" shall mean a person or an entity, whether or not incorporated, that is part of a group that includes Holdings or the Borrower and that is treated as a single employer under Sections 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes relating to Section 412 of the Code).

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" shall mean a certificate duly executed by an Authorized Officer substantially in the form of Exhibit B.

"Confirmation Order" means a final order of the Bankruptcy Court confirming an Acceptable Plan of Reorganization pursuant to section 1129 of the Bankruptcy Code, (i) with respect to an Acceptable Plan of Reorganization as defined in clause (i) of such definition, in form and substance reasonably acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld and (ii) with respect to an Acceptable Plan of Reorganization as defined in clause (ii) of such definition, in form and substance acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Contractual Obligation" shall mean, with respect to any Person, any provision of any agreement, instrument or other undertaking (other than a Loan Document and the Prepetition Debt Documents) to which such Person is a party or by which it or any of its property is bound.

"Contribution Percentage" shall have the meaning set forth in Section 9.9.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Critical Vendor Orders" means the Interim Critical Vendor Order and/or the Final Critical Vendor Order, as the context requires.

"Debtor Relief Laws" shall mean the Bankruptcy Code and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States, Canada or other applicable jurisdictions from time to time in effect.

"Debtors" shall have the meaning assigned to such term in the recitals to this Agreement.

"Debtor Subsidiary Guarantors" shall mean (i) each direct or indirect Subsidiary of Holdings or the Borrower that is Debtor as of the Closing Date and (ii) each direct or indirect Subsidiary of Holdings that becomes a debtor in a case under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, in each case of clauses (i) and (ii), other than the Borrower and any Subsidiary organized in Canada.

"Default" shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect or which becomes the subject of a Bail-In Action. For the avoidance of doubt, no Lender shall be a Defaulting Lender solely as a result of its funding of the Initial Term Loans after the Initial Funding Date but on or prior to February 28, 2019.

"Delayed Draw Term Loans" means the Interim Delayed Draw Term Loans and/or the Final Delayed Draw Term Loans, as applicable.

"Delayed Guarantors" means each Domestic Delayed Guarantor and each Foreign Delayed Guarantor until, with respect to each such Domestic Delayed Guarantor and each such Foreign Delayed Guarantor, the earlier of (x) the date on which such Domestic Delayed Guarantor or Foreign Delayed Guarantor becomes a Subsidiary Guarantor and (y) the date that is thirty-one (31) calendar days after the Closing Date.

"DIP Budget" has the meaning specified in the Orders.

"DIP Superpriority Claims" has the meaning specified in the Orders.

"Disclosure Statement" means the disclosure statement for an Acceptable Plan of Reorganization that is prepared and distributed in accordance with, among other things, sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Rule 3018 of the Federal Rules of Bankruptcy Procedure and other applicable Law, and all exhibits, schedules, supplements, modifications and amendments thereto, all of which shall be in form and substance reasonably acceptable to the Required DIP Lenders.

"Disclosure Statement Order" means a final order of the Bankruptcy Court approving the Disclosure Statement and the Solicitation, in form and substance reasonably acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Disposition" shall mean, with respect to any property (including, without limitation, Capital Stock of the Borrower or any of its Subsidiaries), any sale, Sale Leaseback Transactions, assignment, conveyance, transfer or other disposition thereof (including by merger or consolidation or amalgamation and excluding the granting of a Lien permitted hereunder) and any issuance of Capital Stock of Holdings' Subsidiaries. The terms "Dispose" and "Disposed of" shall have correlative meanings. For the avoidance of doubt, the terms Disposition, Dispose and Disposed of do not refer to the issuance, sale or transfer of Capital Stock by Holdings.

"Disqualified Capital Stock" shall mean any Capital Stock which, by its terms (or by the terms of any security or other Capital Stock into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Qualified Capital Stock), pursuant to a sinking fund obligation or otherwise (except as a result of a change in control or asset sale so long as any right of the holders thereof upon the occurrence of a change in control or asset sale event shall be subject to the prior repayment in full of the Term Loans and all other Obligations under the Loan

Documents that are then accrued and payable and the termination of the Term Loan Commitments), in each case, prior to the date that is ninety-one (91) days after the Stated Maturity Date at the time of issuance of the respective Capital Stock, (b) is redeemable at the option of the holder thereof (other than solely for Qualified Capital Stock), in whole or in part, prior to the date that is ninety-one (91) days after the Stated Maturity Date at the time of issuance of the respective Capital Stock, except as a result of a change in control or an asset sale or, in case of Capital Stock issued to an employee or director of Holdings or a Subsidiary, the death, disability, retirement, severance or termination of employment or service of such holder, in each case so long as any such right of the holder is subject to the prior repayment in full of the Term Loans and all other Obligations under the Loan Documents that are then accrued and payable and the termination of the Term Loan Commitments, (c) requires the payment of any cash dividend or any other scheduled cash payment, in each case, prior to the date that is ninety-one (91) days after the Stated Maturity Date at the time of issuance of the respective Capital Stock, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Capital Stock that would constitute Disqualified Capital Stock, in each case, prior to the date that is ninety-one (91) days after the Stated Maturity Date at the time of issuance of the respective Capital Stock; provided that if such Capital Stock is issued to any plan for the benefit of employees of Holdings or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by Holdings or its Subsidiaries in order to satisfy applicable statutory or regulatory obligations. The amount of Disqualified Capital Stock deemed to be outstanding at any time for purposes of this Agreement will be the maximum amount that Holdings and its Subsidiaries may become obligated to pay upon maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Capital Stock or portion thereof, plus accrued dividends.

"Dollars" and the sign "$" shall each mean freely transferable lawful money of the United States.

"Domestic Subsidiary" shall mean, with respect to any Person, any Subsidiary of such Person incorporated or organized in the United States, any State thereof or the District of Columbia.

"Domestic Delayed Guarantors" shall mean each of the entities listed in Part A of Schedule 7.8 hereto.

"EEA Financial Institution" shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" shall mean any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Eligible Assignee" shall mean (a) any Lender, any Affiliate of a Lender and any Approved Fund (any two or more Approved Funds with respect to a particular Lender being treated as a single Eligible Assignee for all purposes hereof), and (b) any commercial bank, insurance company, financial institution, investment or mutual fund or other entity that is an "accredited investor" (as defined in Regulation D under the Securities Act); provided that "Eligible Assignee" shall exclude any natural person.

"Environmental Claims" shall mean any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations and/or proceedings relating in any way to any noncompliance with, or liability arising under, Environmental Law or any permit issued by any Governmental Authority under any Environmental Law (hereafter, "Claims"), including, without limitation, (a) any and all Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other corrective actions or damages pursuant to any Environmental Law, and (b) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief arising out of or relating to an alleged injury or threat of injury to human health and safety with respect to exposure to, or the environment due to the presence of, Materials of Environmental Concern.

"Environmental Laws" shall mean any and all current or future foreign, federal, state, local or municipal Requirements of Law and common law regulating, relating to or imposing liability or standards of conduct concerning Materials of Environmental Concern, human health and safety with respect to exposure to Materials of Environmental Concern, pollution, and protection or restoration of the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and the regulations promulgated and rulings issued thereunder.

"EU Bail-In Legislation Schedule" shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Event of Default" shall have the meaning set forth in Section 10.1.

"Excluded Accounts" means deposit accounts and securities accounts solely for the purpose of paying payroll, employee benefits, workers compensation, trust and tax withholding which are funded by the Loan Parties (i) in the ordinary course of business or (ii) as, and to the extent, required by applicable law.

"Excluded Property" shall have the meaning given to such term in the Security Agreement.

"Excluded Taxes" shall mean any of the following Taxes imposed on or with respect to, or required to be withheld or deducted from a payment to any Lender or the Administrative

Agent, (i) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (a) imposed as a result of such Lender or Administrative Agent being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (b) that are Other Connection Taxes, (ii) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan (other than pursuant to an assignment request by the Borrower under Section 2.14) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 4.4, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 4.4(e) and (d) any U.S. federal withholding Taxes imposed under FATCA.

"Executive Order" shall have the meaning set forth in Section 5.20(b)(i).

"Existing Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of August 10, 2017, between the Prepetition ABL Agent and the Prepetition Term Loan Agent, as the same may be amended, supplemented, restated, amended and restated or otherwise modified from time to time.

"Existing Payless CA Credit Facility Agent" shall mean Alden Global Opportunities Master Fund, L.P., as agent under the Existing Payless CA Credit Agreement, together with its successor and assigns.

"Existing Payless CA Credit Facility" shall mean the term loan facility evidenced by that certain Term Loan and Guarantee Agreement, dated as of October 2, 2018, among Payless CA, as Borrower, the guarantors from time to time party hereto, the lenders from time to time party hereto, and Alden Global Opportunities Master Fund, L.P., as agent.

"Facility" shall have the meaning assigned to such term in the recitals to this Agreement.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any intergovernmental agreement, treaty or convention among Governmental Authorities (or related law or official administrative guidance) implementing the foregoing.

"Federal Funds Rate" shall mean, for any period, a fluctuating interest rate equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Administrative Agent from three U.S. banks of recognized standing selected by the Administrative Agent.

"Fees" shall mean all amounts payable pursuant to or referred to in Section 3.1.

"Final Delayed Draw Availability Period" means the period from and including (x) the entry of the Final Order, through and including (y) 5:00 p.m. New York City time on the date that is thirty (30) calendar days after the entry of the Final Order.

"Final Delayed Draw Term Loan Commitment" means, as to any Lender, the obligation of such Lender, if any, to make Final Delayed Draw Term Loans in an aggregate principal amount not to exceed the amount set forth under the heading "Final Delayed Draw Term Loan Commitment" opposite such Lender's name on Schedule I or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof and reduced from time to time pursuant to Section 3.2. The aggregate amount of the Final Delayed Draw Term Loan Commitments on the Closing Date is $4,060,913.71.

"Final Delayed Draw Term Loans" shall have the meaning set forth Section 2.1(c).

"Final Cash Collateral Order" means a final order of the Bankruptcy Court approving the use of cash collateral, in form and substance reasonably acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Final Critical Vendor Order" means a final order of the Bankruptcy Court approving the payment of certain prepetition claims of critical vendors and carriers and warehousemen, in form and substance reasonably acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Final GOB Sales Order" means a final order of the Bankruptcy Court approving the GOB Sales, in form and substance reasonably acceptable to the Required DIP Lenders, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Final Order" means a final order of the Bankruptcy Court approving the Loans and the Facility, in form and substance acceptable to the Required DIP Lenders in their sole discretion, which shall be in full force and effect and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified or subject to the possibility of appeal, in each case, without the prior written consent of the Required DIP Lenders.

"Foreign Lender" shall mean a Lender that is not a "United States Person" as defined in Section 7701(a)(30) of the Code.

"Foreign Prepayment Event" shall have the meaning set forth in Section 4.2(c).

"Foreign Subsidiary" shall mean any Subsidiary of a Loan Party that is not a Domestic Subsidiary.

"Foreign Delayed Guarantors" shall mean each of the entities listed in Part B of Schedule 7.8 hereto.

"Foreign Delayed Guarantor Post-Closing Collateral Requirement" shall have the meaning set forth in Section 7.9(b).

"Foreign Security Documents" shall mean any security agreement, pledge or similar agreement entered into by any Foreign Delayed Guarantor to secure the Obligations for purposes of creating, granting or perfecting the security interests in the assets or property of such Foreign Delayed Guarantor.

"GAAP" shall mean generally accepted accounting principles in the United States as in effect from time to time, consistently applied (or, for Foreign Subsidiaries that are Subsidiaries, in conformity with generally accepted accounting principles that are applicable in their respective jurisdiction of organization).

"GOB Sales" means the going out of business sales conducted in connection with the liquidation of the Debtors' North American stores pursuant to the Interim GOB Order (prior to the entry of the Final GOB Sales Order) and the Final GOB Sales Order (following entry thereof).

"GOB Sales Proceeds Account" shall have the meaning set forth in Section 7.17(b).

"Governmental Approval" shall mean any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"Governmental Authority" shall mean the government of the United States, Canada, any other nation or any political subdivision thereof, whether state, provincial, territorial, municipal or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" shall have the meaning set forth in Section 9.2.

"Guarantee Obligation" shall mean, as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the

net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include (v) [reserved], (w) endorsements of instruments for deposit or collection in the ordinary course of business, (x) customary and reasonable indemnity obligations in effect on the Closing Date, or entered into in connection with any acquisition or Disposition of assets or Capital Stock permitted under this Agreement, (y) product warranties given in the ordinary course of business or (z) ordinary course performance guarantees by Holdings or any of its Subsidiaries of the obligations (other than for the payment of Indebtedness) of Holdings or any of its Subsidiaries. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith; provided that, in the case of any Guarantee Obligations where the recourse to such Person for such Indebtedness is limited to the assets subject to the Lien granted to secure such Indebtedness, then the amount of any Guarantee Obligation of any guaranteeing person shall be the lesser of (A) the amount of the Indebtedness secured by such Lien and (B) the value of the assets subject to such Lien.

"Guaranteed Obligations" shall have the meaning set forth in Section 9.1.

"Guarantor Joinder Agreement" shall mean an agreement substantially in the form of Exhibit D.

"Guarantors" shall mean, collectively, Holdings and the Subsidiary Guarantors.

"Holdings" shall have the meaning set forth in the preamble hereto.

"Incur" shall mean issue, assume, enter into any Guarantee of, incur or otherwise become liable for; and the terms "Incurs," "Incurred" and "Incurrence" shall have a correlative meaning; provided that (i) any Indebtedness or Capital Stock of any of Holdings or its Subsidiaries existing on the Closing Date (after giving effect to the Transaction) shall be deemed to be Incurred by Holdings or such Subsidiary, as the case may be, on the Closing Date and (ii) any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Indebtedness, and the payment of dividends on Capital Stock constituting Indebtedness in the form of additional shares of the same class of Capital Stock, will not be deemed to be an Incurrence of Indebtedness. Any Indebtedness issued at a discount (including Indebtedness on which interest is payable through the issuance of additional Indebtedness) shall be deemed Incurred at the time of original issuance of the Indebtedness at the initial accreted amount thereof.

"Indebtedness" shall mean, with respect to any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than (1) trade or other similar payables, accrued income taxes, VAT, deferred taxes, sales taxes, equity taxes and accrued liabilities incurred in the ordinary course of such Person's business, (2) [reserved], (3) royalty payments made in respect of exclusive and non-exclusive licenses, (4) any accruals for (A) payroll and (B) other non-interest bearing liabilities accrued, (5) any obligations in respect of operating leases that are not Synthetic Lease Obligations, (6) any deferred rent obligations and (7) pension and other employee commitments, in each case, incurred in the ordinary course of business), which purchase price is (i) due more than six months from the date of incurrence of the obligation in respect thereof or (ii) evidenced by a note or similar written instrument, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and all Synthetic Lease Obligations of such Person (excluding, for the avoidance of doubt, lease payments under operating leases), (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of acceptances, letters of credit, surety bonds or similar arrangements, (g) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (f) above, (h) all obligations (excluding prepaid interest thereon) of the kind referred to in clauses (a) through (g) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, but only to the extent of the lesser of (x) the fair market value of such property subject to such Lien and (y) the amount of Indebtedness secured by such Lien, (i) all net obligations of such Person on a mark-to-market basis in respect of Swap Agreements and (j) all Disqualified Stock. For the avoidance of doubt, "Indebtedness" shall not include (i) obligations or liabilities of any Person in respect of any of its Qualified Capital Stock nor the obligations of any Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations would be required to be classified and accounted for as an operating lease under GAAP as existing on the Closing Date (whether or not such lease exists on the Closing Date or hereafter arises), (ii) obligations under any Swap Agreements unless such obligations are payment obligations that relate to a Swap Agreement that has terminated, (iii) customary obligations under employment agreements and deferred compensation and (iv) deferred tax liabilities.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnitee" shall have the meaning set forth in Section 12.1(b).

"Initial Budget" shall have the meaning set forth in Section 5.23.

"Initial Funding Date" February 26, 2018.

"Initial Term Lenders" shall mean any Lenders holding Initial Loan Obligations.

"Initial Term Loan" shall mean the term loans made by the Lenders to the Borrower on or about the Initial Funding Date pursuant to the Interim Order. The aggregate amount of the Initial Term Loans outstanding as of March 1, 2019 is $17,258,883.24.

"Insolvency" shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent" shall mean pertaining to a condition of Insolvency.

"Intellectual Property" shall mean all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws, including all copyrights, trademarks, and service marks, including all associated goodwill, in each case whether registered or applied for with a Governmental Authority, patents, technology, know-how and processes, trade secrets, and any trade dress including logos, designs, and other indicia of origin, internet domain names, intangible rights in software and databases not otherwise included in the foregoing, but not including any of the foregoing in the public domain. Intellectual Property includes all issuances, registrations and applications relating to any of the foregoing.

"Interest Determination Date" shall mean, with respect to any LIBOR Loan, the second (2^{nd}) Business Day prior to the commencement of any Interest Period relating to such LIBOR Loan, as the case may be.

"Interest Period" shall have the meaning set forth in Section 2.10.

"Interest Rate Protection Agreement" shall mean any interest rate swap agreement, interest rate cap agreement, interest collar agreement, interest rate hedging agreement or other similar agreement or arrangement.

"Interim Cash Collateral Order" means that certain Interim Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 507 and 552 (1) Authorizing Use of Cash Collateral, (2) Granting Adequate Protection, (3) Modifying Automatic Stay, and (4) Scheduling a Final Hearing [Docket No. 138], which Interim Cash Collateral Order shall be in full force and effect, and shall not, subject to entry of the Final Cash Collateral Order, be reversed, vacated, stayed, amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Interim Critical Vendor Order" means that certain Interim Order (I) Authorizing the Debtors to Pay Certain Prepetition Claims of (A) Critical Vendors and (B) Carriers and Warehousemen and (II) Granting Related Relief, which Interim Critical Vendor Order shall be in full force and effect, and shall not, subject to entry of the Final Critical Vendor Order, be reversed, vacated, stayed, amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Interim Delayed Draw Availability Period" means the period from and including (x) March 5, 2019, through and including (y) 5:00 p.m. New York City time on the date that is thirty (30) calendar days thereafter.

"Interim Delayed Draw Term Loan Commitment" means, as to any Lender, the obligation of such Lender, if any, to make Interim Delayed Draw Term Loans in an aggregate principal amount not to exceed the amount set forth under the heading "Interim Delayed Draw Term Loan Commitment" opposite such Lender's name on Schedule I or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof and reduced from time to time pursuant to Section 3.2. The aggregate amount of the Interim Delayed Draw Term Loan Commitments on the Closing Date is $4,060,913.71.

"Interim Delayed Draw Term Loans" shall have the meaning set forth Section 2.1(b).

"Interim GOB Sales Order" means that certain Interim Order (I) Authorizing the Debtors to Assume the Consulting Agreement, (II) Approving Procedures for Store Closing Sales and (III) Granting Related Relief [Docket No. 119], which Interim GOB Sales Order shall be in full force and effect, and shall not, subject to entry of the Final GOB Sales Order, be reversed, vacated, stayed, amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

"Interim Order" means that certain Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Status, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief [Docket No. 265], which Interim Order shall be in full force and effect, and shall not, subject to entry of the Final Order, be reversed, vacated, stayed, amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders.

"Inventory" means all of the "inventory" (as such term is defined in the UCC) of Holdings and its Subsidiaries, including, but not limited to, all merchandise, raw materials, parts, supplies, work in process and finished goods intended for sale, together with all the containers, packing, packaging, shipping and similar materials related thereto, and including such inventory as is temporarily out of Holdings', the Borrower's or a Subsidiary's custody or possession, including inventory on the premises of others and items in transit.

"Investments" shall have the meaning set forth in Section 8.6. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment and net of actual cash dividends or other payments received by the Person making such Investment on account of such Investment.

"IRS" shall mean the U.S. Internal Revenue Service.

"Kentucky Property" shall mean the real property, fixtures and improvements owned by a Loan Party at Store #5620 located at Springhurst Town Center, 10621 Fischer Park Drive, Louisville, Kentucky 40241.

"LatAm Business" means the business and operations of Payless ShoeSource (BVI) Holdings, Ltd., Payless Colombia (BVI) Holdings Ltd., Payless ShoeSource Andean Holdings, Payless ShoeSource Peru Holding, S.L., Payless ShoeSource Ecuador CIA Ltda, Payless ShoeSource Spain, S.L. and each of their respective Subsidiaries.

"LatAm Entities" means each of Payless ShoeSource (BVI) Holdings, Ltd., Payless Colombia (BVI) Holdings Ltd., Payless ShoeSource Andean Holdings, Payless ShoeSource Peru Holding, S.L., Payless ShoeSource Ecuador CIA Ltda, Payless ShoeSource Spain, S.L. and each of their respective Subsidiaries.

"Latin American Sale" means a Disposition (in one transaction or a series of related transactions, including pursuant to a sale under section 363 of the Bankruptcy Code or otherwise) of all or substantially all of the LatAm Business.

"Latin American Financing" shall have the meaning set forth Section 9.8.

"Leaseholds" shall mean, with respect to any Person, all the right, title and interest of such Person as lessee or licensee in, to and under leases or licenses of land, improvements and/or fixtures.

"Lender" shall mean each financial institution listed on Schedule I, and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Assumption.

"Lender Default" shall mean, as to any Lender, (i) the wrongful refusal (which has not been retracted) of such Lender or the failure of such Lender (which has not been cured) to make available its portion of any Borrowing, (ii) such Lender having notified the Administrative Agent and/or any Loan Party (x) that it does not intend to comply with its obligations under Section 2.1 or 2.5 in circumstances where such non-compliance would constitute a breach of such Lender's obligations under such Section or (y) of the events described in clause (iii) below, or (iii) any Lender that has, or its direct or indirect parent, has (x) been adjudicated as, or determined by any Governmental Authority having regulatory authority over such person or its properties or assets to be, insolvent, or (y) become the subject of a proceeding under any Debtor Relief Law or had a receiver, conservator, trustee, administrator, assignee for the benefit of creditors or similar person charged with reorganization or liquidation of its business or custodian (including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity), appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment; provided that there shall not be a "Lender Default" with respect to a Lender solely by virtue of the ownership or acquisition of any Capital Stock in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that there shall not be a "Lender Default" with respect to a Lender shall be conclusive and binding absent

manifest error, and there shall be deemed to be a "Lender Default" with respect to such Lender upon delivery of written notice of such determination by the Administrative Agent to Holdings and each other Lender.

"LIBOR Loan" shall mean each Term Loan designated as such by the Borrower at the time of the incurrence thereof or conversion thereto.

"LIBOR Rate" shall mean (a) the rate per annum determined by the Administrative Agent at approximately 11:00 a.m. (London time) on the date that is two (2) Business Days prior to the commencement of such Interest Period by reference to the applicable Bloomberg LIBOR screen page for deposits in Dollars (or such other comparable page as may, in the opinion of the Administrative Agent, replace such page for the purpose of displaying such rates) for a period equal to such Interest Period; provided that to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, the "LIBOR Rate" shall be the interest rate per annum determined by the Administrative Agent to be the average of the rates per annum at which deposits in Dollars are offered for such relevant Interest Period to major banks in the London interbank market in London, England at approximately 11:00 a.m. (London time) on the date that is two (2) Business Days prior to the beginning of such Interest Period, divided by (b) a percentage equal to 100% minus the then stated maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental, special or other reserves required by applicable law) applicable to any member bank of the Federal Reserve System in respect of Eurocurrency funding or liabilities as defined in Regulation D (or any successor category of liabilities under Regulation D); provided that the LIBOR Rate shall not be less than 1.0% per annum.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest, preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

"Loan Documents" shall mean this Agreement, the Security Agreement and, after the execution and delivery thereof pursuant to the terms of this Agreement, each Term Note, each Additional Security Document and the BVI Intercreditor Agreement.

"Loan Parties" shall mean Holdings, the Borrower and each Subsidiary Guarantor.

"Loans" means the Term Loans.

"Mandatory Prepayment Date" shall have the meaning set forth in Section 4.2(e).

"Margin Stock" shall have the meaning set forth in Regulation U of the Board.

"Material Adverse Effect" shall mean a material adverse effect on (a) the business, assets, property, operations or financial condition of Holdings and its Subsidiaries taken as a whole, other than as a result of (x) the liquidation of the business and operations of the Loan Parties in North America, including, without limitation, the GOB Sales, and any and all events related

thereto or resulting therefrom, (y) the Latin American Sale and any and all events related thereto or resulting therefrom, or (z) events leading up to, related to, or resulting from the commencement of a proceeding under chapter 11 of the Bankruptcy Code and the commencement of the Chapter 11 Cases, (b) the ability of the Loan Parties (taken as a whole) to perform their material obligations under the Loan Documents to which they are a party or (c) the material rights and remedies available to, or conferred upon, the Administrative Agent, any Lender or any Secured Party hereunder or thereunder, taken as a whole.

"Material Indebtedness" shall have the meaning set forth in Section 7.7(b).

"Materials of Environmental Concern" shall mean any chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, any petroleum or petroleum products, asbestos, polychlorinated biphenyls, lead or lead-based paints or materials, radon, urea-formaldehyde insulation, molds, fungi, mycotoxins, radioactive materials or radiation defined or regulated under any Environmental Law.

"Maturity Date" shall mean the earliest of: (i) September 30, 2019 (the "Stated Maturity Date"); (ii) the date of consummation of one or more sales that, in the aggregate, constitutes a sale of all or substantially all of the Collateral, other than the GOB Collateral (as defined in the Orders); (iii) if the Final Order has not been entered by the Bankruptcy Court on or before the applicable Milestone, the date required under such Milestone; (iv) the date of acceleration of the Term Loans and the termination of the Term Loan Commitments hereunder; (v) the date the Bankruptcy Court orders the conversion of the Chapter 11 Case of any of the Debtors from one under chapter 11 to one under chapter 7 of the Bankruptcy Code or the dismissal of the Chapter 11 Case of any Debtor; (vi) the filing by any of the Debtors of a plan of reorganization or plan of liquidation that is not an Acceptable Plan of Reorganization; and (vii) the effective date of a plan of reorganization or plan of liquidation of one or more of the Debtors.

"Maximum Rate" shall have the meaning set forth in Section 12.18.

"Milestones" shall mean the actions set forth on Schedule 7.17(a).

"Minimum Borrowing Amount" shall mean $2,000,000.

"Moody's" shall mean Moody's Investors Service, Inc.

"Mortgage" shall mean a mortgage, deed of trust, deed to secure debt, leasehold deed to secure debt, debenture or similar security instrument.

"Mortgaged Property" shall mean any Real Property owned by any Loan Party which is encumbered (or required to be encumbered) by a Mortgage pursuant to the terms hereof.

"Multiemployer Plan" shall mean a plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA, which is contributed to by (or to which there is or may be an obligation to contribute of) Holdings, the Borrower, or any Commonly Controlled Entity or to which Holdings, the Borrower, or a Commonly Controlled Entity has any direct or indirect liability or has within any of the "preceding five years made or accrued an obligation to make contributions.

"NAIC" shall mean the National Association of Insurance Commissioners.

"Net Cash Proceeds" shall mean (a) in connection with any Asset Sale, any Recovery Event or any other sale of assets, the proceeds thereof actually received in the form of cash and cash equivalents (including Cash Equivalents) (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received), net of (i) attorneys' fees, accountants' fees, investment banking fees, and other bona fide fees, costs and expenses actually incurred in connection therewith, (ii) amounts (including the principal amount, any premium, penalty or interest) required to be applied (or to establish an escrow for the future repayment thereof) to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event or any other sale of assets (other than any Lien pursuant to a Security Document), (iii) taxes paid and the Borrower's reasonable and good faith estimate of income, franchise, sales, and other applicable taxes required to be paid by Holdings, the Borrower or any Subsidiary in connection with such Asset Sale or Recovery Event or any other sale of assets, (iv) a reasonable reserve for any indemnification payments (fixed or contingent) attributable to the seller's indemnities and representations and warranties to the purchaser in respect of such Asset Sale or any other sale of assets owing by Holdings or any of its Subsidiaries in connection therewith and which are reasonably expected to be required to be paid; provided that to the extent such indemnification payments are not made and are no longer reserved for, such reserve amount shall constitute Net Cash Proceeds, (v) cash escrows to Holdings or any of its Subsidiaries from the sale price for such Asset Sale or other sale of assets; provided that any cash released from such escrow shall constitute Net Cash Proceeds upon such release, (vi) in the case of a Recovery Event, costs of preparing assets for transfer upon a taking or condemnation and (vii) other customary fees and expenses actually incurred in connection therewith, and (b) in connection with any incurrence or issuance of Indebtedness or Capital Stock, the cash proceeds received from any such issuance or incurrence, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other bona fide fees and expenses actually incurred in connection therewith, and any taxes paid or reasonably estimated to be actually paid in connection therewith; provided, however, that Net Cash Proceeds from any of the foregoing with respect to any Foreign Subsidiary that is not a Wholly Owned Subsidiary shall equal the product of (x) Holdings' and its Subsidiaries' direct and/or indirect percentage ownership of such Foreign Subsidiary that is not a Wholly Owned Subsidiary and (y) the Net Cash Proceeds (calculated in accordance with this definition) of such Foreign Subsidiary, calculated as if it were a Wholly Owned Subsidiary; provided, further, that, solely for purposes of Section 4.2(c), Net Cash Proceeds required to prepay the Term Loans shall not include any Net Cash Proceeds that are required to prepay the Existing Payless CA Credit Facility pursuant to the BVI Intercreditor Agreement.

"Net Foreign Proceeds" shall have the meaning set forth in Section 4.2(c).

"New York UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York.

"Non-Defaulting Lender" shall mean and include each Lender, other than a Defaulting Lender.

"Non-U.S. Plan" shall mean any plan, fund (including, without limitation, any superannuation fund) or other similar program established, contributed to (regardless of whether through direct contributions or through employee withholding) or maintained outside the United States by Holdings, the Borrower or one or more Subsidiaries primarily for the benefit of employees of Holdings, such Borrower or such Subsidiaries residing outside the United States, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code (other than any plan maintained or required to be contributed to by a Governmental Authority).

"Notice of Borrowing" shall have the meaning set forth in Section 2.3.

"Notice of Conversion/Continuation" shall have the meaning set forth in Section 2.7.

"Notice Office" shall mean the office of the Administrative Agent as set forth on Schedule II, as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"Obligations" shall mean (a) the due and punctual payment of the unpaid principal of and interest on (including interest accruing after the maturity of the Term Loans) the Term Loans, and all other obligations and liabilities of the Borrower or any other Loan Party (including with respect to guarantees) to the Administrative Agent, any Lender and any other Secured Party, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement or any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower or any Guarantor pursuant to any Loan Document), guarantee obligations or otherwise (including all fees, charges and disbursements of counsel to the Administrative Agent or to any Lender that are required to be paid by the Borrower or any Guarantor pursuant to any Loan Document); (b) the due and punctual performance of all other obligations of the Borrower under or pursuant to this Agreement and each of the other Loan Documents, and (c) the due and punctual payment and performance of all the obligations of each other Loan Party under or pursuant to any Loan Document.

"OFAC" shall have the meaning set forth in the definition of Sanctions.

"OID" shall have the meaning set forth in Section 3.1(b).

"Orders" means the Interim Order and/or the Final Order, as the context requires.

"Organizational Document" shall mean (i) relative to each Person that is a corporation, its charter and its by-laws (or similar documents), (ii) relative to each Person that is a limited liability company, its certificate of formation and its operating agreement (or similar documents), (iii) relative to each Person that is a limited partnership, its certificate of formation and its limited partnership agreement (or similar documents), (iv) relative to each Person that is a general

partnership, its partnership agreement (or similar document), (v) relative to any unlimited liability company, the memorandum of association and articles of association, and (vi) relative to any Person that is any other type of entity, such documents as shall be comparable to the foregoing.

"Other Connection Taxes" means, with respect to any Lender or the Administrative Agent, Taxes imposed as a result of a present or former connection between such Lender or Administrative Agent and the jurisdiction imposing such Tax (other than connections arising from such Lender or Administrative Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" shall mean all present or future stamp, court or documentary, intangible recording, filing or similar Taxes (excluding, for the avoidance of doubt, any Excluded Taxes) that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise imposed with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes with respect to an assignment, other than an assignment made pursuant to Section 2.14.

"Participant" shall have the meaning set forth in Section 12.4(b).

"Participant Register" shall have the meaning set forth in Section 12.4(b).

"Patriot Act" shall mean the USA PATRIOT Act, Pub. L. 107-56 (signed into law October 26, 2001), as amended by the USA PATRIOT Improvement and Reauthorization Act, Pub. L. 109-177 (signed into law March 9, 2006) (as amended from time to time).

"Payless CA" shall mean Payless CA Management Limited, a company limited by shares incorporated under the laws of the British Virgin Islands.

"Payless CO" shall mean Payless CO Management Limited, a company limited by shares incorporated under the laws of the British Virgin Islands.

"Payment Office" shall mean the account of the Administrative Agent as the Administrative Agent may hereafter designate in writing as such to the other parties hereto.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Perfection Certificate" shall mean the Perfection Certificate substantially in the form of Exhibit N.

"Permitted Encumbrances" shall have the meaning set forth in Section 8.2.

"Permitted Holders" shall mean, collectively, investment advisory clients, funds and/or accounts that are managed, advised and/or sub-advised by Alden, Axar Capital Management,

Invesco Senior Secured Management, Inc. and/or Octagon Credit Investors, LLC and their respective Affiliates.

"Permitted Variance" means for any Testing Period, each of the following: (a) Actual Total Receipts equaling an amount equal to or greater than 80% of Budgeted Total Receipts; (b) Actual Total Operating Disbursements equaling an amount less than 110% of Budgeted Total Operating Disbursements; and (c) Actual Total Restructuring Disbursements (without giving effect to the line item "Restructuring Professionals" or "Critical Vendors") equaling an amount less than 110% of Budgeted Total Restructuring Disbursements (without giving effect to the line items "Restructuring Professionals" or "Critical Vendors").

"Person" shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, unlimited liability company, trust or other enterprise or any Governmental Authority.

"Petition Date" shall have the meaning assigned to such term in the recitals to this Agreement.

"Plan" shall mean, at a particular time, an "employee benefit plan" as defined in Section 3 of ERISA (other than a Multiemployer Plan) and in respect of which the Borrower or a Commonly Controlled Entity (including, without limitation, Holdings) is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Platform" shall have the meaning set forth in Section 7.2(a).

"Prepetition ABL Agent" shall mean Wells Fargo Bank, National Association, in its capacity as administrative agent, collateral agent and agent for the FILO Lenders (as defined in the ABL Agreement) under the Prepetition ABL Documents, or any successor administrative agent or collateral agent or other agent appointed under the Prepetition ABL Documents in accordance with the provisions thereof.

"Prepetition ABL Agreement" shall mean that certain asset-based revolving credit agreement, dated as of August 10, 2017, among Holdings, the Borrower, certain Subsidiaries of Holdings party thereto, as guarantors, the lenders party thereto and the Prepetition ABL Agent, as administrative agent, collateral agent and swingline lender, as amended by that certain First Amendment and Joinder to the Credit Agreement, dated as of March 1, 2018, and as the same may be further amended, supplemented, waived or otherwise modified from time to time.

"Prepetition ABL Documents" shall mean the "Loan Documents" (as defined in the Prepetition ABL Agreement), as the same may be amended, supplemented or otherwise modified from time to time.

"Prepetition ABL Facility" means the credit facility contemplated by the Prepetition ABL Agreement and the other Prepetition ABL Documents, as in effect from time to time.

"Prepetition ABL Facility Obligations" shall mean the loans borrowed and the "Obligations" (as defined in the Prepetition ABL Agreement) incurred under the Prepetition ABL Facility.

"Prepetition Debt Documents" means the Prepetition ABL Documents and the Prepetition Term Loan Documents.

"Prepetition Term Loan Agent" shall mean Cortland Products Corp., in its capacity as administrative agent and collateral agent under the Prepetition Term Loan Documents, or any successor administrative agent or collateral agent or other agent appointed under the Prepetition Term Loan Documents in accordance with the provisions thereof.

"Prepetition Term Loan Agreement" means that certain Term Loan and Guarantee Agreement dated as of August 10, 2017 by and among the Borrower, the other Loan Parties party thereto, the Prepetition Term Loan Agent and the Term Lenders, as amended, restated, supplemented, extended or otherwise modified.

"Prepetition Term Loan Documents" means the "Loan Documents" as defined in the Prepetition Term Loan Agreement, as such documents may be amended, amended and restated, restated, supplemented, extended or otherwise modified from time to time.

"Prepetition Term Loan Facility" means the credit facility contemplated by the Prepetition Term Loan Agreement and the other Prepetition Term Loan Documents, as in effect from time to time.

"Prime Lending Rate" shall mean the rate of interest last quoted by The Wall Street Journal as the "Prime Rate" in the United States or, if The Wall Street Journal ceases to quote such rate, the highest per annum interest rate published by the Federal Reserve Board in Federal Reserve Statistical Release H.15 (519) (Selected Interest Rates) as the "bank prime loan" rate or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by the Administrative Agent) or any similar release by the Federal Reserve Board (as determined by the Administrative Agent).

"Private Lender Information" shall mean any information and documentation that is not Public Lender Information.

"Properties" shall have the meaning set forth in Section 5.17(a).

"PSS Latin America" means PSS Latin America Holdings, a company incorporated under the laws of the Cayman Islands.

"Public Lender Information" shall mean information and documentation that is either exclusively (i) of a type that would be publicly available if the Borrower, Holdings and their respective Subsidiaries were public reporting companies or (ii) not material with respect to any of the Borrower, Holdings or any of their respective Subsidiaries or any of their respective securities for purposes of foreign, United States Federal and state securities laws.

"Qualified Capital Stock" shall mean any Capital Stock that is not Disqualified Capital Stock.

"Real Property" shall mean, with respect to any Person, all the right, title and interest of such Person in and to land, improvements and fixtures, including Leaseholds.

"Recovery Event" shall mean any settlement of or payment in respect of any property or casualty insurance (excluding business interruption insurance) claim or any condemnation, eminent domain or similar proceeding relating to any asset of Holdings or any of its Subsidiaries.

"Refund" shall have the meaning set forth in Section 4.4(f).

"Register" shall have the meaning set forth in Section 12.15.

"Regulation D" shall mean Regulation D of the Board.

"Reinvestment Notice" shall mean a written notice executed by the Borrower stating that no Event of Default has occurred and is continuing and that the Borrower (directly or indirectly through a Subsidiary) intends to use all or a specified portion of the Net Cash Proceeds of an Asset Sale resulting from a Disposition by the LatAm Business pursuant to Section 8.4(a) or (c) (excluding, for the avoidance of doubt, a Latin American Sale) to acquire or repair operating assets used or useful in the LatAm Business.

"Related Party" shall have the meaning set forth in Section 12.1(b).

"Release" shall mean disposing, discharging, injecting, spilling, pumping, leaking, leaching, dumping, emitting, escaping, emptying, pouring, seeping, or migrating into, through or upon the environment, including any land or water or air.

"Relevant Payment" shall have the meaning set forth in Section 9.9.

"Replaced Lender" shall have the meaning set forth in Section 2.14.

"Replacement Lender" shall have the meaning set forth in Section 2.14.

"Reportable Event" shall mean any of the events set forth in Section 4043(c) of ERISA with respect to a Plan, other than those events as to which the thirty-day notice period is waived by regulation.

"Required DIP Lenders" shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding principal amount of all Term Loans and Term Loan Commitments held by all Lenders at such time; provided, that the Term Loans and Term Loan Commitments of all Defaulting Lenders shall be disregarded in determining Required DIP Lenders at any time; provided, further, that if at any time there shall be two or more Lenders, Required DIP Lenders shall include at least two Lenders. For purposes of the proviso of this definition, all Lenders that are Affiliates or are an investment advisory client, fund and/or account managed or advised or sub-advised by Lenders or Affiliates of Lenders shall be treated as a single Lender.

"Requirement of Law" shall mean, with respect to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Restricted Payments" shall have the meaning set forth in Section 8.5.

"S&P" shall mean S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc. (or its successors in interest).

"Sale Leaseback Transaction" shall mean any arrangement with any Person or Persons, whereby in contemporaneous or substantially contemporaneous transactions a Loan Party sells substantially all of its right, title and interest in any property and, in connection therewith, a Loan Party acquires, leases or licenses back the right to use all or a material portion of such property.

"Sanctions" shall mean all economic, trade, financial or other sanctions laws, regulations or embargoes imposed, administered or enforced by: (a) the United States of America, including, without limitation, those administered by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury, the U.S. Department of State, (b) the United Nations Security Council, (c) the European Union, (d) Her Majesty's Treasury of the United Kingdom or (e) any other governmental authority in any jurisdiction in which any Loan Party or any of its Subsidiaries is located or doing business.

"SEC" shall mean the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

"Secured Parties" shall mean the collective reference to the Administrative Agent, the Collateral Agent and the Lenders.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Security Agreement" shall mean the Security Agreement substantially in the form of Exhibit E, as modified, supplemented, amended, restated (including any amendment and restatement thereof), extended or renewed from time to time in accordance with the terms thereof and hereof.

"Security Document" shall mean and include each of the Security Agreement, each Mortgage, after the execution and delivery thereof, each Additional Security Document and the BVI Intercreditor Agreement.

"Single Employer Plan" shall mean any Plan that is covered by Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, other than a Multiemployer Plan, that is maintained or contributed to by Holdings, the Borrower, or any Commonly Controlled Entity or to which Holdings, the Borrower, or a Commonly Controlled Entity has any direct or indirect liability or could have liability under Section 4069 of ERISA in the event that such plan has been or were to be terminated.

"Snapback Event" shall mean the entry of a Final Order that includes language different from paragraph 47 of the Interim Order in a manner adverse to Alden Global Capital LLC and its Affiliates ("Alden"), unless waived by Alden in its sole discretion within five (5) Business Days after entry of the Final Order.

"Solicitation" means the solicitation of votes in connection with the Acceptable Plan of Reorganization pursuant to sections 1125 and 1126 of the Bankruptcy Code and the applicable procedures approved by the Bankruptcy Court and set forth in the Disclosure Statement Order.

"Stated Maturity Date" shall have the meaning set forth in the definition of Maturity Date.

"Store" means any retail store (which may include any real property, fixtures, equipment, inventory and other property related thereto) operated, or to be operated, by any Loan Party.

"Subordinated Indebtedness" shall mean, with respect to the Obligations, any Indebtedness of the Borrower or any Guarantor which is by its terms subordinated in the right of payment to the Obligations (including, in the case of a Guarantor, Obligations of such Guarantor under its Guarantee).

"Subsidiary" shall mean, with respect to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other Capital Stock having ordinary voting power (other than stock or such other Capital Stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Holdings.

"Subsidiary Guarantor" shall mean the Debtor Subsidiary Guarantors, the Domestic Delayed Guarantors and the Foreign Delayed Guarantors and any other Subsidiary who joins this agreement as a Guarantor pursuant to a Guarantor Joinder Agreement, in each case, that have Guaranteed the Guaranteed Obligations; provided, however, that none of Payless ShoeSource (BVI) Holdings, Ltd., Payless Colombia (BVI) Holdings Ltd., Payless ShoeSource Andean Holdings, Payless ShoeSource Peru Holding, S.L., Payless ShoeSource Ecuador CIA Ltda, Payless ShoeSource Spain, S.L., nor any of their respective Subsidiaries shall be Subsidiary Guarantors.

"Swap Agreement" shall mean any agreement with respect to any swap, cap, collar, hedge, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions (including, without limitation, any Interest Rate Protection Agreement).

"Swap Obligation" means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"Swap Termination Value" means, in respect of any one or more Swap Agreement, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreement, (a) for any date on or after the date such Swap Agreement have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreement, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Agreement (which may include a Lender or any Affiliate of a Lender).

"Synthetic Lease Obligation" shall mean the monetary obligation of a Person under a so-called synthetic, off-balance sheet or tax retention lease.

"Taxes" shall mean all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" shall mean any loan made or maintained by any Lender pursuant to this Agreement, including, without limitation, the Initial Term Loans, the Interim Delayed Draw Term Loans and the Final Delayed Draw Term Loans. Upon funding of any Initial Term Loans, Interim Delayed Draw Term Loans or Final Delayed Draw Term Loans, such Initial Term Loans, Interim Delayed Draw Term Loans or Final Delayed Draw Term Loans, as applicable, shall be deemed to be Term Loans for all purposes hereunder.

"Term Loan Commitments" shall mean the Interim Delayed Draw Term Loan Commitments and the Final Delayed Draw Term Loan Commitments. The aggregate amount of the Term Loan Commitments as of the Closing Date is $8,121,827.42.

"Term Note" shall have the meaning set forth in Section 2.6(a).

"Term Loan Proceeds Account" means that certain segregated account of the Borrower held at the Administrative Agent, with the account number CM130367-2 and titled "Payless DIP Priority Collateral Deposit Account".

"Termination Date" the first date on which each of the following conditions are satisfied:

(a) the indefeasible payment in full in cash of the Obligations under the Loan Documents (other than unasserted contingent indemnification obligations); and

(b) the termination or expiration of all Term Loan Commitments.

"Testing Period" means (a) the three-week period ending on the Friday of the third full week following the Petition Date and (b) each rolling four-week period ending on each Friday thereafter; provided, that solely with respect to the condition precedent set forth in Section 6.3(j),

Testing Period shall mean the time period from the Petition Date to the date of the applicable Borrowing.

"Total Term Loan Commitment" shall mean, at any time, the sum of the Term Loan Commitments of each of the Lenders at such time.

"Transactions" shall mean, collectively, (a) the execution, delivery and performance by the Loan Parties and their applicable Subsidiaries of the Loan Documents to which they are or are intended to be a party, (b) the borrowing of Loans and the use of proceeds thereof, (c) the Chapter 11 Cases, (d) the consummation of all other transactions contemplated by or relating to any of the foregoing and (e) the payment of the fees, costs, disbursements and expenses incurred in connection with the consummation of the foregoing.

"Type" shall mean the type of Term Loan determined with regard to the interest option applicable thereto, i.e., whether a Base Rate Loan or a LIBOR Loan.

"UCC" shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

"United States" and "U.S." shall each mean the United States of America.

"Updated Budget" shall have the meaning set forth in Section 7.16(b).

"U.S. Tax Compliance Certificate" shall have the meaning set forth in Section 4.4(e).

"Variance" means a difference, expressed as a percentage or number (as applicable), between (a) the Budgeted Total Receipts, Budgeted Total Operating Disbursements and Budgeted Total Restructuring Disbursements for any Testing Period and (b) the Actual Total Receipts, Actual Total Operating Disbursements and Actual Total Restructuring Disbursements, respectively, for such Testing Period.

"Variance Report" shall have the meaning set forth in Section 7.16(c).

"Variance Reporting Delivery Date" shall have the meaning set forth in Section 7.16(c).

"Wholly Owned Subsidiary" shall mean, with respect to any Person, (i) any corporation 100% of whose Capital Stock is at the time owned by such Person and/or one or more Wholly Owned Subsidiaries of such Person and (ii) any partnership, limited liability company, association, joint venture or other entity in which such Person and/or one or more Wholly Owned Subsidiaries of such Person has a 100% equity interest at such time (other than, in the case of a Foreign Subsidiary of Holdings with respect to the preceding clauses (i) and (ii), director's qualifying shares and/or other nominal amount of shares required to be held by Persons other than Holdings and its Subsidiaries under applicable law).

"Withholding Agent" means any Loan Party and the Administrative Agent.

"Write-Down and Conversion Powers" shall mean, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time

to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 Other Interpretive Provisions. Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(a) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms not defined in Section 1.1 shall have the respective meanings given to them under GAAP (but subject to the terms of Section 12.7), (ii) the words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", (iii) unless the context otherwise requires, the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, (iv) the word "will" shall be construed to have the same meaning and effect as the word "shall," and (v) unless the context otherwise requires, any reference herein (A) to any Person shall be construed to include such Person's successors and assigns and (B) to Holdings, the Borrower or any other Loan Party shall be construed to include Holdings, the Borrower or such Loan Party as debtor and debtor-in-possession and any receiver or trustee for Holdings, the Borrower or any other Loan Party, as the case may be, in any insolvency or liquidation proceeding.

(b) The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) Notwithstanding anything herein or any other Loan Document to the contrary, whenever any document, agreement or other item is required by any Loan Document to be delivered on a day that is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day.

(e) Any reference herein and in the other Loan Documents to the "payment in full" of the Obligations and words of similar import shall mean the payment in full of the Obligations, other than unasserted contingent indemnification obligations and unasserted expense reimbursement obligations.

(f) Unless otherwise expressly provided herein, (a) references to organization documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, refinancings, restatements, renewals, restructurings, extensions, supplements and other modifications thereto, but only to the extent that such amendments, refinancings, restatements, renewals, restructurings, extensions, supplements and other modifications are not prohibited by the Loan Documents; and (b)

references to any law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such law.

1.3 [Reserved].

1.4 Currency Matters. Principal, interest, reimbursement obligations, fees, and all other amounts payable under this Agreement and the other Loan Documents to the Administrative Agent and the Secured Parties shall be payable in Dollars. Unless stated otherwise, all calculations, comparisons, measurements or determinations under this Agreement shall be made in Dollars. For the purpose of such calculations, comparisons, measurements or determinations, amounts or proceeds denominated in other currencies shall be converted to Dollars using an exchange rate selected by the Administrative Agent in its sole discretion exercised reasonably on the date of calculation, comparison, measurement or determination. Unless expressly provided otherwise, where a reference is made to a Dollar amount, the amount is to be considered as the amount in Dollars and, therefore, each other currency shall be converted into the amount equivalent thereto in Dollars based on the exchange rate on the relevant date as selected by the Administrative Agent in its sole discretion acting reasonably.

SECTION 2.
AMOUNT AND TERMS OF CREDIT.

2.1 The Term Loans.

(a) Each of Holdings, the Borrower, the other Loan Parties, each Lender party to this Agreement as of the Closing Date and the Administrative Agent and Collateral Agent hereby confirms and acknowledges that each such Lender made Initial Term Loans to the Borrower on or about the Initial Funding Date in the principal amounts set forth on Schedule I hereto. Once repaid, Initial Term Loans may not be reborrowed.

(b) Subject to the terms and conditions hereof, each Lender having an Interim Delayed Draw Term Loan Commitment severally and not jointly agrees to make term loans in Dollars (each, a "Interim Delayed Draw Term Loan" and, collectively, the "Interim Delayed Draw Term Loans") to the Borrower in a single Borrowing during the Interim Delayed Draw Availability Period in the amount requested by the Borrower not to exceed the Interim Delayed Draw Term Loan Commitment of such Lender and not to exceed in the aggregate the Interim Delayed Draw Term Loan Commitments of all Lenders in the aggregate. The proceeds of the Borrowing of Interim Delayed Draw Term Loans shall be deposited into the Term Loan Proceeds Account until used by the Borrower in accordance with the terms hereof. Once repaid, Interim Delayed Draw Term Loans may not be reborrowed.

(c) Subject to the terms and conditions hereof, each Lender having a Final Delayed Draw Term Loan Commitment severally and not jointly agrees to make term loans in Dollars (each, a "Final Delayed Draw Term Loan" and, collectively, the "Final Delayed Draw Term Loans") to the Borrower in a single Borrowing during the Final Delayed Draw Availability Period in the amount requested by the Borrower not to exceed the Final Delayed Draw Term Loan Commitment of such Lender and not to exceed in the aggregate the Final Delayed Draw Term Loan Commitments of all Lenders in the aggregate. The proceeds of the Borrowing of

Interim Delayed Draw Term Loans shall be deposited into the Term Loan Proceeds Account until used by the Borrower in accordance with the terms hereof. Once repaid, Final Delayed Draw Term Loans may not be reborrowed.

(d) Subject to and upon the terms and conditions set forth herein, each Lender having Term Loan Commitments pursuant to clauses (b) or (c) of this Section 2.1 severally agrees that each of the Interim Delayed Draw Term Loans and the Final Delayed Draw Term Loans (i) shall be incurred pursuant to a single drawing on the applicable date of Borrowing, (ii) shall be denominated in Dollars, (iii) except as hereinafter provided, shall, at the option of the Borrower, be incurred and maintained as, and/or converted into, Base Rate Loans or LIBOR Loans; provided that except as otherwise specifically provided in Section 2.11(b) all Term Loans comprising the same Borrowing shall at all times be of the same Type and (iv) shall be made by each such Lender in an aggregate principal amount which does not exceed the Interim Delayed Draw Term Loan Commitments or the Final Delayed Draw Term Loan Commitments, as applicable, of such Lender on the applicable date of Borrowing.

(e) Notwithstanding anything to the contrary contained in this Section 2.1, (v) the portion of the Initial Term Loans funded on February 27, 2019 by certain of the Lenders (*i.e.*, the amount funded by such Lenders to the Borrower on such date) equals $13,747,763.44 after taking into account OID (it being agreed that the full principal amount of such Initial Term Loans was outstanding on the Initial Funding Date, and the Borrower is obligated to repay 100% of the aggregate principal amount of such Initial Term Loans as provided hereunder); (w) the portion of the Initial Term Loans funded on February 28, 2019 by certain of the Lenders (*i.e.*, the amount funded by such Lenders to the Borrower on such date) equals $42,940.10 after taking into account OID (it being agreed that the full principal amount of such Initial Term Loans was outstanding on such date, and the Borrower is obligated to repay 100% of the aggregate principal amount of such Initial Term Loans as provided hereunder); (x) the portion of the Initial Term Loans funded on March 1, 2019 by certain of the Lenders (*i.e.*, the amount funded by such Lenders to the Borrower on such date) equals $3,468,179.70 after taking into account OID (it being agreed that the full principal amount of such Initial Term Loans was outstanding on such date, and the Borrower is obligated to repay 100% of the aggregate principal amount of such Initial Term Loans as provided hereunder); (y) the aggregate funded amount of the Interim Delayed Draw Term Loans by the Lenders (*i.e.*, the aggregate principal amount funded by the Lenders to the Borrower) shall be equal to $4,060,913.71 after taking into account OID (it being agreed that the full aggregate principal amount of Interim Delayed Draw Term Loans will be deemed outstanding on the date of the Borrowing of such Interim Delayed Draw Term Loans, and the Borrower shall be obligated to repay 100% of the aggregate principal amount of such Interim Delayed Draw Term Loans as provided hereunder); and (z) the aggregate funded amount of the Final Delayed Draw Term Loans by the Lenders (*i.e.*, the aggregate principal amount funded by the Lenders to the Borrower) shall be equal to $4,060,913.71 after taking into account OID (it being agreed that the full aggregate principal amount of Final Delayed Draw Term Loans will be deemed outstanding on the date of the Borrowing of such Final Delayed Draw Term Loans, and the Borrower shall be obligated to repay 100% of the aggregate principal amount of such Final Delayed Draw Term Loan as provided hereunder).

2.2 Minimum Amount of Each Borrowing. The aggregate principal amount of each Borrowing of Term Loans shall not be less than the Minimum Borrowing Amount. More than

one Borrowing may occur on the same date, but at no time shall there be outstanding more than ten Borrowings of LIBOR Loans in the aggregate for all Term Loans.

2.3 Notice of Borrowing. If the Borrower desires to incur Delayed Draw Term Loans in accordance with Section 2.1(b) or (c) as (x) LIBOR Loans hereunder, the Borrower shall give the Administrative Agent at the Notice Office at least three (3) Business Days' (or such shorter period as shall be acceptable to the Required DIP Lenders) prior written notice of the Delayed Draw Term Loans to be incurred hereunder or (y) Base Rate Loans hereunder, the Borrower shall give the Administrative Agent at the Notice Office at least one (1) Business Day's (or such shorter period as shall be acceptable to the Required DIP Lenders) prior notice of the Delayed Draw Term Loans to be incurred hereunder, provided that any such notice shall be deemed to have been given on a certain day only if given before 11:00 A.M. (New York City time) on such day. Such notice (the "Notice of Borrowing"), shall be irrevocable and shall be in writing in the form of Exhibit F, appropriately completed to specify: (i) the aggregate principal amount of the Delayed Draw Term Loans to be incurred pursuant to such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day) and (iii) whether the Delayed Draw Term Loans being incurred pursuant to such Borrowing are to be initially maintained as Base Rate Loans or, to the extent permitted hereunder, LIBOR Loans. The Administrative Agent shall promptly give each Lender which is required to make such Delayed Draw Term Loans, notice of such proposed Borrowing, of such Lender's proportionate share thereof and of the other matters required by the immediately preceding sentence to be specified in the Notice of Borrowing. The Parties hereto acknowledge that a Notice of Borrowing with respect to the Initial Term Loans made on the Initial Funding Date has been delivered to the Administrative Agent, and the Initial Term Loans (i) were borrowed as set forth in Section 2.1 and (ii) were initially Borrowed as LIBOR Loans with a one-month Interest Period, which Interest Period is the same for all such Initial Term Loans regardless of the date the applicable Initial Term Loans were made by the Lenders to the Borrower; provided, that such Initial Term Loans shall accrue interest commencing on the date such Initial Term Loans were funded.

2.4 Repayment of Term Loans. The principal amount of the Term Loans shall be repaid in full in cash on the Maturity Date, together with all accrued and unpaid interest thereon.

2.5 Disbursement of Funds. No later than 1:00 P.M. (New York City time) on the date specified in each Notice of Borrowing, each Lender with a Term Loan Commitment will make available its pro rata portion (determined in accordance with Section 2.8) of such Borrowing requested to be made on such date. All such amounts will be made available in Dollars and in immediately available funds at the Payment Office, and will be deposited by the Administrative Agent into the Term Loan Proceeds Account (or to such other account at the direction of the Borrower pursuant to a certificate executed by an Authorized Officer and delivered to the Administrative Agent certifying as to the reasonably anticipated date of application of proceeds from any Term Loans and that such application shall be in accordance with Section 5.12) the aggregate of the amounts so made available by the Lenders. Unless the Administrative Agent shall have been notified by any Lender prior to the date of Borrowing that such Lender does not intend to make available to the Administrative Agent such Lender's portion of any Borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date of Borrowing and the Administrative Agent may (but shall not be obligated to), in reliance upon

such assumption, make available to the applicable Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover on demand from such Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower until the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to (i) if recovered from such Lender, the overnight Federal Funds Rate for the first three (3) days and at the interest rate otherwise applicable to such Term Loans for each day thereafter and (ii) if recovered from the Borrower, the rate of interest applicable to the respective Borrowing, as determined pursuant to Section 2.9. Nothing in this Section 2.5 shall be deemed to relieve any Lender from its obligation to make Term Loans hereunder or to prejudice any rights which any Borrower may have against any Lender as a result of any failure by such Lender to make Term Loans hereunder.

2.6 Term Notes.

(a) The Borrower's obligation to pay the principal of, and interest on, the Term Loans made by each Lender shall be evidenced in the Register maintained by the Administrative Agent pursuant to Section 12.15 and shall, if requested by such Lender, also be evidenced by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit G, with blanks appropriately completed in conformity herewith (each, a "Term Note" and, collectively, the "Term Notes").

(b) Each Lender will note on its internal records the amount of each Term Loan made by it and each payment in respect thereof and prior to any transfer of any of its Term Notes with respect to such Term Loans will endorse on the reverse side thereof the outstanding principal amount of such Term Loans evidenced thereby. Failure to make any such notation or any error in such notation shall not affect the Borrower's obligations in respect of such Term Loans.

(c) Notwithstanding anything to the contrary contained above in this Section 2.6 or elsewhere in this Agreement, Term Notes shall only be delivered to Lenders which at any time specifically request the delivery of such Term Notes. No failure of any Lender to request or obtain a Term Note evidencing its Term Loans to the Borrower shall affect or in any manner impair the obligations of the Borrower to pay the Term Loans (and all related Obligations) incurred by the Borrower which would otherwise be evidenced thereby in accordance with the requirements of this Agreement, and shall not in any way affect the security or guarantees therefor provided pursuant to the various Loan Documents. Any Lender which does not have a Term Note evidencing its outstanding Term Loans shall in no event be required to make the notations otherwise described in preceding clause (b). At any time when any Lender requests the delivery of a Term Note to evidence any of its Term Loans, the Borrower shall promptly execute and deliver to the respective Lender the requested Term Note in the appropriate amount or amounts to evidence such Term Loans.

2.7 Conversions. The Borrower shall have the option to continue or convert, on any Business Day, all or a portion equal to at least the Minimum Borrowing Amount of the outstanding principal amount of Term Loans made pursuant to one or more Borrowings of one or more Types of Term Loans into a Borrowing of another Type of Term Loan, provided that, (i) except as otherwise provided in Section 2.11(b) or unless the Borrower complies with the provisions of Section 2.12, LIBOR Loans may be converted into Base Rate Loans only on the last day of an Interest Period applicable to the Term Loans being converted and no such partial conversion of LIBOR Loans shall reduce the outstanding principal amount of such LIBOR Loans made pursuant to a single Borrowing to less than the Minimum Borrowing Amount applicable thereto, (ii) unless the Required DIP Lenders otherwise agree, Base Rate Loans may only be converted into LIBOR Loans if no Default or Event of Default is in existence on the date of the conversion, and (iii) no conversion pursuant to this Section 2.7 shall result in a greater number of Borrowings of LIBOR Loans than is permitted under Section 2.2. Each such conversion shall be effected by the Borrower giving the Administrative Agent at the Notice Office prior to 11:00 A.M. (New York City time) at least (x) in the case of conversions of Base Rate Loans into LIBOR Loans or continuations of LIBOR Loans, three (3) Business Days' prior written notice and (y) in the case of conversions of LIBOR Loans into Base Rate Loans, one (1) Business Day's prior written notice (each, a "Notice of Conversion/Continuation"), in each case in the form of Exhibit H, appropriately completed to specify the Term Loans to be so converted or continued, the Borrowing or Borrowings pursuant to which such Term Loans were incurred. The Administrative Agent shall give each Lender prompt notice of any such proposed conversion affecting any of its Term Loans. If the Borrower fails to specify a Type of Term Loan in a Notice of Borrowing, then the Term Loans shall be made as, or converted or continued to, LIBOR Loans.

2.8 Pro Rata Borrowings. All Borrowings of Term Loans under this Agreement shall be incurred from the Lenders pro rata on the basis of their Interim Delayed Draw Term Loan Commitments or Final Delayed Draw Term Loan Commitments, as applicable, with respect to such Borrowing of Term Loans. It is understood that no Lender shall be responsible for any default by any other Lender of its obligation to make Term Loans hereunder, and that each Lender shall be obligated to make the Term Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Term Loans hereunder.

2.9 Interest.

(a) The Borrower agrees to pay interest in cash in respect of the unpaid principal amount of each Term Loan maintained as a Base Rate Loan from the date of Borrowing thereof until the earlier of (i) the Maturity Date and (ii) the conversion of such Base Rate Loan to a LIBOR Loan pursuant to Section 2.7, at a rate per annum which shall be equal to the sum of the Applicable Margin plus the Base Rate, as in effect from time to time.

(b) The Borrower agrees to pay interest in cash in respect of the unpaid principal amount of each Term Loan maintained as a LIBOR Loan from the date of Borrowing thereof until the earlier of (i) the Maturity Date and (ii) the conversion of such LIBOR Loan to a Base Rate Loan pursuant to Section 2.7, 2.10 or 2.11, as applicable, at a rate per annum which shall, during each Interest Period applicable thereto, be equal to the sum of the Applicable Margin plus the LIBOR Rate for such Interest Period.

(c) [Reserved].

(d) Upon the occurrence and during the continuance of an Event of Default, the principal amount of the Term Loan and, to the extent permitted by law, overdue interest and all other overdue amounts shall, in each case, bear interest at a rate per annum equal to (x) in the case of overdue principal, the rate which is 2.00% per annum in excess of the rate then borne by such Term Loans and (y) in the case of all other overdue amounts (including, to the extent permitted by law, overdue interest) payable hereunder and under any other Loan Document shall bear interest at a rate per annum equal to the rate which is 2.00% per annum in excess of the rate applicable to Term Loans that are maintained as Base Rate Loans from time to time. Interest that accrues under this Section 2.9(d) shall be payable in cash on demand.

(e) Accrued (and theretofore unpaid) interest (except as provided for in Section 2.9(d) above) shall be payable in cash (i) in respect of each Base Rate Loan, (x) on the last Business Day of each calendar month, (y) on the date of any repayment or prepayment of Term Loans (on the amount repaid or prepaid), and (z) on the Maturity Date (whether by acceleration or otherwise) and, after such maturity, on demand, and (ii) in respect of each LIBOR Loan, (x) on the last day of each Interest Period applicable thereto, (y) on the date of any repayment or prepayment of Term Loans (on the amount repaid or prepaid), and (z) on the Maturity Date (whether by acceleration or otherwise) and, after such maturity, on demand.

(f) Upon each Interest Determination Date, the Administrative Agent shall determine the LIBOR Rate for each Interest Period applicable to the respective LIBOR Loans and shall promptly notify the Borrower and the Lenders of such LIBOR Loans thereof. Each such determination shall, absent manifest error, be final and conclusive and binding on all parties hereto.

2.10 Interest Periods. Each LIBOR Loan shall have an interest period of one (1) month (the "Interest Period"); provided that, in each case:

(a) the initial Interest Period for any LIBOR Loan shall commence on the date of Borrowing of such LIBOR Loan (including the date of any conversion thereto from a Base Rate Loan) and each Interest Period occurring thereafter in respect of such LIBOR Loan shall commence on the day on which the next preceding Interest Period applicable thereto expires;

(b) (i) if any Interest Period for a LIBOR Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month, and (ii) if any Interest Period for LIBOR Loan begins on the last Business Day of a calendar month, such Interest Period shall end on the last Business Day of such calendar month;

(c) if any Interest Period for a LIBOR Loan would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a LIBOR Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(d) unless the Required DIP Lenders otherwise agree, no LIBOR Loan shall be selected at any time when a Default or an Event of Default is then in existence; and

(e) no Interest Period in respect of any Borrowing of Term Loans shall be selected which extends beyond the Maturity Date.

If by 11:00 A.M. (New York City time) on the third (3rd) Business Day prior to the expiration of any Interest Period applicable to a Borrowing of LIBOR Loans, the Borrower has failed to notify the Administrative Agent whether such Borrowing shall continue as a LIBOR Loan or be converted to a Base Rate Loan, the Borrower shall be deemed to have elected to continue such LIBOR Loans as LIBOR Loans with an Interest Period of one month effective as of the expiration date of such current Interest Period.

2.11 Increased Costs, Illegality, etc.

(a) In the event that any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (A) below, may be made only by the Administrative Agent):

(A) on any Interest Determination Date that, by reason of any changes in any Requirement of Law arising after the date of this Agreement affecting the London interbank market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of LIBOR Rate; or

(B) at any time, that such Lender shall incur increased costs, Taxes (other than Taxes described in clauses (b) through (d) of the definition of Excluded Taxes, Indemnified Taxes, and Connection Income Taxes) or reductions in the amounts received or receivable hereunder with respect to any LIBOR Loan because of (x) any change since the date of this Agreement in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, but not limited to, a change in official reserve requirements, but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the LIBOR Rate and/or (y) other circumstances arising since the date of this Agreement affecting such Lender, the London interbank market or the position of such Lender in such market (including that the LIBOR Rate with respect to such LIBOR Loan does not adequately and fairly reflect the cost to such Lender of funding such LIBOR Loan); or

(C) at any time, that the making or continuance of any LIBOR Loan has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Lender in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency occurring after the date of this Agreement which materially and adversely affects the London interbank market;

then, and in any such event, such Lender (or the Administrative Agent, in the case of clause (A) above) shall promptly give written notice to the Borrower and, except in the case of clause (A) above, to the Administrative Agent of such determination (which notice the Administrative Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (A) above, LIBOR Loans shall no longer be available until such time as the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice by the Administrative Agent no longer exist, and any Notice of Borrowing or Notice of Conversion/Continuation given by the Borrower with respect to LIBOR Loans which have not yet been incurred (including by way of conversion) shall be deemed rescinded by the Borrower, (y) in the case of clause (B) above, the Borrower agrees to pay to such Lender, upon such Lender's written request therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender shall determine after consultation with the Borrower) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing in reasonable detail the basis for the calculation thereof, submitted to the Borrower by such Lender shall, absent manifest error, be final and conclusive and binding on all the parties hereto) and (z) in the case of clause (C) above, the Borrower shall take one of the actions specified in Section 2.11(b) as promptly as possible and, in any event, within the time period required by law.

(b) At any time that any LIBOR Loan is affected by the circumstances described in Section 2.11(a)(B), the Borrower may, and in the case of a LIBOR Loan affected by the circumstances described in Section 2.11(a)(C), the Borrower shall, either (x) if the affected LIBOR Loan is then being made initially or pursuant to a conversion, cancel such Borrowing by giving the Administrative Agent written notice on the same date that the Borrower was notified by the affected Lender or the Administrative Agent pursuant to Section 2.11(a)(B) or (C) or (y) if the affected LIBOR Loan is then outstanding, upon at least three (3) Business Days' written notice to the Administrative Agent, require the affected Lender to convert such LIBOR Loan into a Base Rate Loan; provided that, if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 2.11(b).

(c) If any Lender determines that after the date of this Agreement the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline, directive or request (whether or not having the force of law) concerning capital adequacy, or any change in interpretation or administration thereof by the NAIC or any Governmental Authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender based on the existence of such Lender's Term Loan Commitments hereunder or its obligations hereunder, then the Borrower agrees to pay to such Lender, upon its written demand therefor, such additional amounts as shall be required to compensate such Lender or such other corporation for the increased cost to such Lender or such other corporation or the reduction in the rate of return to such Lender or such other corporation as a result of such increase of capital. In determining such additional amounts, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable; provided that such Lender's determination of compensation owing under this Section 2.11(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts, will be payable pursuant to this Section 2.11(c), will

give prompt written notice thereof to the Borrower, which notice shall show in reasonable detail the basis for calculation of such additional amounts, although the failure to give any such notice shall not release or diminish the Borrower's obligations to pay additional amounts pursuant to this Section 2.11(c) upon the subsequent receipt of such notice.

(d) Notwithstanding anything in this Agreement to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof and (y) all requests rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a change after the date of this Agreement in a requirement of law or government rule, regulation or order, regardless of the date enacted, adopted, issued or implemented (including for purposes of this Section 2.11).

(e) For the avoidance of doubt, this Section 2.11 shall not apply to any Excluded Taxes, or to any Indemnified Taxes, which are otherwise provided for in Section 4.4.

2.12 Compensation.

(a) The Borrower agrees to compensate each Lender, upon its written request (which request shall set forth in reasonable detail the basis for requesting such compensation), for all actual losses, reasonable and documented out-of-pocket expenses and liabilities (including, without limitation, any actual loss, reasonable and documented out-of-pocket expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by such Lender to fund its LIBOR Loans but excluding loss of anticipated profits) which such Lender may sustain: (i) if for any reason (other than a default by such Lender or the Administrative Agent) a Borrowing of, or conversion from or into, LIBOR Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation (whether or not withdrawn by the Borrower pursuant to Section 2.11(a)); (ii) if any prepayment or repayment (including any prepayment or repayment made pursuant to Section 4.1, Section 4.2 or as a result of an acceleration of the Term Loans pursuant to Section 10) or conversion of any of its LIBOR Loans occurs on a date which is not the last day of an Interest Period with respect thereto (other than as a result of any required conversion pursuant to Section 2.11(b)); (iii) if any prepayment of any of its LIBOR Loans is not made on any date specified in a notice of prepayment given by the Borrower; or (iv) as a consequence of (x) any other default by the Borrower to repay LIBOR Loans when required by the terms of this Agreement or any Term Note held by such Lender or (y) any election made pursuant to Section 2.11(b).

(b) With respect to any Lender's claim for compensation under Section 2.11 or 2.12, the Borrower shall not be required to compensate such Lender for any amount incurred more than one hundred eighty (180) days prior to the date that such Lender or the Administrative Agent notifies the Borrower of the event that gives rise to such claim; provided that, if the circumstance giving rise to such claim is retroactive, then such 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(c) The Borrower shall make such compensation under Section 2.11 or 2.12 within thirty (30) days after receipt of written request therefor.

2.13 Change of Lending Office. Each Lender agrees that on the occurrence of any event giving rise to compensation, indemnification or payment of additional amounts under or pursuant to Section 2.11(a)(B) or (C), Section 2.11(c) or Section 4.4 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Term Loans affected by such event, provided that such designation is made on such terms that such Lender and its lending office suffer no legal, regulatory or unreimbursed economic disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 2.13 shall affect or postpone any of the obligations of the Borrower or the right of any Lender provided in Sections 2.11 and 4.4.

2.14 Replacement of Lenders. (x) If any Lender becomes a Defaulting Lender, (y) upon the occurrence of any event giving rise to compensation, indemnification or payment of additional amounts under or pursuant to Section 2.11(a)(B) or (C), Section 2.11(c) or Section 4.4 with respect to any Lender which results in such Lender charging to the Borrower increased costs in excess of those being generally charged by the other Lenders or (z) in the case of a refusal by a Lender to consent to a proposed change, waiver, discharge or termination with respect to this Agreement which requires the approval of all Lenders or all affected Lenders and which has been approved by the Required DIP Lenders as (and to the extent) provided in Section 12.12(a), the Borrower shall have the right, in accordance with Section 12.4, if no Event of Default then exists or would exist after giving effect to such replacement, to replace such Lender (the "Replaced Lender") with one or more other Eligible Assignees, none of whom shall constitute a Defaulting Lender at the time of such replacement (collectively, the "Replacement Lender") and each of which shall be reasonably acceptable to the Administrative Agent (to the extent the Administrative Agent's consent would be required under Section 12.4); provided that:

(i) at the time of any replacement pursuant to this Section 2.14, the Replacement Lender shall enter into one or more Assignment and Assumptions pursuant to Section 12.4 (and with all fees payable pursuant to said Section 12.4 to be paid by the Replacement Lender and/or the Replaced Lender (as may be agreed to at such time by and among the Borrower, the Replacement Lender and the Replaced Lender)) pursuant to which the Replacement Lender shall acquire all of the Term Loan Commitments and outstanding Term Loans of the Replaced Lender and, in connection therewith, shall pay to the Replaced Lender in respect thereof an amount equal to an amount equal to the principal of, and all accrued interest on, all outstanding Term Loans of the respective Replaced Lender;

(ii) all obligations of the Borrower then owing to the Replaced Lender (other than those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being, paid, but including all amounts, if any, owing under Section 2.12) shall be paid in full to such Replaced Lender concurrently with such replacement; and

(iii) in the case of any such assignment resulting from a claim for compensation under Section 4.4 or payments required to be made pursuant to Section 2.11(a)(B) or (C), such assignment will result in a reduction in such compensation or payments thereafter.

Upon receipt by the Replaced Lender of all amounts required to be paid to it pursuant to this Section 2.14, the Administrative Agent shall be entitled (but not obligated) and is authorized (which authorization is coupled with an interest) to execute an Assignment and Assumption on behalf of such Replaced Lender, and any such Assignment and Assumption so executed by the Administrative Agent and the Replacement Lender shall be effective for purposes of this Section 2.14 and Section 12.4. Upon the execution of the respective Assignment and Assumption, the payment of amounts referred to in clauses (i) and (ii) above, recordation of the assignment on the Register by the Administrative Agent pursuant to Section 12.15, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement (including, without limitation, Sections 2.11, 2.12, 4.4, 11.6, 12.1 and 12.6), which shall survive as to such Replaced Lender.

SECTION 3.
COMMITMENT FEES; FEES; REDUCTIONS OF COMMITMENTS

3.1 Fees.

(a) The Borrower agrees to pay to the Administrative Agent such fees in the amounts and at the times specified as may be agreed to in writing from time to time by Holdings or any of its Subsidiaries and the Administrative Agent.

(b) The Borrower and the Lenders agree (i) that the Loans are debt for federal income tax purposes, (ii) that each Loan (including the Initial Term Loans) has been, or will be, issued with original issue discount ("OID"), (iii) that, the Loans shall be issued at a 1.50% discount of their principal amount, which discount shall be treated as OID, (iv) that the Loans are not governed by the rules set out in Treasury Regulations Section 1.1275-4, (v) that any calculation by the Borrower regarding the amount of OID, which calculation shall be made pursuant to the foregoing, for any accrual period on any Loan shall be subject to the review and approval of the Lenders, and (vi) to adhere to this Agreement for federal income tax purposes and not to file any tax return, report or declaration inconsistent herewith unless otherwise required due to a Change in Law. The inclusion of this Section 3.1(b) is not an admission by any Lender that it is subject to United States taxation.

3.2 Mandatory Reduction of Term Loan Commitments.

(a) The Interim Delayed Draw Term Loan Commitments of each Lender shall terminate in their entirety on the earlier of (x) the incurrence of any Interim Delayed Draw Term Loans and (y) the end of the Interim Delayed Draw Availability Period.

(b) The Final Delayed Draw Term Loan Commitments of each Lender shall terminate in their entirety on the earlier of (x) the incurrence of any Final Delayed Draw Term Loans and (y) the end of the Final Delayed Draw Availability Period.

SECTION 4.
PREPAYMENTS; PAYMENTS; TAXES

4.1 Voluntary Prepayments.

(a) The Borrower may at any time and from time to time prepay the Term Loans, in whole or in part, in each case, without premium or penalty, upon irrevocable written notice delivered to the Administrative Agent no later than Noon (New York City time) three (3) Business Days prior thereto, in the case of LIBOR Loans, and no later than Noon (New York City time) two (2) Business Days prior to the date of such payment, in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and identify whether the prepayment is of LIBOR Loans or Base Rate Loans; provided, that if a LIBOR Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, such Borrower shall also pay any amounts owing pursuant to Section 2.12; provided, further, that if such notice of prepayment indicates that such prepayment is to be funded with the proceeds of Indebtedness or otherwise conditioned upon the consummation of any other transaction or the occurrence of any event (including a Change of Control), such notice of payment may be revoked if such refinancing is not consummated or such condition is not satisfied, subject to payment of any costs referred to in Section 2.12. Upon receipt of any such notice, the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Prepayments shall be accompanied by accrued interest. Partial prepayments of Term Loans shall be in an aggregate principal amount of $1,000,000 and integral multiples of $1,000,000 in excess of that amount.

(b) All voluntary prepayments of Term Loans in accordance with this Section 4.1 shall be applied in the manner set forth in Section 4.2(d).

4.2 Mandatory Repayments.

(a) If any Indebtedness shall be incurred by Holdings or any of its Subsidiaries (other than any Indebtedness permitted to be incurred in accordance with Section 8.1), not later than two (2) Business Days after the incurrence of such Indebtedness, an amount equal to 100% of the Net Cash Proceeds thereof shall be applied toward the prepayment of the Term Loans as set forth in this Section 4.2.

(b) [Reserved].

(c) Subject to the Cash Collateral Orders, the Orders and the BVI Intercreditor Agreement (if applicable), if on any date (i) Holdings, the Borrower or any of the Subsidiary Guarantors shall receive Net Cash Proceeds from any Asset Sale or any Recovery Event or (ii) Holdings or any Subsidiary shall receive Net Cash Proceeds from any Latin American Sale, then 100% of such aggregate Net Cash Proceeds shall be applied within three (3) Business Days of

such date to prepay outstanding Term Loans in accordance with this Section 4.2; provided, that no prepayment shall be required pursuant to clause (i) of this Section 4.2 unless the amount of Net Cash Proceeds received in respect of all Asset Sales and Recovery Events and not applied as a prepayment exceeds $150,000, at which point all such Net Cash Proceeds that have otherwise not been applied pursuant to this Section 4.2 shall be used to prepay outstanding Term Loans. Notwithstanding anything in this Section 4.2(c) to the contrary, to the extent that that any of or all the Net Cash Proceeds from (x) any Asset Sale (other than a Latin American Sale) by a Foreign Subsidiary or of any asset or property located or deemed located outside of the United States or (y) a Recovery Event in respect of any asset or property located or deemed located outside of the United States (a "Foreign Prepayment Event," and any such proceeds, collectively, "Net Foreign Proceeds"), in either case, are prohibited or delayed by applicable local law from being repatriated to the United States or the Borrower determines, in good faith, with the prior written consent of the Administrative Agent (acting at the direction of the Required DIP Lenders), such consent not to be unreasonably withheld, delayed or conditioned, that such repatriation would have a material adverse tax consequence, then, in each case, the portion of such Net Foreign Proceeds so affected will not be required to be applied to make mandatory prepayments pursuant to Section 4.2(c) at the times provided in this Section 4.2 but may be retained by the applicable Foreign Subsidiary or other relevant Subsidiary in such local jurisdiction so long, but only so long, as the applicable local law will not permit repatriation to the United States (or such material adverse tax consequence exists (the relevant portion of Net Foreign Proceeds so retained that are the subject of a mandatory prepayment requirement that has not yet been satisfied, the "Affected Net Foreign Proceeds")). Once such repatriation of any of such Affected Net Foreign Proceeds that, in each case, would otherwise be required to be used to make a mandatory prepayment pursuant to Section 4.2(c), is permitted under the applicable local law (or such material adverse tax consequence is avoided or no longer applicable), such repatriation will be promptly effected and such repatriated Affected Net Foreign Proceeds will be promptly (and in any event not later than three (3) Business Days after such repatriation) applied (net of additional taxes payable or reserved against as a result thereof) to the mandatory prepayment pursuant to Section 4.2(c).

(d) Amounts to be applied in connection with prepayments made pursuant to Section 4.1 and this Section 4.2 and the application of proceeds pursuant to Section 10.4 shall be applied (i) first to the fees and expenses of Administrative Agent, (ii) second to the fees and expenses of the Lenders, (iii) third to interest with respect to the Term Loans, (iv) fourth to principal with respect to the Term Loans, and (v) fifth to the extent proceeds remain after the application pursuant to the preceding clauses (i) through (iv) inclusive, and following the payment in full in cash of all Obligations, as a court of competent jurisdiction may otherwise direct. In carrying out the foregoing, (A) amounts received shall be applied to each category in the numerical order provided until exhausted prior to the application to the immediately succeeding category and (B) each of the Lenders and other Persons entitled to payment under any category shall receive an amount equal to its pro rata share of amounts available to be applied thereunder.

(e) The Borrower shall deliver to the Administrative Agent (who will notify each Lender) notice of each prepayment required under this Section 4.2 not less than three (3) Business Days prior to the date such prepayment is required to be made (each such date, a "Mandatory Prepayment Date"). Such notice shall set forth (i) the Mandatory Prepayment Date,

(ii) the principal amount of each Term Loan (or portion thereof) to be prepaid and (iii) the Type of each Term Loan being prepaid. The Administrative Agent will promptly notify each Lender holding Term Loans of the contents of the Borrower's repayment notice and of such Lender's pro rata share of the Term Loans subject to such repayment.

(f) With respect to each repayment of Term Loans required by this Section 4.2, the Borrower, upon irrevocable written notice delivered to the Administrative Agent no later than Noon (New York City time) three (3) Business Days prior thereto, in the case of LIBOR Loans, and no later than Noon (New York City time) two (2) Business Days prior to the date of such payment, in the case of Base Rate Loans, may designate the Types of Term Loans which are to be repaid and, in the case of LIBOR Loans, the specific Borrowing or Borrowings pursuant to which such LIBOR Loans were made; provided that: (i) unless the Borrower complies with the provisions of Section 2.12, repayments of LIBOR Loans pursuant to this Section 4.2 may only be made on the last day of an Interest Period applicable thereto unless all LIBOR Loans with Interest Periods ending on such date of required repayment and all Base Rate Loans have been paid in full; (ii) if any repayment of LIBOR Loans made pursuant to a single Borrowing shall reduce the outstanding LIBOR Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto, such Borrowing shall be automatically converted into a Borrowing of Base Rate Loans; and (iii) each repayment of any Term Loans made pursuant to a Borrowing shall be applied pro rata among such Term Loans. Notwithstanding the foregoing, at the election of the Borrower, the amount of any prepayment of Term Loans required under this Section 4.2 may be deposited in an escrow account on terms reasonably satisfactory to the Administrative Agent and applied to the prepayment of LIBOR Loans upon the expiration of the applicable Interest Period; provided, that if an Event of Default has occurred and is continuing, the Administrative Agent may, and upon the written direction from the Required DIP Lenders, shall, apply any or all of such amounts then on deposit in such escrow account to the payment of such Term Loans, together with any amounts owing to the Lenders in accordance with the provisions of Section 2.12.

4.3 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement and under any Term Note shall be made to the Administrative Agent for the account of the Lender or Lenders entitled thereto not later than 1:00 P.M. (New York City time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office, and any payment received after such time may, in Administrative Agent's discretion, be deemed received on the next succeeding Business Day. Whenever any payment to be made hereunder or under any Term Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension.

4.4 Taxes.

(a) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be

entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 4.4) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) The Loan Parties shall jointly and severally indemnify each Lender and the Administrative Agent, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Lender or Administrative Agent required to be withheld or deducted from a payment to such Lender or Administrative Agent and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 4.4, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Sections 4.4(e)(A), (B), and (D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender. Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or W-8BEN-E establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit I-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN or W-8BEN-E; or

(iv) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or W-8BEN-E, a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-2 or Exhibit I-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit I-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the

reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 4.4(e)(D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(E) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(f) If a Loan Party pays any additional amount or makes any indemnity payment under this Section 4.4 to a Lender or the Administrative Agent and such Lender or the Administrative Agent determines in its sole discretion exercised in good faith that it has received any refund of Indemnified Taxes or Other Taxes as to which it has been indemnified by such Borrower or any Guarantor (a "Refund"), such Lender or the Administrative Agent shall pay to a Loan Party, as the case may be, such Refund (but only to the extent of indemnity payments made under this Section 4.4 with respect to Indemnified Taxes and Other Taxes giving rise to such Refund) net of all out-of-pocket expenses (including Taxes) in respect of such Refund and without interest; provided, however, that (i) any Lender or the Administrative Agent may determine, in its sole discretion exercised in good faith consistent with its policies, whether to seek a Refund; (ii) any Taxes, costs, penalties, interest or other charges that are imposed on a Lender or the Administrative Agent as a result of a disallowance or reduction of any Refund with respect to which such Lender or the Administrative Agent has made a payment to the Borrower or the Guarantor pursuant to this Section 4.4(f) (and any interest or penalties imposed thereon) shall be treated as a Tax for which a Loan Party, as the case may be, is obligated to indemnify such Lender or the Administrative Agent pursuant to this Section 4.4 without any exclusions or defenses; (iii) nothing in this Section 4.4(f) shall require any Lender or the Administrative Agent to disclose any confidential information to the Borrower or the Guarantor (including, without limitation, its tax returns); and (iv) no Lender or the Administrative Agent shall be required to pay any amounts pursuant to this Section 4.4(f) at any time which an Event of Default exists

(provided that such amounts shall be credited against amounts otherwise owed under this Agreement by a Loan Party); and (v) notwithstanding anything to the contrary in this Section 4.4(f), in no event will the Lender or Administrative Agent be required to pay any amount to the Borrower or Guarantors the payment of which would place the Lender or Administrative Agent in a less favorable net after-tax position than the Lender or Administrative Agent would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid.

SECTION 5.
REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Term Loans, each of the Loan Parties hereby jointly and severally represents and warrants to the Administrative Agent, to the Collateral Agent and to each Lender that, (a) on the Closing Date and (b) on the date of each initial Borrowing of any Delayed Draw Term Loans (excluding, for the avoidance of doubt, any continuation or conversion thereof), the representations and warranties set forth below are true and correct in all respects:

5.1 Financial Condition.

(a) [Reserved].

(b) The audited consolidated balance sheets of Holdings and its Subsidiaries as at February 3, 2018, and the related consolidated statements of income, stockholders' equity and cash flows for the fiscal years ended on February 3, 2018, reported on by and accompanied by an unqualified report as to going concern or scope of audit from Pricewaterhouse Coopers, LLP, copies of which have heretofore been furnished to each Lender, present fairly in all material respects the consolidated financial condition of Holdings and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of Holdings and its Subsidiaries at January 5, 2019 and the related consolidated statements of income and cash flows and changes in shareholders' equity of Holdings and its Subsidiaries for the period covered therein, copies of which have heretofore been furnished to each Lender, present fairly in all material respects the consolidated financial condition of Holdings and its Subsidiaries at the date of such financial statements and the results for the period covered thereby, subject to year-end adjustments and the absence of footnotes. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP (without giving effect to the parenthetical set forth in the definition thereof) applied consistently throughout the periods involved (except for the lack of footnotes and being subject to year-end adjustments).

5.2 No Change. Since the Petition Date, there has been no change in the financial condition, business, operations, or properties of Holdings and/or its Subsidiaries that has had, or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect (other than the commencement of the Chapter 11 Cases).

5.3 Existence; Compliance with Law. Each of Holdings, the Borrower and each other Subsidiary (a) is duly organized, validly existing and in good standing (to the extent such

concept exists in the relevant jurisdiction) under the laws of the jurisdiction of its organization except, solely in the case of any Subsidiary of the Borrower that is not a Loan Party, where the failure to be duly organized, validly existing or in good standing could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged except where the failure to have such power, authority or legal right could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to be so qualified or in good standing could not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect and (d) is in compliance with all Requirements of Law, except to the extent that the failure to comply therewith could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.4 Power; Authorization; Enforceable Obligations. Subject to any necessary Bankruptcy Court approval, including, without limitation, entry of the Interim Order or the Final Order, as the case may be, each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement and to authorize the other Transactions. Each Loan Document has been duly executed and delivered on behalf of each Loan Party thereto. Subject to the entry and the terms of the Orders, this Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.5 Consents. No Governmental Approval or consent or authorization of, filing with, notice to or other act by or in respect of, any other Person is required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document, except (i) Governmental Approvals, consents, authorizations, filings and notices that have been obtained or made and are in full force and effect, including the applicable Order, (ii) [reserved] and (iii) those the failure of which to obtain or make could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.6 No Legal Bar; Approvals. Subject to the entry and terms of the Orders, the execution, delivery and performance of this Agreement and the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof (i) will not violate, or conflict with, any Requirement of Law or any Contractual Obligation of Holdings or any of its Subsidiaries except where enforcement is stayed upon commencement of the Chapter 11 Cases, (ii) will not result in, or require, the creation or imposition of any Lien on any of their respective properties

or revenues pursuant to any Requirement of Law, any Organizational Documents of Holdings or any of its Subsidiaries or any Contractual Obligation of Holdings of or any of its Subsidiaries (other than the Liens created by the Security Documents) or (iii) will not violate, or conflict with, the Organizational Documents of Holdings or any of its respective Subsidiaries. Each of Holdings and each of its Subsidiaries is in compliance with all Requirements of Law, except such non-compliances as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.7 Litigation. Other than the Chapter 11 Cases and, with respect to any Debtor, any of the following that are stayed as a result of the Chapter 11 Cases, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of any Loan Party, threatened (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; provided that the timely and successful exercise of any Challenge (as defined in the Cash Collateral Orders) with respect to any obligations in respect of the Prepetition Debt Documents in accordance with the Orders shall not in and of itself constitute a Material Adverse Effect.

5.8 No Default. No Default or Event of Default has occurred and is continuing or would immediately result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.9 Ownership of Property; Liens; Real Property.

(a) Subject to the rights of counterparties under the applicable provision of the Bankruptcy Code, including Section 365 thereof, each of Holdings and each of its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, or easements or other limited property interests in, all real property necessary in the ordinary conduct of its business, free and clear of all Liens except for Liens permitted by Section 8.2 and except where the failure to have such title or interests could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) All Real Property of Holdings and its Subsidiaries as of the Closing Date having a fair market value (together with improvements thereof) of at least $1,000,000 is listed on Schedule 5.9 hereto.

5.10 Intellectual Property. Except as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect: (a) the Loan Parties own and have properly recorded including full payment of all maintenance and renewal fees, or are licensed to use, pursuant to valid and enforceable written agreements, all Intellectual Property used in the conduct of the business of Holdings and its Subsidiaries as currently conducted, (b) no claim has been asserted and is pending by any Person challenging or questioning any Loan Party's use of any Intellectual Property or the validity or effectiveness of any Loan Party's Intellectual Property or alleging that the conduct of any Loan Party's business infringes or violates the rights of any Person, nor does Holdings or the Borrower know of any valid basis for any such claim and (c) to the knowledge of the Loan Parties, no Person is infringing, violating or misappropriating any Loan Party's rights to any Intellectual Property.

5.11 Taxes. Each of Holdings and each of its Subsidiaries has filed or caused to be filed all Tax returns that are required to be filed and has paid all Taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other Taxes imposed on it or any of its property by any Governmental Authority (other than any (i) Taxes the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Holdings or the relevant Subsidiary or (ii) with respect to which the failure to make such filing or payment could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect). No Tax Lien has been filed, and, to the knowledge of any of the Loan Parties, no audit, deficiency, assessment or other claim is being threatened in writing, with respect to any Taxes other than Liens or claims which could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.12 Use of Proceeds; Margin Regulations.

(a) All of the proceeds of Term Loans shall be used only for the following purposes, in each case, in accordance with and subject to the DIP Budget and the Orders: (i) general corporate and working capital purposes; (ii) the payment of restructuring costs; (iii) the payment of all reasonable and documented accrued and unpaid transaction costs, fees and expenses with respect to the Facility, including reasonable and documented costs, fees and expenses of professional advisors to the Administrative Agent, the Collateral Agent and the Lenders; and (iv) the purchase of Augmentation Inventory and the payment of any costs or expenses in connection with the purchase, importation or handling of the Augmentation Inventory; provided, that with respect the proceeds from the Initial Term Loans, 100% of such proceeds shall be used only to purchase at least $23,000,000 of first cost augment inventory at not less than a 35% discount, which inventory shall consist of first quality, in-season goods, in an appropriate assortment of sizes and colors consistent with the schedule provided by the Debtors to the Lenders, and which inventory shall be delivered to and available for sale in the Debtors' U.S. stores and/or U.S. distribution center not later than the date that is six calendar weeks after the Petition Date (collectively, the "Augmentation Inventory"), and to pay applicable freight, duties and an agent fee as provided for under the Liquidation Consulting Agreement (as defined in the Orders) associated therewith; provided, further, that the Debtors may not use the proceeds of the Term Loans to pay for Augmentation Inventory until title to such Augmentation Inventory has passed to the Debtors or Collective Brands Logistics Limited. Without the prior written consent of the Required DIP Lenders, no proceeds of the Term Loans will be used to make an Investment in, or to pay expenses, obligations or liabilities of, the LatAm Business or any direct or indirect Subsidiary of Collective Brands Cooperatief U.A.

(b) No part of any Term Loan (or the proceeds thereof) will be used to purchase or carry any Margin Stock or to extend credit for the purpose of purchasing or carrying any Margin Stock. Neither the making of any Term Loan nor the use of the proceeds thereof will violate the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System.

5.13 Labor Matters. Except as, in the aggregate, could not reasonably be expected to result in a Material Adverse Effect: (a) there are no strikes, slowdowns, stoppages, unfair labor practice charges or other labor disputes against any of Holdings or any of its Subsidiaries

pending or, to the knowledge of any Loan Party, threatened; (b) hours worked by and payment made to employees of each of Holdings and each of its Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters and there are no other violations of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with wage and hour matters; and (c) all payments due from any of Holdings or any of its Subsidiaries on account of employee health and welfare insurance have been paid or accrued as a liability on the books of Holdings or the relevant Subsidiary. The consummation of the Transaction will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which Holdings or any of its Subsidiaries is bound.

5.14 ERISA.

(a) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect:

(i) neither a Reportable Event nor a failure to meet the minimum funding standards of Section 412 or 430 of the Code or Section 302 or 303 of ERISA has occurred with respect to any Single Employer Plan or Multiemployer Plan during the five-year period prior to the date on which this representation is made or deemed made;

(ii) no Plan has applied for or received a waiver of the minimum funding standard or an extension of any amortization period within the meaning of Section 412 of the Code or Section 302 or 304 of ERISA;

(iii) each Plan has complied and is in compliance in form and operation with its terms and with the applicable provisions of ERISA and the Code (including without limitation the Code provisions compliance with which is necessary for any intended favorable tax treatment) and all other applicable laws and regulations;

(iv) no determination has been made that any Plan is, or is expected to be, considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA;

(v) all contributions required to be made with respect to a Plan or a Multiemployer Plan have been timely made or have been reflected on the most recent consolidated balance sheet filed prior to the date hereof or accrued in the accounting records of any Borrower, in accordance with and to the extent required by GAAP;

(vi) the administrator of a Plan has not provided a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a Plan amendment referred to in Section 4041(e) of ERISA) and no termination of a Plan has occurred, no proceedings have been instituted by the PBGC to terminate or appoint a trustee to administer any Single Employer Plan, and no Lien in favor of the PBGC or a Plan has arisen;

(vii) none of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity has had or is reasonably expected to have a complete or partial

withdrawal from any Multiemployer Plan and none of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity would become or would reasonably be expected to become subject to any material liability under ERISA if Holdings, any such Borrower, any such Subsidiary or any such Commonly Controlled Entity were to withdraw partially or completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made;

(viii) no such Multiemployer Plan is or is reasonably expected to be Insolvent and none of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity has received any notice, and no Multiemployer Plan has received from Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity any notice that a Multiemployer Plan is in or is reasonably expected to be in endangered or critical status under Section 432 of the Code or Section 305 of ERISA;

(ix) each Plan (and each related trust, if any) which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS to the effect that it meets the requirements of Sections 401(a) and 501(a) of the Code or is comprised of a master or prototype plan that has received a favorable opinion letter from the IRS, and, nothing has occurred since the date of such determination that would adversely affect such determination (or, in the case of a Plan with no determination, nothing has occurred that would adversely affect the issuance of a favorable determination letter or otherwise adversely affect such qualification);

(x) [reserved]; and

(xi) none of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity has engaged in a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA with respect to a Plan, and none of Holdings, the Borrower, any Subsidiary nor any Commonly Controlled Entity has incurred any liability under Title IV of ERISA with respect to any Plan or any Multiemployer Plan (other than premiums due and not delinquent under Section 4007 of ERISA).

(b) There are no actions, suits or claims pending against or involving a Plan (other than routine claims for benefits) or, to the knowledge of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity, threatened, which would reasonably be expected to be asserted successfully against any Plan and, if so asserted successfully, could reasonably be expected either singly or in the aggregate to result in a Material Adverse Effect.

(c) [Reserved].

(d) [Reserved].

(e) Except as, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, (i) each Non-U.S. Plan has been maintained in compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with

applicable regulatory authorities, (ii) all contributions required to be made with respect to a Non-U.S. Plan as of the Closing Date have been timely made, and (iii) none of Holdings, the Borrower or any Subsidiary has incurred any obligation in connection with the termination of, or withdrawal from, any Non-U.S. Plan.

(f) None of the assets of any Loan Party are considered "plan assets" for purposes of ERISA or Section 4975 of the Code.

5.15 Investment Company Act. Neither Holdings nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

5.16 Subsidiaries. As of the Closing Date and after giving effect to the Transaction, Schedule 5.16 sets forth the name and jurisdiction of organization of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by Holdings or any of its Subsidiaries and whether such Subsidiary is a Subsidiary Guarantor.

5.17 Environmental Matters. Except as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties currently and, to the knowledge of any Loan Party, formerly owned, leased or operated by Holdings or any of its Subsidiaries (the "Properties") do not contain any Materials of Environmental Concern in amounts or concentrations or under circumstances so as has given rise to or would give rise to liability of Holdings or any of its Subsidiaries under, any Environmental Law;

(b) no Loan Party has received any written notice of violation, alleged violation, non-compliance, liability or potential liability under or compliance with Environmental Laws with regard to any of the Properties or the business operated by Holdings or any of its Subsidiaries, nor does any Loan Party have knowledge that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been Released, transported or disposed of from the Properties by or on behalf of Holdings or any of its Subsidiaries in violation of, or in a manner or to a location that has given rise to or would give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been Released, generated, treated, stored or disposed of at, on or under any of the Real Properties by Holdings or any of its Subsidiaries in violation of, or in a manner that has given rise to or would give rise to liability under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of any Loan Party, threatened, under any Environmental Law to which Holdings or any of its Subsidiaries is named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Real Properties or the business operated by Holdings or any of its Subsidiaries;

(e) to the knowledge of any Loan Party, there are no past or present actions, activities, circumstances, conditions, events or incidents with respect to the Properties or the business operated by Holdings or any of its Subsidiaries, including, without limitation, the Release, emission, discharge, presence or disposal of any Material of Environmental Concern, that could form the basis of any judicial proceeding or governmental or administrative action against Holdings or any of its Subsidiaries or against any person or entity whose liability for any such action or order Holdings or any of its Subsidiaries has retained or assumed either contractually or by operation of law, or otherwise result in any costs, liabilities or restrictions on ownership, occupancy, use or transferability of any property under Environmental Law; and

(f) Holdings, its Subsidiaries, the Real Property and all operations at the Real Property are in compliance with all applicable Environmental Laws.

The representations and warranties in this Section 5.17 are the sole representations and warranties of the Loan Parties with respect to any environmental, health or safety matters, including those relating to Environmental Laws or Materials of Environmental Concern.

5.18 Accuracy of Information, etc. No written data (other than projections, estimates and other forward looking statements and information of a general economic or general industry nature) concerning Holdings or any of its Subsidiaries contained in this Agreement, any other Loan Document or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, data document or certificate was so furnished, when taken as a whole, any untrue information or data of a fact in any material respect or omitted to state a fact necessary to make the information or data contained herein or therein not misleading in any material respect. All projections, estimates and other forward looking statements, pro forma financial information, taken as a whole, contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of Holdings in good faith to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact, forecasts and projections are subject to uncertainties and contingencies, actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount and no assurance can be given that any forecast or projections will be realized. As of the Closing Date, there is no fact known to any Loan Party which such party has not disclosed to the Administrative Agent, the Lenders or the Bankruptcy Court with respect to the Transactions which would reasonably be expected to have a Material Adverse Effect.

5.19 Security Documents.

(a) With respect to the Loan Parties that are Debtors:

(A) This Agreement and the Security Documents, taken together with the Orders, are effective to create in favor of the Collateral Agent for the benefit of the Lenders, legal, valid, perfected, enforceable and continuing Liens on, and security interests in, the Collateral owned by such Debtors pledged hereunder or thereunder having the priorities set forth in the Orders and the Existing Intercreditor Agreement, in

each case, subject only to the payment in full in cash of any amounts due under the Carve-Out.

(B) Pursuant to the terms of the Orders, no filing or other action will be necessary to perfect or protect such Liens on the Collateral owned by such Debtors and such security interests.

(C) Pursuant to and to the extent provided in the Orders, the Obligations of such Loan Parties that are Debtors under this Agreement will constitute allowed super-priority administrative expense claims in the Chapter 11 Cases under section 364(c) of the Bankruptcy Code, having priority over all administrative expense claims and unsecured claims against such Loan Parties that are Debtors now existing or hereafter arising, of any kind whatsoever (other than with respect to the ABL Adequate Protection Superpriority Claim (as defined in the Interim Cash Collateral Order as of the date of the Interim Order), which has the priority set forth in the Orders), including, without limitation, all administrative expense claims of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code and all super-priority administrative expense claims granted to any other Person (including avoidance actions and the proceeds thereof), subject only to the payment in full in cash of any amounts due under the Carve-Out, which claims shall have recourse to all of the assets of Loan Parties that are Debtors (including avoidance actions and the proceeds thereof).

(b) With respect to the Domestic Delayed Guarantors, as of and after the date on which such Persons become Subsidiary Guarantors pursuant to Section 7.8 and execute Security Documents pursuant to Section 7.9 and Section 7.15 (if applicable):

(A) Each of the Security Documents is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid and enforceable first priority perfected security interest (subject to Liens permitted hereunder that are valid, perfected and enforceable as of the date on which the relevant Domestic Delayed Guarantor becomes a Subsidiary Guarantor) in the Collateral described therein owned by such Domestic Delayed Guarantors and proceeds thereof, the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(B) In the case of (i) the Capital Stock described in the Security Agreement owned by the Domestic Delayed Guarantors that are securities represented by stock certificates or otherwise constituting certificated securities within the meaning of Section 8-102(a)(15) of the New York UCC or the corresponding code or statute of any other applicable jurisdiction ("Certificated Securities"), when certificates representing such Capital Stock are delivered to the Collateral Agent along with instruments of transfer in blank or endorsed to the Collateral Agent, and (ii) the Collateral other than as described in clause (i) constituting personal property described in the Security Agreement, when financing statements and other filings, agreements and actions specified on Schedule 5.19(b) in appropriate form are executed and delivered, performed or filed in the offices specified on Schedule 5.19(b), as the case may be, the Collateral

Agent, for the benefit of the Secured Parties, shall have a fully perfected Lien on, and security interest in, all right, title and interest of the Domestic Delayed Guarantors in all Collateral owned by such Domestic Delayed Guarantors that may be perfected by filing, recording or registering a financing statement or analogous document and the proceeds thereof (to the extent such Liens may be perfected by possession of the Certificated Securities by the Collateral Agent or by such filings, agreements or other actions), as security for the Obligations, in each case prior and superior in right to any other Person (except, in the case of Liens permitted hereunder that are valid, perfected and enforceable as of the date on which the relevant Domestic Delayed Guarantor becomes a Subsidiary Guarantor). Other than as set forth on Schedule 5.19(b), as of the Closing Date, none of the Capital Stock of the Borrower or any Subsidiary Guarantor that is a limited liability company or partnership is a Certificated Security.

(c) With respect to the Foreign Delayed Guarantors, as of and after the date on which such Persons become Subsidiary Guarantors pursuant to Section 7.8 and execute Security Documents pursuant to Section 7.9 and Section 7.15 (if applicable), each of the Security Documents is effective to create in favor of the Collateral Agent, for the benefit of the Secured Parties, a legal, valid and enforceable first priority perfected security interest (subject to Permitted Encumbrances permitted to have priority over the Obligations and Liens permitted hereunder that are valid, perfected and enforceable as of the date on which the relevant Foreign Delayed Guarantor becomes a Subsidiary Guarantor) in the Collateral described therein owned by such Foreign Delayed Guarantors and proceeds thereof, the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

5.20 Patriot Act; OFAC.

(a) To the extent applicable, each of Holdings and its Subsidiaries is in compliance, in all material respects, with the Patriot Act, Sanctions and Anti-corruption Laws.

(b) Holdings represents that neither Holdings nor any of its Subsidiaries nor any director or officer thereof, nor, to its knowledge, any, employee, agent, controlled Affiliate or representative of Holdings or any Subsidiary, is an individual or entity that is, or is (x) 50% or more owned, whether individually or in the aggregate, or (y) controlled by a Person that is:

(i) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224 on Terrorist Financing effective September 24, 2001 (the "Executive Order");

(ii) prohibited from dealing or otherwise engaging in any transaction by any applicable laws with respect to terrorism or money laundering;

(iii) [Reserved];

(iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) subject to or blocked by applicable Sanctions, to the extent such transactions violate applicable Sanctions.

(c) Holdings represents and covenants that it will not, directly or, knowingly, indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(i) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of applicable Sanctions in violation of applicable Sanctions;

(ii) in any other manner that will directly cause a violation of applicable Sanctions by any Person (including any Person participating in the Term Loans, whether as underwriter, advisor, lender or otherwise); or

(iii) for any improper payments in violation of applicable Anti-corruption Laws.

5.21 Business and Property of the Loan Parties. Upon and after the Closing Date, no Loan Party nor any of their Subsidiaries proposes to engage in any business other than those businesses in which such entity is engaged on the date of this Agreement or that are reasonably related, similar, ancillary, complementary or incidental thereto or reasonable extensions thereof and activities necessary to conduct the foregoing. On the Closing Date the Loan Parties and their Subsidiaries will own all the property and possess all of the rights and consents necessary for the conduct of such businesses.

5.22 Orders. Each of the Interim Order (to the extent necessary, with respect to the period prior to the entry of the Final Order) and the Final Order (from after the date the Final Order is entered) is in full force and effect and has not been vacated, reversed or rescinded or, without the prior written consent of the Administrative Agent and Required DIP Lenders, in their sole discretion, amended or modified and no appeal of such order has been timely filed or, if timely filed, no stay pending such appeal is currently effective.

5.23 Initial Budget. The Borrower has prepared and delivered to the Administrative Agent and the Lenders an initial budget (attached hereto as Exhibit O), which reflects the Loan Parties' anticipated cash receipts and anticipated disbursements for each calendar week during the period from the Petition Date through and including the end of the thirteenth (13th) calendar week following the Petition Date (such budget, as amended, modified or updated pursuant to the Cash Collateral Orders and the Orders, the "Initial Budget").

5.24 Bankruptcy Matters.

(a) The Chapter 11 Cases were commenced on the Petition Date, in accordance with applicable requirements of law and proper notice thereof under the circumstances, and proper notice of (x) the motion seeking approval of the Loan Documents and entry of the Orders, as applicable and (y) the hearings for the approval of the Interim Order have been held by the Bankruptcy Court.

(b) After the entry of the Orders, the Obligations will constitute DIP Superpriority Claims (as defined in the Orders) having the priority set forth in the Orders.

(c) After the entry of the Orders, as applicable, and pursuant to and to the extent provided in the Orders, as applicable, the Obligations will be secured by valid, binding, enforceable, non-avoidable, and automatically and fully and properly perfected Liens on, and security interests in, the Collateral, in each case, having the priorities set forth in the Interim Order and/or the Final Order.

(d) After the entry of each Order, such Order is in full force and effect, is not subject to appeal, leave to appeal or reconsideration process (as applicable) and has not been reversed, stayed, modified or amended in any manner without the Required DIP Lenders' consent.

SECTION 6.
CONDITIONS PRECEDENT

6.1 Conditions to Effectiveness of this Agreement. This Agreement shall become effective on the date (the "Closing Date") on which each of the following conditions is satisfied or waived in accordance with Section 12.12:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by the Borrower, Holdings, and each Debtor Subsidiary Guarantor described in clause (i) of the definition thereof and each Lender, (ii) the Security Agreement, executed and delivered by each Debtor Subsidiary Guarantor described in clause (i) of the definition thereof, (iii) each other Security Document executed and delivered by each Debtor Subsidiary Guarantor described in clause (i) of the definition thereof to the extent required to be delivered on the Closing Date, (iv) for the account of each of the Lenders that has requested the same at least one (1) Business Day prior to the Closing Date, the appropriate Term Note executed and delivered by the Borrower and (v) the Administrative Agent Fee Letter, executed and delivered by the Borrower.

(b) Collateral. With respect to each Loan Party, the Collateral Agent shall have received a valid and perfected security interest in the Collateral covered by the Security Documents and owned by such Loan Party (subject to the priorities set forth in the Interim Order), it being understood and agreed that the security and perfection provisions in the Interim Order shall be deemed to satisfy this condition precedent upon the entry thereof. Proper financing statements with respect to each Loan Party in form appropriate for filing under the UCC of all jurisdictions that the Administrative Agent may deem necessary with respect to each such Loan Party shall have been delivered to the Administrative Agent for filing, which delivery shall be deemed authorization to file such financing statements.

(c) Closing Certificates; Organizational Documents; Good Standing Certificates. The Administrative Agent shall have received a certificate of each Loan Party, dated the Closing Date signed by an Authorized Officer of such Loan Party and attested to by another Authorized Officer of such Loan Party, with the following insertions and attachments: (i) certified organizational authorizations, incumbency certifications, the certificate of incorporation

or other similar organizational document of each Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party and bylaws or other similar organizational document of each Loan Party certified as being in full force and effect on the Closing Date; (ii) a good standing certificate (long form, to the extent available) for each Loan Party from its jurisdiction of organization; and (iii) copies of the resolutions of the board of directors (or equivalent governing body) of each of the Loan Parties authorizing each such Loan Party to enter into the Facility, perform its obligations under the Loan Documents and, in the case of the Borrower, borrow hereunder.

(d) Representations and Warranties. The representations and warranties set forth herein shall be true and correct in all respects as of the Closing Date, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties shall have been true and correct in all respects as of such earlier date.

(e) Officer's Certificate. On the Closing Date, the Administrative Agent shall have received a certificate, in form reasonably acceptable to the Administrative Agent, dated the Closing Date and signed on behalf of each Borrower by the chairman of the board, the chief executive officer, the president, the chief financial officer or any vice president of such Borrower, certifying on behalf of each Loan Party that (i) all of the conditions in clauses (d) and (g) of this Section 6.1 have been satisfied or waived on such date (other than any certification that any such conditions have been satisfied or waived to the extent subject to the satisfaction of the Administrative Agent or the Lenders) and (ii) either (x) all necessary governmental approvals and/or governmental consents in connection with the Transaction, the other transactions contemplated hereby and the granting of Liens under the Loan Documents have been obtained and remain in effect or (y) that no consents, licenses or approvals of any Governmental Authority are required in connection with the execution, delivery and performance by any Loan Party under the Loan Documents to which it is a party other than those that have been obtained and remain in effect.

(f) Term Loan Proceeds Account. The Term Loan Proceeds Account shall have been established.

(g) Absence of Proceedings. There shall not be any action, suit, investigation, litigation or proceeding, or regulatory action or proceeding, pending or, to the knowledge of the Borrower, threatened that is not stayed and that could reasonably be expected to result in a material adverse change to the Loan Parties' business, taken as a whole.

(h) Financing Order. The Interim Order shall, at all times and on each date of Borrowing prior to the entry of the Final Order, be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders.

6.2 Conditions to Borrowing of Final Delayed Draw Term Loans. The agreement of each Lender with Final Delayed Draw Term Loan Commitments to make Final Delayed Draw Term Loans requested by the Borrower following the Closing Date is subject to the satisfaction

or waiver in accordance with Section 12.12, concurrently with the making of each such Final Delayed Draw Term Loans, of the following conditions precedent:

(a) Financing Order. The Bankruptcy Court shall have entered the Final Order, which Final Order shall be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders.

(b) GOB Sales Order. The Bankruptcy Court shall have entered the Final GOB Sales Order, which Final GOB Sales Order shall, on each date of Borrowing on and after the entry of the Final GOB Sales Order, be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

(c) Augmentation Inventory. The Augmentation Inventory shall have been delivered to the Debtors in the United States of America.

In determining the satisfaction of the conditions specified in this Section 6.2, to the extent any item is required to be satisfactory to any Lender, such item shall be deemed satisfactory to each Lender which has not notified the Administrative Agent in writing prior to the occurrence of the date of Borrowing the respective item or matter does not meet its satisfaction.

The acceptance of the benefits of the Final Delayed Draw Term Loans shall constitute a representation and warranty by Holdings and the Borrower to the Administrative Agent and each of the Lenders that all the conditions specified in this Section 6.2 are satisfied as of that time, unless waived in accordance with Section 12.12. All of the Term Notes (to the extent requested not later than one (1) Business Day prior to the date of Borrowing), certificates and other documents and papers referred to in this Section 6.2, unless otherwise specified, shall be delivered to the Administrative Agent at the Notice Office for the account of each of the Lenders.

6.3 Conditions to Each Borrowing. The agreement of each Lender with Term Loan Commitments to make Term Loans requested by the Borrower following the Closing Date is subject to the satisfaction or waiver in accordance with Section 12.12, concurrently with the making of each such Term Loan, of the following conditions precedent:

(a) Debtors. All debtors and debtors-in-possession in the Chapter 11 Cases shall be Loan Parties.

(b) No MAE. Since the Petition Date, there has been no change, event, development, circumstance, condition or effect that individually or in the aggregate has had, or would reasonably be expected to have, a Material Adverse Effect.

(c) Representations and Warranties. Each of the representations and warranties made by the Loan Parties in this Agreement that does not contain a materiality qualification shall be true and correct in all material respects on and as of the date of such Borrowing as if made on and as of such date of Borrowing, and each of the representations and

warranties made by the Loan Parties in this Agreement that contains a materiality qualification shall be true and correct on and as of such date of Borrowing (or, to the extent such representations and warranties specifically relate to an earlier date, that such representations and warranties were true and correct in all material respects, or true and correct, as the case may be, as of such earlier date).

(d) No Default. Borrower and each other Loan Party shall be in compliance in all material respects with all the terms and provisions set forth herein and in each other Loan Document on its part to be observed or performed, and, at the time of and immediately after giving effect to any Borrowing and the application of the proceeds thereof, no Default or Event of Default shall have occurred and be continuing on such date.

(e) Financing Order. The Bankruptcy Court shall have entered the Interim Order, which Interim Order shall, at all times and on each date of Borrowing prior to the entry of the Final Order, be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders.

(f) GOB Sales Order. The Bankruptcy Court shall have entered the Interim GOB Sales Order, which Interim GOB Sales Order shall, at all times and on each date of Borrowing prior to the entry of the Final GOB Sales Order, be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld.

(g) Cash Collateral Order. (x) The Bankruptcy Court shall have entered the Interim Cash Collateral Order, which Interim Cash Collateral Order shall, at all times and on the date of each Borrowing prior to the entry of the Final Cash Collateral Order, be in full force and effect and shall not have been reversed, vacated or stayed, and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Required DIP Lenders, such consent not to be unreasonably withheld, and the Debtors shall be in compliance in all respects with the terms of the Cash Collateral Orders and (y) no "Termination Event" under and as defined in the Cash Collateral Orders shall have occurred.

(h) Critical Vendors Schedule. The Loan Parties shall have delivered to the Administrative Agent and the Lenders a schedule setting forth the identities of, and the aggregate amounts of cash to be paid from time to time in the Chapter 11 Cases to, any and all of the Debtors' critical vendors above $50,000 in the aggregate for any such vendor and its Affiliates, which schedule shall be reasonably acceptable in form and substance to the Required DIP Lenders.

(i) Trustees and Examiners. No trustee or examiner with enlarged powers (having powers beyond those set forth in Sections 1106(a)(3) and 1106(a)(4)) shall have been appointed with respect to the operations or the business of the Debtors.

(j) Budget Variance. The aggregate amount of Actual Total Receipts received by the Debtors from the Petition Date through the date of the applicable Borrowing

shall not be less than 80% of the amount of Budgeted Total Receipts from the Petition Date through the date of such applicable Borrowing.

(k) Fees. The Lenders and the Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the date of any Borrowing, including all reasonable and documented (in summary form) out-of-pocket fees, costs, disbursements and expenses of (i) the Administrative Agent and the Collateral Agent including, without limitation, all amounts owing under the Administrative Agent Fee Letter and all reasonable and documented (in summary form) out-of-pocket fees, costs, disbursements and expenses of the Administrative Agent's outside counsel, (ii) the Lenders including, without limitation, all reasonable and documented (in summary form) out-of-pocket fees, costs, disbursements and expenses of the Lenders' outside counsels, financial advisors and other outside professional advisors, and (iii) any other professional advisors retained by the Administrative Agent, or the Lenders or their respective counsel, all of which shall have been paid in full in cash, to the extent invoiced to the Borrower no later than one (1) Business Day prior to such date.

(l) Borrowing Notice. The Administrative Agent shall have received a Notice of Borrowing in accordance with the requirements of Section 2.3.

Each Borrowing of Loans hereunder, shall constitute a representation and warranty by the Borrower as of the date of such Borrowing that the conditions contained in this Section 6.3 are satisfied as of the date of such Borrowing.

SECTION 7.
AFFIRMATIVE COVENANTS

Holdings, the Borrower and each Loan Party hereby jointly and severally agree that, until all Term Loan Commitments have been terminated and the principal of and interest on each Term Loan, all fees and all other expenses or amounts payable under any Loan Document shall have been paid in full (other than contingent indemnification and reimbursement obligations for which no claim has been made), each of Holdings, the Borrower and each Loan Party shall, and shall cause each of its Subsidiaries to:

7.1 Financial Statements. Furnish to the Administrative Agent (who shall promptly furnish to each Lender) as soon as available, but in any event not later than forty-five (45) days after the end of each fiscal quarter of Holdings of each fiscal year (i) the unaudited consolidated balance sheet of Holdings and its Subsidiaries and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, certified by an Authorized Officer as fairly stating in all material respects the financial position of Holdings and its Subsidiaries and, in accordance with GAAP for the period covered thereby (subject to normal year-end audit adjustments and the absence of footnotes).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and (except as otherwise provided below) in accordance with GAAP applied consistently (except to the extent any such inconsistent application of GAAP has been approved by an Authorized Officer and disclosed in reasonable detail therein) consistently throughout the periods reflected therein and with prior periods.

7.2 Certificates; Other Information. Furnish to the Administrative Agent (other than in the case of clause (f) below, who shall promptly furnish to each Lender), or, in the case of clause (e) below, the Administrative Agent or requesting Lender, as the case may be:

(a) Promptly upon the request of the Administrative Agent (at the direction of the Required DIP Lenders), in connection with the delivery of any financial statements or other information pursuant to Section 7.1 or this Section 7.2, confirmation of whether such statements or information contain any Private Lender Information. Holdings, the Borrower and each Lender acknowledge that certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material nonpublic information with respect to the Borrower, Holdings, their respective Subsidiaries or their securities) and, if documents or notices required to be delivered pursuant to Section 7.1 or this Section 7.2 or otherwise are being distributed through IntraLinks/IntraAgency, SyndTrak or another relevant secure website or other information platform (the "Platform"), any document or notice that the Borrower has indicated contains Private Lender Information shall not be posted on that portion of the Platform designated for such public-side Lenders. If the Borrower has not indicated whether a document or notice delivered pursuant to Section 7.1 or this Section 7.2 contains Private Lender Information, the Administrative Agent reserves the right to post such document or notice solely on that portion of the Platform designated for Lenders who wish to receive Private Lender Information with respect to the Borrower, Holdings, their respective Subsidiaries and their securities;

(b) concurrently with the delivery of any financial statements pursuant to Sections 7.1 other than with respect to any period ending prior to the Closing Date, a Compliance Certificate (i) stating that, to the best of the Authorized Officer's knowledge, Holdings and its Subsidiaries during such period has observed or performed all of its covenants and other agreements contained in this Agreement or the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and such Authorized Officer has obtained no knowledge of any Event of Default except as specified in such Compliance Certificate, (ii) to the extent not previously disclosed to the Administrative Agent, a description of any change in the jurisdiction of organization of any Loan Party and (iii) a description of each event, condition or circumstance during the last fiscal quarter covered by such Compliance Certificate requiring a mandatory prepayment under Section 4.2;

(c) [reserved];

(d) promptly following the Administrative Agent's or any Lender's request therefor, all documentation and other information that such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering or terrorist financing rules and regulations, including the Patriot Act;

(e) as promptly from time to time following the Administrative Agent's request therefor, such other information regarding the operations, business affairs and financial condition of Holdings, the Borrower or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent may reasonably request; and

(f) concurrently with delivery under the Cash Collateral Orders, all information and/or reports delivered or required to be delivered to holders of Indebtedness under

the Prepetition ABL Facility or the Prepetition Term Loan Facility, including to the agents thereunder, pursuant to the Cash Collateral Orders.

7.3 Payment of Taxes. Pay and discharge all material Taxes imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful material claims which, if unpaid, might become a Lien upon any of its properties; provided that Holdings, the Borrower and their Subsidiaries shall not be required to pay any such Tax or Tax claim (i) which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with GAAP and (ii) with respect to which the failure to make such payment could not reasonably be expected to have a Material Adverse Effect.

7.4 Maintenance of Existence; Compliance. (a) (i) Preserve, renew and keep in full force and effect its organizational existence under the laws of its jurisdiction of organization or formation and (ii) take all reasonable action to maintain or obtain all Governmental Approvals and all other all rights, privileges and franchises, in each case necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted hereunder and except, (x) in the case of clause (i) (in respect of Subsidiaries that are not Loan Parties) and (ii) above, to the extent that failure to do so could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (y) in connection with a transaction permitted by Sections 8.3 and 8.4; (b) comply in all material respects with all Requirements of Law (including Environmental Laws) except to the extent that failure to comply therewith could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (c) comply with all Governmental Approvals except to the extent that failure to do so could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.5 Maintenance of Property; Insurance.

(a) (i) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear and casualty and condemnation excepted, except to the extent the failure to do so could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (ii) preserve or renew all of its Intellectual Property, except to the extent (x) such Intellectual Property is no longer used in the conduct of the business of the Loan Parties or (y) the Borrower determines in its good faith business judgment in consultation with Required DIP Lenders that it is not commercially reasonable to preserve or renew such Intellectual Property, taken as a whole, (iii) maintain with financially sound and reputable insurance companies, insurance with respect to its properties and businesses in a manner consistent with industry practice for companies similarly situated owning similar properties and engaged in similar businesses (it being agreed by the Administrative Agent that the insurance policies, the amounts of coverage and the companies used by the Loan Parties and their Subsidiaries on the Closing Date are satisfactory to the Administrative Agent and that, solely to the extent and in the amounts and manner in place on the Closing Date in all material respects as set forth on Schedule 7.5, the Loan Parties and their Subsidiaries may continue to use self-insurance to satisfy the requirements in this Section 7.5 and that, as of the Closing Date, such self-insurance program complies with the requirements in this Section 7.5), and (iv) ensure that at all times the Collateral Agent for the benefit of the Secured Parties, shall be named as an

additional insured with respect to liability policies (other than worker's compensation policies and public liability policies) and the Collateral Agent for the benefit of the Secured Parties and shall be named as loss payee with respect to the property insurance (other than public property policies) maintained by the Borrower and each Subsidiary Guarantor. Without limiting the foregoing, each Loan Party shall and shall cause each of its Subsidiaries to (i) maintain, if available, fully paid flood hazard insurance on all real property that is located in a special flood hazard area and that constitutes collateral security for the Obligations, on such terms and in such amounts as required by The National Flood Insurance Reform Act of 1994 or as otherwise required by the Collateral Agent, (ii) furnish to the Administrative Agent prompt written notice of any redesignation of any such improved real property into or out of a special flood hazard area and (iii) promptly upon request of the Collateral Agent (at the direction of the Required DIP Lenders) or any Lender, deliver to the Collateral Agent or such Lender, as applicable, evidence of such compliance in form and substance reasonably acceptable to the Collateral Agent and such Lender, including, without limitation, evidence of annual renewals of such insurance.

(b) Holdings will, and will cause each of its Subsidiaries to, within ten (10) calendar days of the Closing Date and at all times thereafter, keep its property constituting Collateral insured in favor of the Collateral Agent as loss payee and/or additional insured (subject to the exceptions in the immediately preceding paragraph), as applicable, and all policies or certificates (or certified copies thereof) with respect to such insurance (and any other insurance maintained by Holdings and/or such Subsidiaries) (i) shall be endorsed to the Collateral Agent's reasonable satisfaction for the benefit of the Collateral Agent (including, without limitation, by naming the Collateral Agent as loss payee and/or additional insured, as applicable) and (ii) shall state that such insurance policies shall not be canceled without at least thirty (30) days' prior written notice (or if such cancellation is by reason of nonpayment of premium, at least ten (10) days' prior written notice) thereof by the respective insurer to the Collateral Agent (unless it is such insurer's policy not to provide such a statement).

7.6 Inspection of Property; Books and Records; Discussions. (i) Keep proper books of records and accounts in which entries full, true and correct in all material respects in conformity with all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and from which financial statements conforming with GAAP can be derived and (ii) permit representatives of the Lenders and the Administrative Agent to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time during normal business hours, upon reasonable prior notice, and as often as may reasonably be desired and to discuss the business, operations, properties and financial condition of Holdings and its Subsidiaries with employees of Holdings and its Subsidiaries and with the independent certified public accountants of Holdings and its Subsidiaries so long as the Borrower shall have been given the reasonable opportunity to participate in such discussions; provided, that notwithstanding the foregoing, (i) the Borrower shall pay the Lenders' reasonable expenses with respect to no more than three (3) inspections (unless an Event of Default shall have occurred and be continuing, in which case there shall be no limit on the number of inspections for which the Borrower shall pay Lender expenses) and (ii) nothing in this Section 7.6 shall require Holdings or its Subsidiaries to take any action that would violate a confidentiality agreement or waive any attorney-client or similar privilege.

7.7 Notices. Upon actual knowledge thereof by an Authorized Officer, promptly (an no later than within three Business Days) give notice to the Administrative Agent (who shall promptly furnish to each Lender) of:

(a) the occurrence of any Default or Event of Default

(b) any default or event of default under any Indebtedness (other than the Obligations or the Prepetition Debt Documents) in an aggregate principal amount exceeding $5,000,000 ("Material Indebtedness");

(c) other than the Chapter 11 Cases and, with respect to any Debtor, any of the following that are stayed as a result of the Chapter 11 Cases, any litigation, investigation or proceeding that may exist at any time involving Holdings or any Subsidiary, that (i) could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (ii) relates to any Loan Document;

(d) the following events, promptly and in any event within ten (10) days after Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Single Employer Plan, (ii) a failure to make any required contribution to a Single Employer Plan or a Multiemployer Plan or Non-U.S. Plan, (iii) the creation of any Lien in favor of the PBGC or a Plan or the imposition of liability on Holdings, the Borrower, any Subsidiary, or any Commonly Controlled Entity under Section 4062 of ERISA with respect to any Plan, (iv) any withdrawal from, or the termination, or Insolvency of, any Multiemployer Plan that would result in the imposition of a withdrawal liability, (v) the institution of proceedings or the taking of any other action by the PBGC or Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, or Insolvency of, any Single Employer Plan or Multiemployer Plan, (vi) that a Single Employer Plan has failed to satisfy the minimum funding standard within the meaning of Section 412 of the Code or Section 302 of ERISA, or an application may be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 302 or 304 of ERISA with respect to a Single Employer Plan, (vii) that a determination has been made that any Single Employer Plan is, or is expected to be, considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA, (viii) that a Multiemployer Plan is in or is reasonably expected to be in endangered or critical status under Section 305 of ERISA, (ix) that any contribution required to be made with respect to a Single Employer Plan, Multiemployer Plan or Non-U.S. Plan has not been timely made, (x) that a non-exempt prohibited transaction within the meaning of Section 4975 of the Code or Section 406 of ERISA has occurred with respect to a Plan, (xi) the adoption of, or the commencement of contributions to, any Single Employer Plan by Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity, or (xii) the adoption of any amendment to a Single Employer Plan that results in an increase in contribution obligations of Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity; and in each case in clauses (i) through (xiii) above, such event or occurrence, together with all other such events or conditions, if any, has had, or could reasonably be expected to have, a Material Adverse Effect;

(e) any change in the financial condition, business, operations, assets or liabilities of Holdings or any of its Subsidiaries that has had, or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; and

(f) any of the following environmental matters to the extent that such environmental matters, either individually or in the aggregate would have a Material Adverse Effect:

(i) any pending or threatened Environmental Claim against Holdings or any of its Subsidiaries or any Real Property owned, leased or operated by Holdings or any of its Subsidiaries;

(ii) any condition or occurrence on or arising from any Real Property owned, leased or operated Holdings or any of its Subsidiaries that (a) results in noncompliance by Holdings or any of its Subsidiaries with any applicable Environmental Law or (b) could reasonably be expected to form the basis of an Environmental Claim against Holdings or any of its Subsidiaries or any such Real Property;

(iii) any condition or occurrence on any Real Property owned, leased or operated by Holdings or any of its Subsidiaries that would cause such Real Property to be subject to any restrictions on the ownership, lease, occupancy, use or transferability by Holdings or any of its Subsidiaries of such Real Property under any Environmental Law; or

(iv) the taking of any removal or remedial action to the extent required by any Environmental Law or any Governmental Authority in response to the Release or threatened Release of any Materials of Environmental Concern on any Real Property owned, leased or operated by Holdings or any of its Subsidiaries.

Each notice pursuant to this Section 7.7 shall be accompanied by a statement of an Authorized Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the relevant Person proposes to take with respect thereto.

7.8 Delayed Guarantors.

(a) Domestic Delayed Guarantors. No later than thirty (30) calendar days after the Closing Date, cause each of the Domestic Delayed Guarantors to become a Subsidiary Guarantor and Guarantee the Guaranteed Obligations and to execute and deliver to the Administrative Agent and/or the Collateral Agent a Guarantor Joinder Agreement or such comparable documentation requested by the Administrative Agent and/or the Collateral Agent (at the direction of the Required DIP Lenders) and deliver to the Administrative Agent revised schedules or supplements to the schedules to this Agreement applicable to such Delayed Domestic Guarantors.

(b) Foreign Delayed Guarantors. Until the date that is thirty (30) calendar days after the Closing Date, use commercially reasonable efforts (and in any event subject to local laws restricting or limiting the grant of such security interests) to cause each of the Foreign Delayed Guarantors to (i) become a Subsidiary Guarantor and Guarantee the Guaranteed

Obligations and to execute and deliver to the Administrative Agent and/or the Collateral Agent a Guarantor Joinder Agreement or such comparable documentation requested by the Administrative Agent and/or the Collateral Agent (at the direction of the Required DIP Lenders), together with a legal opinion from local counsel to such Foreign Delayed Guarantor in form and substance reasonably satisfactory to the Administrative Agent and revised schedules or supplements to the schedules to this Agreement applicable to such Delayed Foreign Guarantors and (ii) enter into and execute any local law documentation in furtherance of the foregoing reasonably requested by the Administrative Agent and/or the Collateral Agent (at the direction of the Required DIP Lenders). Such Guarantees of the Foreign Delayed Guarantors shall be subject to the priorities set forth in the Orders (and in any event shall be subject to local laws restricting or limiting such Guarantees). The failure of any Foreign Delayed Guarantor, after the use of commercially reasonable efforts of the Debtors as set forth in this Section 7.8(b), to become a Subsidiary Guarantor or otherwise Guarantee the Guaranteed Obligations shall not constitute a Default or Event of Default hereunder.

(c) Additional Debtor Subsidiary Guarantors. Cause each direct or indirect Subsidiary of Holdings (other than the Borrower or any Subsidiary organized in Canada) that becomes a debtor in a case under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, within two Business Days of becoming such a debtor, to become a Subsidiary Guarantor and Guarantee the Guaranteed Obligations and to execute and deliver to the Administrative Agent and/or the Collateral Agent a Guarantor Joinder Agreement or such comparable documentation requested by the Administrative Agent and/or the Collateral Agent (at the direction of the Required DIP Lenders) and deliver to the Administrative Agent revised schedules or supplements to the schedules to this Agreement, in each case, applicable to such new Subsidiary Guarantors.

7.9 Collateral, etc.

(a) Domestic Delayed Guarantors. No later than thirty (30) calendar days after the Closing Date, cause each of the Domestic Delayed Guarantors to (i) execute and deliver to the Collateral Agent a joinder agreement to the Security Agreement, substantially in the form annexed thereto, and a Perfection Certificate; (ii) take such actions reasonably necessary or advisable to grant to the Collateral Agent, for the benefit of the Secured Parties, a perfected first-priority security interest in the Collateral, including the filing of UCC financing statements in such jurisdictions as may reasonably be required by the Security Agreement or by law or as may be requested by the Collateral Agent and taking such other actions (including execution and delivery of Additional Security Documents, including Account Control Agreements) as are reasonably requested by the Collateral Agent; (iii) deliver to the Collateral Agent a certificate of such Subsidiary Guarantor, substantially in the form of the certificate provided by the Loan Parties on the Closing Date pursuant to Section 6.1(c), with appropriate insertions and attachments; and (iv) deliver to the Collateral Agent (A) the Certificated Securities (if any) owned by such Domestic Delayed Guarantors pledged, or that will be pledged, pursuant to the Security Agreement, together with an undated stock power for each such Certificated Security executed in blank by a duly authorized Authorized Officer of the Domestic Delayed Guarantor, and (B) each promissory note (if any) required to be pledged to the Collateral Agent by the Domestic Delayed Guarantor pursuant to the Security Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(b) Foreign Delayed Guarantors. Until the date that is thirty (30) calendar days after the Closing Date, subject to the Orders, use commercially reasonable efforts (and in any event subject to local laws restricting or limiting the grant of such security interests; and subject, in the case of any Capital Stock of joint ventures, the consent of such joint venture parties) to cause each of the Foreign Delayed Guarantors to: (i) execute and deliver to the Collateral Agent a joinder agreement to the Security Agreement, substantially in the form annexed thereto, and a Perfection Certificate; (ii) take such actions reasonably necessary or advisable to grant to the Collateral Agent, for the benefit of the Secured Parties, a perfected first-priority (subject to Permitted Encumbrances permitted to have priority over the Obligations, in the case of PSS Latin America, Payless CA and Payless CO, the BVI Intercreditor Agreement) security interest in the Collateral (subject to the Orders), including the filing of UCC financing statements in such jurisdictions as may reasonably be required by the Security Agreement or by law or as may be requested by the Collateral Agent and taking such other actions (including execution and delivery of Additional Security Documents, including Account Control Agreements) as are reasonably requested by the Collateral Agent; (iii) deliver to the Collateral Agent (a) a certificate of such Subsidiary Guarantor, substantially in the form of the certificate provided by the Loan Parties on the Closing Date pursuant to Section 6.1(c), with appropriate insertions and attachments and (b) a legal opinion from local counsel to such Foreign Delayed Guarantor in form and substance reasonably satisfactory to the Collateral Agent; and (iv) execute and/or deliver to the Collateral Agent any local law documentation or take other steps required or advisable under local law in furtherance of the foregoing reasonably requested by the Administrative Agent and/or the Collateral Agent (at the direction of the Required DIP Lenders) (the "Foreign Delayed Guarantor Post-Closing Collateral Requirement"); provided, that the failure of any Foreign Delayed Guarantor, after the use of commercially reasonable efforts of the Debtors as set forth in this Section 7.9(b), to satisfy the Foreign Delayed Guarantor Post-Closing Collateral Requirement shall not constitute a Default or Event of Default hereunder. Solely for purposes of this Section 7.9(b), the Parties hereto acknowledge and agree that "commercially reasonable efforts" with respect to obtaining the consent of any such joint venture partner with respect to Payless ShoeSource (BVI) Holdings, Ltd. and Payless Colombia (BVI) Holdings Ltd. shall not require the payment of any consent or other fee, the reimbursement of the fees, costs or expenses of legal or other advisors to such joint venture or its partners, the amendment of any organizational or governing documents of such joint venture, or a material change or limitation in the operations of such joint venture. Notwithstanding the foregoing, (i) prior to the occurrence of a Snapback Event, the Foreign Delayed Guarantors shall not be required to grant a Lien upon or security interest in the Capital Stock of Payless ShoeSource (BVI) Holdings, Ltd. and Payless Colombia (BVI) Holdings Ltd. owned by such Foreign Delayed Guarantors and (ii) upon the occurrence of a Snapback Event, the Foreign Delayed Guarantors shall use commercially reasonable efforts to grant a first-priority perfected Lien on, and security interest in, the Capital Stock of Payless ShoeSource (BVI) Holdings, Ltd. and Payless Colombia (BVI) Holdings Ltd. owned by such Foreign Delayed Guarantors. For the avoidance of doubt, none of the assets or properties of Payless ShoeSource (BVI) Holdings, Ltd., Payless Colombia (BVI) Holdings Ltd., Payless ShoeSource Andean Holdings, Payless ShoeSource Peru Holding, S.L., Payless ShoeSource Ecuador CIA Ltda, Payless ShoeSource Spain, S.L., or any of their respective subsidiaries shall be subject to the Liens securing the Obligations nor shall any of such entities be required to grant liens on or security interests in any of its assets or properties.

(c) Debtor Subsidiary Guarantors. With respect to any Subsidiary that becomes a Subsidiary Guarantor pursuant to Section 7.8(c) above or otherwise, promptly, and in any event within ten (10) days of such Subsidiary becoming a Debtor under the Chapter 11 Cases, cause such new Subsidiary Guarantor to: (i) execute and deliver to the Collateral Agent a joinder agreement to the Security Agreement, substantially in the form annexed thereto, and a Perfection Certificate; (ii) take such actions reasonably necessary or advisable to grant to the Collateral Agent, for the benefit of the Secured Parties, a perfected security interest in the Collateral having the priorities set forth in the Orders and the Existing Intercreditor Agreement, including the filing of UCC financing statements in such jurisdictions as may reasonably be required by the Security Agreement or by law or as may be requested by the Collateral Agent and taking such other actions (including execution and delivery of Additional Security Documents, including Account Control Agreements) as are reasonably requested by the Collateral Agent; (iii) to deliver to the Collateral Agent a certificate of such Subsidiary Guarantor, substantially in the form of the certificate provided by the Loan Parties on the Closing Date pursuant to Section 6.1(c), with appropriate insertions and attachments; and (iv) deliver to the Collateral Agent (A) the Certificated Securities owned by such Subsidiary Guarantor pledged, or that will be pledged, pursuant to the Security Agreement, together with an undated stock power for each such Certificated Security, if any, executed in blank by a duly authorized Authorized Officer of the Subsidiary Guarantor, and (B) each promissory note (if any) required to be pledged to the Collateral Agent by the Subsidiary Guarantor pursuant to the Security Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(d) With respect to any property (to the extent included in the definition of Collateral) acquired at any time after the Closing Date by any Loan Party (other than any property intended not to be Collateral as described in paragraph (b) above) as to which the Collateral Agent, for the benefit of the Secured Parties, does not have a perfected Lien, promptly execute and deliver to the Collateral Agent such amendments to the Security Agreement or such other documents as the Collateral Agent reasonably deems necessary to grant to the Collateral Agent, for the benefit of the Secured Parties, a security interest in such property and take all actions reasonably necessary or advisable to grant to the Collateral Agent, for the benefit of the Secured Parties, a perfected security interest having the having the priority set forth in the Orders and the Existing Intercreditor Agreement with respect to Debtors and being a first-priority security interest with respect to non-Debtors (subject to the BVI Intercreditor Agreement and Permitted Encumbrances permitted to have priority over the Obligations), in each case, including the filing of UCC financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may reasonably be requested by the Collateral Agent.

7.10 Further Assurances. At any time or from time to time upon the request of the Administrative Agent (at the direction of the Required DIP Lenders), at the expense of the Borrower but subject to the limitations set forth in the Loan Documents and this Agreement, promptly execute, acknowledge and deliver such further documents and do such other acts and things as the Administrative Agent may reasonably request (at the direction of the Required DIP Lenders) in order to effect fully the purposes of the Loan Documents. In furtherance and not in limitation of the foregoing, the Loan Parties shall take such actions as the Administrative Agent may reasonably request (at the direction of the Required DIP Lenders) from time to time (including, without limitation, the execution and delivery of guarantees, security agreements,

pledge agreements, mortgages, deeds of trust, stock powers, financing statements and other documents, the filing or recording of any of the foregoing, and the delivery of stock certificates and other Collateral with respect to which perfection is obtained by possession, in each case to the extent required by the applicable Loan Documents) to ensure that the Obligations are guaranteed by the Guarantors and are secured by substantially all of the assets (other than those assets specifically excluded by the terms of this Agreement and the other Loan Documents) of such Loan Parties and having the priority set forth in the Orders and the Existing Intercreditor Agreement with respect to Debtors and being a first-priority security interest with respect to non-Debtors, subject to the BVI Intercreditor Agreement and Permitted Encumbrances permitted to have priority over the Obligations.

7.11 [Reserved].

7.12 Use of Proceeds. Use the proceeds of the Term Loans only as provided in Section 5.12.

7.13 Compliance with Environmental Law.

(a) Comply, with all Environmental Laws and permits applicable to, or required by, the ownership, lease or use of its Real Property now or hereafter owned, leased or operated by Holdings or any of its Subsidiaries and will promptly pay or cause to be paid all costs and expenses incurred in connection with such compliance, except for such noncompliances or failure to pay as could not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Neither Holdings nor any of its Subsidiaries will generate, use, treat, store, Release or dispose of, or permit the generation, use, treatment, storage, Release or disposal of Materials of Environmental Concern on any Real Property now or hereafter owned, leased or operated by Holdings or any of its Subsidiaries, or transport or permit the transportation of Materials of Environmental Concern to or from any such Real Property, except for such generation, use, treatment, storage, Release, disposal, or transport as could not reasonably be expected to have a Material Adverse Effect.

(b) (i) After the receipt by the Administrative Agent or any Lender of any notice of the type described in Section 7.7(f), (ii) after fifteen (15) days have passed since receipt of written notice from Administrative Agent or any Lender that Holdings or any of its Subsidiaries are not in compliance with Section 7.13(a) and such non-compliance has not been corrected, or (iii) in the event that the Administrative Agent or the Lenders have exercised any of the remedies pursuant to Section 10, Holdings will (in each case) provide, at the sole expense of the Borrower and at the written request of the Administrative Agent (at the direction of the Required DIP Lenders), a Phase I environmental site assessment report concerning any such related Mortgaged Property, prepared by an environmental consulting firm reasonably approved by the Administrative Agent indicating, where relevant, the presence or absence of Materials of Environmental Concern and the likely cost of any removal or remedial action in connection with such Materials of Environmental Concern on such Mortgaged Property. If the Borrower fails to provide the same within forty-five (45) days after such request was made, the Administrative Agent may order the same, the cost of which shall be borne by the Borrower, and the Borrower shall grant and hereby grants to the Administrative Agent and the Lenders and their respective agents reasonable access to such related Mortgaged Property to undertake such an assessment at

any reasonable time upon reasonable written notice to Holdings, all at the sole expense of the Borrower.

7.14 Rating. Use commercially reasonable efforts to obtain and maintain a rating for the Facility from Moody's and, if requested by the Required DIP Lenders, S&P within twenty (20) calendar days of the Initial Funding Date, in the case of Moody's, and request by the Required DIP Lenders, in the case of S&P; provided, that there is no requirement to maintain any specific minimum rating; provided, further, that solely for purposes of this Section 7.14 "commercially reasonable efforts" shall include the payment by the Borrower of customary rating agency fees and reasonable cooperation with information and data requests by Moody's and S&P in connection with their ratings process.

7.15 Post-Closing Deliverables.

(a) as soon as reasonably practicable after the Closing Date but in no event later than ten (10) calendar days after the Closing Date, deliver to the Administrative Agent copies of recent Lien and judgment searches in each jurisdiction requested by the Administrative Agent (at the direction of the Required DIP Lenders) with respect to the Loan Parties;

(b) use commercially reasonable efforts for thirty (30) days after the Closing Date to deliver, or cause to be delivered, to the Collateral Agent, duly executed account control agreements (each an "Account Control Agreement") among the applicable Loan Party, the applicable depository bank, the Collateral Agent and the Prepetition ABL Agent and the Prepetition Term Loan Agent (each if applicable) with respect to the following accounts:

(A) -4582 and in the name of Payless ShoeSource, Inc. at Wells Fargo Bank, National Association;

(B) -4762, -6427, -5863, and -8148 in the name of Payless Finance, Inc. at Wells Fargo Bank, National Association;

(C) -9880 in the name of Payless ShoeSource, Inc. at JPMorgan Chase Bank, N.A.; and

(D) any additional accounts, lockboxes or securities accounts requested by the Administrative Agent (at the direction of the Required DIP Lenders) (other than Excluded Accounts).

(c) (x) as soon as reasonably practicable after the Closing Date but in no event later than the earlier of (i) twenty (20) calendar days after the Closing Date and (ii) the date that is three (3) Business Days after the date on which the Prepetition ABL Facility Obligations are paid in full, in cash, establish the GOB Sales Proceeds Account and (y) use commercially reasonable efforts to promptly deliver, or cause to be delivered, upon the establishment of the GOB Sales Proceeds Account, to the Collateral Agent, a duly executed Account Control Agreement with respect to the GOB Sales Proceeds Account (unless the GOB Sales Proceeds Account is held at the Administrative Agent or Collateral Agent or otherwise under the "control" of the Administrative Agent or Collateral Agent within the meaning of Section 9-104 of the UCC as in effect at such time in the State of New York); provided, however, that the GOB Sales

Proceeds Account shall not be funded with proceeds of the GOB Sales until the Prepetition ABL Facility Obligations have been paid in full, in cash;

(d) as soon as reasonably practicable after the Closing Date but in no event later than ten (10) calendar days after the Closing Date, deliver to the Administrative Agent a Perfection Certificate of each Loan Party as of the Closing Date;

(e) the Borrower shall use commercially reasonable efforts to establish and implement, within thirty (30) days after the Closing Date, a reporting methodology for intercompany accounts related to the LatAm Business (including with respect to any entities operating or organized in or business conducted in Mexico), that is reasonably acceptable to the Administrative Agent (at the direction of the Required DIP Lenders); and

(f) as soon as reasonably practicable after the Closing Date but in no event later than ten (10) calendar days after the Closing Date, deliver to the Administrative Agent a copy of, or a certificate as to coverage under, the insurance policies required by Section 7.5 and the applicable provisions of the Security Documents, each of which shall be endorsed or otherwise amended to include a customary lender's loss payable endorsement and to name the Administrative Agent as additional insured, in form and substance satisfactory to the Required DIP Lenders.

All representations and warranties contained in this Agreement and the other Loan Documents shall be deemed modified to the extent necessary to effect the foregoing (and to permit the taking of the actions described above within the time periods required above, rather than as elsewhere provided in the Loan Documents); provided that (x) to the extent any representation and warranty would not be true because the foregoing actions were not taken on the Closing Date, the respective representation and warranty shall be required to be true and correct in all material respects at the time the respective action is taken (or was required to be taken) in accordance with the foregoing provisions of this Section 7.15 and (y) all representations and warranties relating to the Collateral Documents shall be required to be true in all material respects immediately after the actions required to be taken by this Section 7.15 have been taken (or were required to be taken).

7.16 Additional Chapter 11 Reporting.

(a) Updated Cash Flow Forecasts. Not later than noon Central Time on every Wednesday following the Petition Date, deliver (email shall suffice) to the Administrative Agent and the Lenders a rolling updated cash flow forecast (which shall not re-forecast periods in prior cash flow forecasts) consistent with the form and level of detail in the initial cash flow forecast delivered to the Lenders prior to the Closing Date and otherwise in form and substance satisfactory to the Required DIP Lenders.

(b) Approved Budget. (i) Upon the payment in full in cash of the Prepetition ABL Facility Obligations, deliver a new budget, in form and substance satisfactory to the Required DIP Lenders, which such budget upon approval of the Required DIP Lenders shall become the new Approved Budget and (ii) following the delivery of the budget described in clause (i) of this Section 7.16(b), upon the request (which such request shall not be made more

often than every two weeks) of the Administrative Agent (at the direction of the Required DIP Lenders), the Loan Parties shall deliver to the Lenders an updated budget consistent with the form and level of detail in the then Approved Budget and otherwise in form and substance reasonably satisfactory to the Required DIP Lenders, which such budget upon the approval of the Required DIP Lenders shall become the Approved Budget (the budget described in clauses (i) an (ii) of this Section 7.16(b), the "Updated Budget"); provided, that prior to the date on which the Prepetition ABL Facility Obligations are paid in full, in cash, the Borrower shall promptly deliver to the Lenders a copy of any amended, modified or updated Initial Budget to the extent so amended, modified or updated pursuant to the Cash Collateral Orders and the Orders and not otherwise previously delivered to Administrative Agent or the Lenders pursuant to the terms thereof.

(c) Variance Reporting. On or before noon Central Time on each Wednesday (each, a "Variance Reporting Delivery Date"), deliver to the Administrative Agent and the Lenders (email shall suffice) a report, in form and substance reasonably satisfactory to the Required DIP Lenders (each a "Variance Report"), setting forth (i) actual cash receipts and disbursements for the immediately preceding calendar week ended on the immediately preceding Friday and for all preceding weeks after the Petition Date, in each case, including (A) Actual Total Receipts, (B) Actual Total Operating Disbursements, (C) Actual Total Restructuring Disbursements, and (ii) all the variances, on a line-item basis and whether positive or negative, as compared to the corresponding amounts set forth in the then-current Approved Budget for such week/period, together with an explanation of (1) in reasonable detail, all material variances from the then-current Approved Budget for such period(s) and (2) in the case of a Variance Report, in reasonable detail any non-compliance by the Loan Parties with the Permitted Variances for such Testing Period and (D) to the extent separately identifiable, Expenses related to the purchase and transportation of Augmentation Inventory

(d) Lender Conference Calls. Arrange for a teleconference for the Lenders and their advisors with professional advisors to the Borrower, including Ankura Consulting Group, LLC, as financial advisor to the Debtors, to take place at least once per calendar week (at such time as is reasonably satisfactory to the Administrative Agent and the Lenders), for purposes of discussing any budget proposed to be the Approved Budget, Variance Reports, the status of the GOB Sales and any projections and such other information and matters reasonably related thereto or reasonably requested by any Lender.

(e) [Reserved].

(f) Expense Report. On Wednesday of each week (or on a different day of any week mutually agreeable to the Prepetition ABL Agent and the Debtors or, if the Prepetition ABL Facility Obligations shall have been paid in full, in cash, the Required DIP Lenders and the Debtors), the Debtors shall deliver to the Administrative Agent and the Lenders a report, in a form agreed to by the Prepetition ABL Agent and the Debtors (or, if the Prepetition ABL Facility Obligations shall have been paid in full, in cash, the Required DIP Lenders and the Debtors), showing the Debtors' proposed payments for the following week, which payments shall not exceed the sum of (i) 110% in the aggregate of the amounts set forth in the Approved Budget for the following week (without giving effect to (i) the line items "Restructuring Professionals" or "Critical Vendors" and (ii) all amounts due to the Liquidation Consultant pursuant to the

Liquidation Consulting Agreement (as defined in the Cash Collateral Orders)); (ii) proposed "Critical Vendor Payments" (as defined in the Approved Budget); provided that the aggregate weekly "Critical Vendor Payments" together with the proposed "Critical Vendor Payments" shall not exceed the total aggregate amount of all "Critical Vendor Payments" set forth in the Approved Budget; provided, further, that no "Critical Vendor Payments" shall be used to purchase inventory; (iii) all amounts due to the Liquidation Consultant (as defined in the Orders) pursuant to the Liquidation Consulting Agreement (as defined in the Orders) for the week then ended, which amounts shall be calculated as of Tuesday of each week; and (iv) an amount equal to 6.50% of the aggregate inventory sales at the Debtors' U.S. brick and mortar and ecommerce locations for the week then ended, which amount shall be calculated as of Tuesday of each week.

7.17 Milestones; GOB Sale Proceeds; Term Loan Proceeds; Latin American Consultation.

(a) Comply with all Milestones.

(b) Subject to the terms of the Cash Collateral Orders, and following the payment in full in cash of the Prepetition ABL Facility Obligations, promptly (and no later than two Business Days after receipt from time to time) deposit all cash proceeds from the GOB Sales in a segregated blocked account with the Collateral Agent over which the Collateral Agent has a legal, valid, enforceable and continuing Lien having the priority set forth in the Orders and which account shall be subject to the sole control of the Collateral Agent (the "GOB Sales Proceeds Account"); provided, that after having been deposited in such segregated account, such cash proceeds shall not be transferred from such account for any purposes without the prior written consent of the Required DIP Lenders, other than (i) pursuant to an Acceptable Plan of Reorganization, (ii) as directed by the Borrower to make a voluntary prepayment of the Term Loans pursuant to Section 4.1 hereof, and (iii) as permitted under the Cash Collateral Orders and/or the Orders in accordance with the Approved Budget as directed by the Borrower pursuant to a certificate executed by an Authorized Officer and delivered to the Administrative Agent certifying as to compliance with the Approved Budget, Cash Collateral Orders and the Orders.

(c) Deposit all proceeds of the Term Loans into the Term Loan Proceeds Account. Withdrawals from the Term Loan Proceeds Account shall only be made at the direction of the Borrower pursuant to a certificate executed by an Authorized Officer and delivered to the Administrative Agent certifying as to the reasonably anticipated date of application of proceeds of any Term Loans (which such date shall be no later than two (2) Business Days following such withdrawal) and that such application shall be in accordance with Section 5.12 or to make payments on the Obligations. Under no circumstances may any cash, funds, securities, financial assets or other property held in or credited to the Term Loan Proceeds Account or the proceeds thereof held therein or credited thereto be used to pay any Indebtedness under the Prepetition Debt Documents, the Existing Payless CA Credit Facility or any other pre-petition obligations or for any purpose except as permitted under the Orders or as otherwise expressly permitted by the Bankruptcy Court pursuant any order of the Bankruptcy Court. The Term Loan Proceeds Account shall at all times be a segregated account over which the Collateral Agent has a legal, valid, enforceable and continuing Lien having the priority set forth in the Orders and shall not be subject to any other Liens (including, without limitation, any Liens securing the Prepetition ABL Facility or the Prepetition Term Loan Facility).

(d) Consult with the Lenders in pursuit of and in connection with any sale of all or any portion of the Debtors' interests in the LatAm Business, including as to the marketing process and the terms and conditions of the marketing process and the sale.

SECTION 8.
NEGATIVE COVENANTS

Holdings, the Borrower and each Loan Party hereby jointly and severally agree that, until all Term Loan Commitments have been terminated and the principal of and interest on each Term Loan, all fees and all other expenses or amounts payable under any Loan Document shall have been paid in full (other than contingent indemnification and reimbursement obligations for which no claim has been made), each of Holdings, the Borrower and each Loan Party shall not, and shall not permit any of their respective Subsidiaries to, directly or indirectly:

8.1 Indebtedness. Incur any Indebtedness, except:

(a) Indebtedness pursuant to any Loan Document;

(b) to the extent constituting Indebtedness, Investments permitted under Section 8.6(c), Section 8.6(g) or Section 8.6(r);

(c) [Reserved];

(d) [Reserved];

(e) Indebtedness of the Loan Parties that are not Debtors (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 8.2(k); provided that, immediately after giving effect to any Incurrence of Indebtedness under this clause (e), the aggregate principal amount of Indebtedness outstanding under this clause (e) shall not exceed $5.0 million;

(f) Indebtedness of (x) (i) any Loan Party that is a Debtor to any other Loan Party that is a Debtor and (ii) any Loan Party that is not a Debtor to any other Loan Party that is not a Debtor and (y) any Subsidiary that is a not a Loan Party (other than the Delayed Guarantors) to any other Subsidiary that is not a Loan Party or any Loan Party to the extent permitted as an Investment by Section 8.6(c);

(g) Indebtedness incurred by Payless CA or any of its Subsidiaries in an aggregate principal amount not to exceed $15.0 million, which Indebtedness shall not be guaranteed by Holdings or any Subsidiary thereof other than Payless CA and its Subsidiaries;

(h) Indebtedness consisting of Guarantee Obligations by the Borrower or any Guarantor of Indebtedness otherwise permitted to be Incurred by a Loan Party under this Section 8.1 (other than Section 8.1(g), (s) or (w));

(i) (I) Indebtedness outstanding under the Prepetition ABL Facility in an aggregate principal amount not to exceed the amount outstanding under the Prepetition ABL Facility on the Petition Date, (II) Indebtedness outstanding under the Prepetition Term Loan

Facility in an aggregate principal amount not to exceed the amount outstanding under the Prepetition Term Loan Facility on the Petition Date, (III) Indebtedness outstanding under the Existing Payless CA Credit Facility in an aggregate principal amount not to exceed the aggregate principal amount outstanding under the Existing Payless CA Credit Facility as of the Petition Date; provided, that the Obligations shall be *pari passu* in right of payment with the obligations under the Existing Payless CA Credit Facility and (IV) other Indebtedness outstanding on the Closing Date; provided, that, solely with respect to Loan Parties to the extent the aggregate principal amount of any such Indebtedness equals or exceeds $2.5 million on the Closing Date, such Indebtedness shall be listed on Schedule 8.1(i);

(j) Indebtedness in respect of Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has exposure and not for speculative purposes and entered into prior to the Petition Date;

(k) Indebtedness owed to any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance or similar obligations, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business and consistent with past practice;

(l) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds, performance and completion guarantees, import and export custom and duty guarantees and similar obligations, or obligations in respect of letters of credit or bank acceptances or similar instruments related thereto, in each case provided in the ordinary course of business and consistent with past practice;

(m) [Reserved];

(n) Indebtedness in respect of employee credit card programs and purchasing card programs in the ordinary course of business, and other Indebtedness in respect of netting services, automatic clearinghouse arrangements, overdraft protections and similar arrangements in each case in connection with deposit accounts, in the ordinary course of business;

(o) Indebtedness consisting of (x) the financing of insurance premiums or (y) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(p) [Reserved];

(q) Indebtedness constituting customary indemnification obligations in connection with sales and dispositions in the ordinary course of business;

(r) [Reserved];

(s) guarantees by Holdings, the Borrower and their Subsidiaries in the ordinary course of business of the obligations of suppliers, customers, franchisees and licensees of the Borrower and its Subsidiaries;

(t) [Reserved];

(u) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, that such Indebtedness is extinguished within five (5) Business Days of its Incurrence;

(v) [Reserved];

(w) to the extent constituting Indebtedness, judgments, decrees, attachments or awards not constituting an Event of Default under Section 10.1(h);

(x) Indebtedness representing Taxes that are not overdue by more than sixty (60) days or are being contested in compliance with Section 7.3;

(y) Indebtedness in respect of Holdings and its Subsidiaries' automobile leasing benefit program for certain employees incurred or outstanding that in manner and in amounts consistent with past practice; and

(z) Indebtedness in an aggregate outstanding principal amount not to exceed $1.0 million; provided that the aggregate principal amount of such Indebtedness incurred pursuant to this clause (z) by the Loan Parties shall not at any time exceed $250,000.

8.2 Liens. Create, Incur, assume or suffer to exist any Lien upon or with respect to any property or assets (real or personal, tangible or intangible), whether now owned or hereafter acquired, except (the following referred to in the Loan Documents as "Permitted Encumbrances"):

(a) Liens on the property and assets of Payless CA and its Subsidiaries securing Indebtedness incurred pursuant to Section 8.1(g); provided that to the extent such Liens encumber Collateral, such Liens are junior (including by operation of law) to the Liens created by the Security Documents;

(b) [reserved];

(c) [reserved];

(d) Liens on cash or Cash Equivalents securing obligations under Swap Agreements permitted hereunder;

(e) Liens for Taxes that are not yet due or delinquent, or which are being contested in good faith and by appropriate proceedings for which appropriate reserves have been established in accordance with GAAP;

(f) carriers', warehousemen's, landlord's, mechanics', materialmen's, repairmen's, suppliers', construction contractors' and sub-contractors' or other like Liens arising in the ordinary course of business that are not overdue for a period of more than sixty (60) days or that are being contested in good faith by appropriate proceedings, and Liens on fixtures and movable tangible property located on real property leased or subleased from landlords, lessors and mortgagees;

(g) pledges or deposits in the ordinary course of business and consistent with past practice (i) in connection with workers' compensation, unemployment insurance and other social security legislation or (ii) securing liability for reimbursement or indemnification obligations of insurance carriers providing property, casualty or liability insurance to Holdings, the Borrower or any Subsidiary;

(h) (i) deposits to secure or relating to the performance of bids, trade contracts (other than Indebtedness for borrowed money), government contracts, leases, utilities, statutory obligations, surety, stay, customs and appeal bonds, performance bonds and other obligations of a like nature (including, without limitation, those to secure health and safety obligations) incurred in the ordinary course of business and (ii) Liens securing the financing of insurance premiums with respect thereto incurred in the ordinary course of business;

(i) easements, covenants, conditions, rights-of-way, restrictions (including zoning restrictions), building code and land use laws, encroachments, protrusions, title exceptions, survey exceptions and other similar encumbrances on real property that do not secure any Indebtedness for borrowed money and do not materially detract from the value of the affected real property or materially interfere with the ordinary conduct of business of Holdings and its Subsidiaries taken as a whole, and such other minor title defects or survey matters that are disclosed by current surveys that, in each case, do not materially and adversely interfere with the current use of such real property;

(j) (i) Liens in existence on the Closing Date; provided, that, solely with respect to Loan Parties to the extent the aggregate principal amount of Indebtedness secured by any such Lien equals or exceeds $2.5 million on the Closing Date, such Lien shall be listed on Schedule 8.2(j), (ii) Liens securing the Prepetition ABL Facility and the Prepetition Term Loan Facility and (ii) Liens securing the Existing Payless CA Credit Facility solely on the assets and property of Payless CA, Payless CO and PSS Latin America, provided that at all times (a) such assets and property constitute Collateral and (b) so long as no Snapback Event shall have occurred, such Liens shall rank *pari passu* with the Liens on such assets and property securing the Obligations pursuant to the BVI Intercreditor Agreement;

(k) Liens securing Indebtedness of the Loan Parties that are not Debtors incurred pursuant to Section 8.1(e) to finance the acquisition by such Loan Parties of fixed or capital assets (including, without limitation, the acquisition, construction or improvement of Real Property owned by a Loan Party); provided that (i) such Liens shall be created within one hundred and eighty (180) days following the acquisition of such fixed or capital assets and (ii) such Liens do not at any time encumber any property of the Loan Parties other than the property financed by such Indebtedness and accessions thereto;

(l) Liens created pursuant to any Loan Document or the Orders;

(m) any interest or title of a lessor or sublessor under any lease or sublease or secured by a lessor's or sublessor's interests under leases or subleases;

(n) Liens (i) in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the

ordinary course of business and consistent with past practice or (ii) on specific items of inventory or other goods or assets and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods or assets in the ordinary course of business and consistent with past practice;

(o) [reserved];

(p) Liens in respect of the exclusive and non-exclusive licensing of patents, copyrights, trademarks and other Intellectual Property rights in the ordinary course of business and consistent with past practice;

(q) [reserved];

(r) Liens arising from precautionary UCC financing statements or similar filings made in respect of operating leases entered into by the Borrower and its Subsidiaries or, to the extent permitted under the Loan Documents, the consignment of goods to the Borrower or its Subsidiaries;

(s) ground leases in respect of real property on which facilities owned or leased by the Borrower and its Subsidiaries are located;

(t) licenses, sublicenses, leases or subleases with respect to any assets granted to third Persons in the ordinary course of business; provided that the same do not in any material respect interfere with the business of Holdings and its Subsidiaries taken as a whole;

(u) Liens in respect of judgments or decrees that do not constitute an Event of Default under Section 10.1(h);

(v) bankers' Liens, rights of setoff and similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more deposit, securities, investment or similar accounts, in each case granted in the ordinary course of business and consistent with past practice in favor of the bank or banks where such accounts are maintained, securing amounts owing to such bank with respect to cash management or other account arrangements, including those involving pooled accounts and netting arrangements or sweep accounts of the Borrower and its Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of the Borrower and its Subsidiaries; provided that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness;

(w) [reserved];

(x) (i) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into in the ordinary course of business or Liens arising by operation of law under Article 2 of the New York UCC and (ii) rights of setoff against credit balances of Holdings or any of its Subsidiaries with credit card issuers or credit card processors to Holdings or any of its Subsidiaries in the ordinary course of business;

(y) Liens and other matters of record shown on any title policies delivered pursuant to this Agreement;

(z) Liens arising in connection with (i) zoning, building, entitlement and other land use regulations by Governmental Authorities with which the normal operation of the business complies, and (ii) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of Holdings and its Subsidiaries, taken as a whole;

(aa) Liens deemed to exist in connection with investments in repurchase agreements meetings the requirements of Cash Equivalents;

(bb) Liens on amounts deposited as "security deposits" (or their equivalent) in the ordinary course of business and consistent with past practice in connection with actions or transactions not prohibited by this Agreement; and

(cc) Liens arising by operation of law under Article 4 of the UCC in connection with collection of items provided for therein.

8.3 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), except that:

(a) any Subsidiary of the Borrower may be merged, amalgamated or consolidated with or into the Borrower (provided that such Borrower shall be the continuing or surviving entity) or with or into any Subsidiary Guarantor (provided that a Subsidiary Guarantor shall be the continuing or surviving entity) and (ii) any Subsidiary that is not a Loan Party (other than the Delayed Guarantors) may be merged, amalgamated or consolidated with or into another Subsidiary that is not a Loan Party (other than the Delayed Guarantors); and

(b) (x) any Subsidiary Guarantor may Dispose of any or all of its assets to the Borrower or any Subsidiary Guarantor (upon voluntary liquidation, dissolution or otherwise) and (y) any Subsidiary of the Borrower that is not a Subsidiary Guarantor (other than any Delayed Guarantor) may Dispose of any or all of its assets to the Borrower or any Subsidiary Guarantor or any other Subsidiary (upon voluntary liquidation, dissolution or otherwise).

(c) Any merger, amalgamation, dissolution or liquidation not involving the Borrower may be effected for purpose of a Disposition permitted under Section 8.4.

8.4 Disposition of Property. Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary of Holdings, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) (i) the Disposition of obsolete, surplus, uneconomical, worn out or damaged property in the ordinary course of business and (ii) Dispositions in the ordinary course of business of property, in the reasonable business judgment of the Borrower, that is no longer used in the conduct of the business of the Borrower and its Subsidiaries (including allowing any

registrations or any applications for registration of any immaterial intellectual property no longer useful in the business of Holdings or its Subsidiaries to lapse or to be abandoned);

(b) the Latin American Sale; provided, that (i) not less than 85% of the consideration payable to Holdings and its Subsidiaries in connection with the Latin American Sale is in the form of cash or Cash Equivalents, provided that, for the purposes of this clause (i), in the case of a Latin American Sale that is a sale of the assets of the LatAm Business, any liabilities of the LatAm Business that are assumed by the transferee with respect to the Latin American Sale (and for which the obligors on such assumed liabilities shall have been validly released by all applicable creditors in writing), shall be deemed to be cash, and (ii) the consideration payable to Holdings and its Subsidiaries in connection with the Latin American Sale is equal to the fair market value of the LatAm Business sold pursuant to this Section 8.4(b) (as determined by the Bankruptcy Court or a valuation firm of national or regional reputation (as determined by the Borrower in its reasonable discretion and reasonably acceptable to the Required Lenders));

(c) (i) the Disposition of inventory or equipment in the ordinary course of business, including in connection with the GOB Sales; and (ii) Dispositions of the Kentucky Property; provided, that (a) 100% of the consideration payable (and paid) to the Borrower and its Subsidiaries in connection with the Disposition of the Kentucky Property is in the form of cash or Cash Equivalents, and (b) the consideration payable to the Borrower and its Subsidiaries in connection with the Kentucky Property is equal to the fair market value of such property (as determined by the Borrower in its reasonable discretion);

(d) Dispositions permitted under Section 8.3;

(e) the use, sale, exchange or other disposition of money or Cash Equivalents in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents made in the ordinary course of business;

(f) the exclusive or non-exclusive licensing or sublicensing of patents, trademarks, copyrights, and other Intellectual Property rights in the ordinary course of business and consistent with past practice;

(g) Dispositions which are required by court order or regulatory decree or otherwise required or compelled by regulatory authorities;

(h) licenses, sublicenses, space leases, leases or subleases with respect to any real or personal property or assets granted to third Persons in the ordinary course of business; provided that either (i) the same do not in any material respect interfere with the business of Holdings and its Subsidiaries, taken as a whole, or materially detract from the value of the relative assets of Holdings and its Subsidiaries, taken as a whole, or (ii) such transaction is at arm's length;

(i) Dispositions (i) by Loan Parties that are Debtors to, between or among Loan Parties that are Debtors, (ii) by Loan Parties that are not Debtors to Loan Parties that are

Debtors and (iii) by Loan Parties that are not Debtors to, between or among Loan Parties that are not Debtors;

(j) Dispositions (x) between or among any wholly-owned Subsidiary that is not a Loan Party (other than the Delayed Guarantors) and any other wholly-owned Subsidiary that is not a Loan Party (other than the Delayed Guarantors) or (y) by a Subsidiary that is not a Loan Party to any Loan Party;

(k) Dispositions constituting (i) Investments permitted under Section 8.6, (ii) Restricted Payments permitted under Section 8.5, or (iii) Liens permitted under Section 8.2;

(l) (i) Dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset or (ii) a Disposition consisting of or subsequent to a total loss or constructive total loss of property;

(m) the unwinding of any Swap Agreements;

(n) other Dispositions by the LatAm Entities; provided that the fair market value of the assets Disposed of pursuant to this clause (n) shall not, in the aggregate, exceed $500,000;

(o) as long as no Event of Default then exists or would immediately arise therefrom, Dispositions of non-core Real Property that is (A) with respect to Real Property owned as of the Closing Date, not currently used in the operations of the business or (B) Real Property that is associated with the permitted closure of Stores or distribution centers, of any Loan Party owned as of the Closing Date (or Dispositions of any Person or Persons created to hold such Real Property or the Capital Stock in such Person or Persons), in each case of the foregoing subclauses (A) or (B), including leasing or subleasing transactions Synthetic Lease Obligation transactions and other similar transactions involving any such Real Property pursuant to leases on market terms;

(p) cancellations or Dispositions of any Indebtedness owed to (i) a Loan Party by another Loan Party or (ii) any other Subsidiary and/or joint venture that is not a Loan Party (other than the Delayed Guarantors) by any other Subsidiary and/or joint venture that is not a Loan Party (other than the Delayed Guarantors); provided that after giving effect to such Disposition, such Indebtedness would otherwise be permitted under Section 8.1;

(q) Disposition of property with respect to an insurance claim from damage to such property where the insurance company provides a Loan Party or its Subsidiary the value of such property (minus any deductibles and fees) in cash or with replacement property in exchange for such property;

(r) [reserved];

(s) Dispositions of Intellectual Property that is not required to be preserved or renewed pursuant to Section 7.5(a)(ii); and

(t) licenses for the conduct of third party retail licensed departments within a Store operated by a Loan Party in exchange for royalty fees relating thereto carried out in the ordinary course of business; provided that such Loan Party shall provide evidence or other documentation relating to such license following reasonable written request from the Administrative Agent (at the direction of the Required DIP Lenders) and to the extent requested by the Administrative Agent (at the direction of the Required DIP Lenders), the Loan Parties shall cause such third party to enter into an intercreditor agreement with the Administrative Agent on terms and conditions reasonably satisfactory to the Administrative Agent (at the direction of the Required DIP Lenders).

8.5 Restricted Payments. Declare or pay any dividend or distribution on any Capital Stock of Holdings or its Subsidiaries, whether now or hereafter outstanding, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of any Capital Stock of Holdings or its Subsidiaries, whether now or hereafter outstanding, or pay any management or similar fees to any holders of the Capital Stock of Holdings or any of their respective Affiliates, or make any other distribution in respect of any Capital Stock of Holdings or its Subsidiaries, in each case, either directly or indirectly and whether in cash or property or in obligations of Holdings or its Subsidiaries (collectively, "Restricted Payments"), except that:

(a) any Wholly Owned Subsidiary of the Borrower may make Restricted Payments (other than issuances of Disqualified Capital Stock) to Holdings, the Borrower or any other Subsidiary and any non-Wholly Owned Subsidiary may make Payments (other than issuances of Disqualified Capital Stock) ratably to the holders of such non-Wholly Owned Subsidiary's Capital Stock;

(b) Cashless exercises of options and warrants shall be permitted; and

(c) the Borrower and its Subsidiaries may make Restricted Payments to, or make loans to, Holdings in amounts required for Holdings to pay, in each case, without duplication, but subject to such payments being included in the Approved Budget:

(i) franchise or similar taxes and other fees, taxes and expenses required to maintain Holdings' corporate or other entity existence;

(ii) income and similar taxes attributable to Holdings, the Borrower and each Subsidiary that are not payable directly by Holdings, the Borrower or such Subsidiary, as applicable, which amount shall not exceed the combined income and similar taxes that would be paid if the Borrower, Holdings and each Subsidiary were a separate group of corporations filing income and similar tax returns on a consolidated or combined basis with Holdings as the common parent of such affiliated group (taking into account any applicable net operating loss carry forwards within the meaning of Section 172 of the Code and capital loss carry forwards within the meaning of Section 1212 of the Code, available to reduce such taxes);

(iii) salary and other benefits payable to officers and employees of Holdings to the extent such salaries and other benefits are attributable to the ownership or

operation of the Borrower and its Subsidiaries and are being paid consistent with past practice; and

(iv) general corporate operating and overhead costs and expenses of Holdings (including, without limitation, expenses for legal, administrative and accounting services provided by third parties) to the extent such costs and expenses are attributable to the ownership or operation of the Borrower and its Subsidiaries and such costs and expenses are in amounts consistent with past practices.

8.6 Investments. Make any advance, loan, extension of credit (by way of guarantee or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of any Person (all of the foregoing, "Investments"), except:

(a) accounts receivable or notes receivable arising from extensions of trade credit granted in the ordinary course of business and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(b) Investments in cash and Cash Equivalents (or Investments that were Cash Equivalents when made, so long as Holdings and its Subsidiaries shall use commercially reasonable efforts to convert such Investments to Investments in cash or Cash Equivalents);

(c) Loans and advances made to the LatAm Business in the ordinary course of business and consistent with past practices and representing receivables and other payment obligations in respect of expenses paid by a Loan Party on behalf of the LatAm Business or services provided by a Loan Party to the LatAm Business in the aggregate not to exceed at any time $1.5 million (exclusive of the amount of all allocated costs related to the LatAm Business);

(d) Investments constituting Restricted Payments that are permitted pursuant to section 8.5(c);

(e) Investments resulting from the receipt of non-cash consideration received in connection with Dispositions permitted by Section 8.4 (other than pursuant to clause (k)(i) of such Section 8.4);

(f) (i) [reserved], (ii) Investments by any Loan Party and its Subsidiaries in their respective Subsidiaries and/or joint ventures outstanding on the Closing Date, (iii) additional Investments by any Loan Party that is a Debtor in other Loan Parties that are Debtors (other than Holdings) or Investments by any Loan Party that is not a Debtor in Loan Parties that are not Debtors and (iv) additional Investments by Subsidiaries that are not Loan Parties (other than the Delayed Guarantors) in any Subsidiaries and/or joint ventures that are not Loan Parties (other than the Delayed Guarantors);

(g) Investments in Subsidiaries that conduct business in Asia included in the Approved Budget (subject to Permitted Variance);

(h) advances of payroll payments to employees in the ordinary course of business and consistent with past practice;

(i) Investments in the ordinary course of business and consistent with past practice consisting of prepaid expenses and endorsements of negotiable instruments for collection or deposit;

(j) Investments (including debt obligations and Capital Stock) received in settlement of amounts due to the Borrower and its Subsidiaries effected in the ordinary course of business or owing to the Borrower and its Subsidiaries as a result of insolvency or reorganization proceedings involving an account debtor or upon the foreclosure or enforcement of any Lien in favor of the Borrower and its Subsidiaries or disputes with customers and suppliers;

(k) Investments in existence on the Closing Date and described in Schedule 8.6(k) and any modification, renewal or extension thereof, but not any increase in the amount thereof;

(l) guarantees permitted by this Agreement;

(m) advances of payroll payments to employees, Investments made pursuant to employment and severance arrangements of officers and employees and transactions pursuant to stock option plans and employee benefit plans and arrangements, in each case, in the ordinary course of business and consistent with past practice;

(n) Investments in respect of prepaid expenses or lease, utility and other similar deposits in the ordinary course of business;

(o) Subject to the Cash Collateral Orders, Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of Intellectual Property in the ordinary course of business and consistent with past practice;

(p) Investments consisting of Swap Agreements permitted under Section 8.1(j); and

(q) Investments consisting of the unwinding of any franchise arrangements or the conversion of any franchise arrangement into a joint venture; and

(r) Investments in Subsidiaries that conduct business in Mexico not to exceed $50,000 in the aggregate per month.

8.7 Payments and Modifications of Certain Debt Instruments; Modification to Organizational Documents.

(a) Make any optional prepayment, repayment or redemption with respect to any Indebtedness permitted by Section 8.1, except (i) payments of the Prepetition ABL Facility Obligations with the proceeds of GOB Sales in accordance with the Cash Collateral Orders and (ii) intercompany Indebtedness permitted to be Incurred under Section 8.1(f) or permitted to be cancelled under Section 8.4, so long as no Event of Default has occurred and is continuing and or would result therefrom.

(b) Amend or modify, or permit the amendment or modification of, any provision in respect of any of the Indebtedness incurred pursuant to Section 8.1.

(c) Amend, modify or change any Organizational Documents of Holdings or any of its Subsidiaries without the prior written consent of the Required DIP Lenders.

8.8 Transactions with Affiliates. Directly or indirectly, enter into or permit to exist any transaction or contract or series of related transactions or contracts (including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees) with or for the benefit of any Affiliate of any Loan Party involving aggregate payments or consideration (or property having a fair market value) excess of $1.0 million (each an "Affiliate Transaction"), except (a) transactions between or among the Loan Parties, (b) Affiliate Transactions set forth on Schedule 8.8, (c) Investments permitted under Section 8.6(c), Section 8.6(g) or Section 8.6(r), (d) Affiliate Transactions to which the Administrative Agent (at the direction of the Required DIP Lenders) has consented in writing, (e) Investments existing on the Petition Date in the Borrower's Subsidiaries and joint ventures (to the extent any such Subsidiary or any such joint venture is only an Affiliate as a result of Investments by Holdings and its Subsidiaries in such Subsidiary or joint venture) to the extent otherwise permitted under Section 8.6, (f) intellectual property licensing arrangements in the ordinary course of business consistent with existing practice, (g) royalty-free licenses of any of the Loan Parties' or their Subsidiaries' trademarks, trade names and business systems by the Loan Parties to Subsidiaries that are not Loan Parties in the ordinary course of business and consistent with the practices in place on the Closing Date, (h) any Investment permitted by Section 8.6(c) and (i) any Restricted Payment permitted by Section 8.5.

8.9 Sale Leaseback Transactions. Enter into any Sale Leaseback Transaction.

8.10 Changes in Fiscal Periods. Without the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), permit the fiscal year of the Borrower to end on a day other than the Saturday closest to January 31st of any calendar year or change the Borrower's method of determining fiscal quarters.

8.11 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Holdings or any Subsidiary to incur any Lien upon any of the Collateral, whether now owned or hereafter acquired, to secure its obligations under the Loan Documents to the extent required thereby to which it is a party other than (a) this Agreement and the other Loan Documents, the Prepetition Debt Documents and the Existing Payless CA Credit Facility, (b) any agreements evidencing or governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby), (c) customary restrictions on the assignment of leases, licenses and contracts entered into in the ordinary course of business, (d) [reserved], (e) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary of the Borrower (or the assets of a Subsidiary of the Borrower) pending such sale; provided, such restrictions and conditions apply only to the Subsidiary of the Borrower that is to be sold (or whose assets are to be sold) and such sale is permitted hereunder), (f) [reserved], (g) restrictions under agreements evidencing or governing or otherwise relating to Indebtedness of any Subsidiaries that are not Loan Parties permitted

under Section 8.1; provided that such Indebtedness is only with respect to the assets of any Subsidiaries that are not Loan Parties, (h) customary provisions in joint venture agreements, limited liability company operating agreements, partnership agreements, stockholders agreements and other similar agreements in existence on the Petition Date, (i) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of the business of the Borrower and its Subsidiaries, (j) customary restrictions and conditions contained in agreements relating to the Disposition of property or assets or Capital Stock permitted hereunder by a Loan Party or a Subsidiary of a Loan Party pending such Disposition, provided such restrictions and conditions apply only to the property or assets of the Loan Party or the Subsidiary of a Loan Party that are to be Disposed and such Disposition is permitted hereunder, (k) customary restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business, (l) [reserved], (m) any negative pledge incurred or provided in favor of any holder of any secured Indebtedness permitted hereunder, (n) customary anti-assignment provisions in licenses and other contracts restricting the sublicensing or assignment thereof or in contracts for the Disposition of any assets or any Subsidiary of a Loan Party; provided that the restrictions in any such contract shall apply only to the assets or Subsidiary of a Loan Party that is to be Disposed of, (o) provisions in leases of real property that prohibit mortgages or pledges of the lessee's interest under such lease or restricting subletting or assignment of such lease, (p) [reserved], (q) pursuant to Contractual Obligations that exist on the Petition Date, (r) [reserved] and (s) restrictions in connection with cash or other deposits permitted under Section 8.2 in the ordinary course of business. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or repay or prepay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of such Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of such Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary so long as such sale is permitted hereunder, (iii) customary restrictions on the assignment of leases, contracts and licenses entered into in the ordinary course of business, (iv) [reserved], (v) restrictions of the nature referred to in clause (c) above under agreements governing purchase money liens or Capital Lease Obligations otherwise permitted hereby which restrictions are only effective against the assets financed thereby, (vi) agreements governing Indebtedness outstanding on the Closing Date and, to the extent the aggregate principal amount thereof equals or exceeds $2.5 million, listed on Schedule 8.1(i), (vii) Liens permitted by Section 8.2 that limit the right of the Borrower or any of its Subsidiaries to dispose of the assets subject to such Liens, (viii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, agreements in respect of sales of Capital Stock and other similar agreements entered into in connection with transactions permitted under this Agreement; provided that such encumbrance or restriction shall only be effective against the assets or property that are the subject of such agreements, (ix) [reserved], (x) restrictions under agreements evidencing or governing Indebtedness of any Subsidiaries that are not Loan Parties permitted under Section 8.1; provided that such restrictions are only with respect to assets of any Subsidiaries that are not Loan Parties, (xi) restrictions under agreements evidencing or governing

Indebtedness permitted under Sections 8.1(e) or (q), (xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of the business of the Borrower and its Subsidiaries, (xiii) customary provisions in joint venture agreements or other similar agreements applicable to joint ventures and applicable solely to such joint venture entered into in the ordinary course of business, and (xiv) any restrictions regarding licenses or sublicenses by the Borrower and the other Subsidiaries of trademarks, service marks, trade names, copyrights, patents, franchises, licenses and other intellectual property rights in the ordinary course of business (in which case such restriction shall relate only to such right to intellectual property pursuant to such license or sublicense).

8.12 Lines of Business. With respect to (a) the Borrower and each of its Subsidiaries, enter into any business, either directly or through any Subsidiary, except those businesses in which such entity is engaged on the Closing Date or that are reasonably related, similar, ancillary, complementary or incidental thereto or reasonable extensions thereof and activities necessary to conduct the foregoing and (b) Holdings, engage in any business or activity other than (i) the direct or indirect ownership of all outstanding Capital Stock in the Borrower and other Subsidiaries, (ii) maintaining its corporate or other entity existence, (iii) participating in tax, accounting and other administrative activities as the parent of the consolidated group of companies consisting of the Borrower and its Subsidiaries, (iv) the performance of obligations under the Loan Documents and the Prepetition Debt Documents, (v) making and receiving Restricted Payments as permitted hereunder, (vi) establishing and maintaining bank accounts, (vii) entering into employment agreements and other customary arrangements with officers and directors and performing the activities contemplated thereby, (viii) [reserved], (ix) the providing of indemnification to officers, managers and directors, (x) taking any other action permitted under the Loan Documents or the Prepetition Debt Documents, (xi) purchasing Qualified Capital Stock of its Subsidiaries, (xii) [reserved] and (xiii) any activities incidental to the foregoing.

8.13 Chapter 11 Cases.

(a) Except for the Carve Out and the ABL Adequate Protection Liens and the ABL Adequate Protection Superpriority Claims (each as defined in the Cash Collateral Orders), to the extent provided for, and having the priorities set forth in, the Orders, incur, create, assume, suffer to exist or permit, or file any motion seeking, any other superpriority claim which is pari passu with, or senior to the claims, security interests and Liens of, the Administrative Agent, Lenders and any other Secured Parties.

(b) Make or permit to be made any change to the Orders, as applicable, without the prior written consent of the Required DIP Lenders.

(c) Commence any adversary proceeding, contested matter or other action asserting any claims or defenses or otherwise against the Administrative Agent, any Lender (or Affiliate thereof) or any holder of Indebtedness under the Prepetition ABL Facility or the Prepetition Term Loan Facility with respect to this Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, the Prepetition Debt Documents, the other documents or agreements executed or delivered in connection therewith or the transactions contemplated thereby; provided, however, that with respect to the Alden Claims (as defined in

the Orders), the foregoing shall be expressly subject to the Debtors' and other parties in interest's rights and claims to the extent preserved pursuant to Paragraph 47 of the Interim Order.

(d) Make (i) any prepetition "critical vendor" payments or other payments on account of any creditor's prepetition unsecured claim except as set forth in the Critical Vendor Orders, (ii) payments on account of claims or expenses arising under section 503(b)(9) of the Bankruptcy Code or (iii) payments under any management incentive plan or on account of claims or expenses arising under section 503(c) of the Bankruptcy Code, except in amounts and on terms and conditions that (a) are approved by order of the Bankruptcy Court after notice and a hearing and (b) are expressly permitted by the terms of the Loan Documents and within the limits, including any allowed variance, of the Approved Budget or otherwise with the consent of the Required DIP Lenders.

(e) File any motion or application with the Bankruptcy Court with regard to actions taken outside the ordinary course of business of the Loan Parties without consulting with the Lenders and providing the Lenders prior notice (in any case, not less than two (2) Business Days' or such lesser time as may be acceptable to Required DIP Lenders in their sole discretion)) and the opportunity to review and comment on each such motion.

8.14 Budget Testing. Permit any Variance to occur for any Testing Period (commencing with the first Testing Period after the Petition Date) other than a Permitted Variance.

8.15 GOB Sales Proceeds. Subject to the Cash Collateral Orders, apply any proceeds from the GOB Sales in any manner other than the following, in order: first, to repay in full in cash the Prepetition ABL Facility Obligations in accordance with the Cash Collateral Orders and second, upon the repayment in full, in cash of all Prepetition ABL Facility Obligations, to fund the GOB Sales Proceeds Account.

8.16 Specified Liens. Create, Incur, assume or suffer to exist any Lien upon or with respect to any Capital Stock of Payless ShoeSource (BVI) Holdings, Ltd. or Payless Colombia (BVI) Holdings Ltd to secure any Indebtedness or other obligations, including any Indebtedness under the Existing Payless CA Credit Facility, other than, after the occurrence of a Snapback Event, the Obligations.

8.17 No New Subsidiaries. Directly or indirectly, form, organize or acquire (whether through merger, the purchase of Capital Stock or otherwise) any new Subsidiaries except for any new Subsidiary that becomes a Guarantor; provided, however, that this Section 8.17 shall not apply to Payless ShoeSource (BVI) Holdings, Ltd., Payless Colombia (BVI) Holdings Ltd., Payless ShoeSource Andean Holdings, Payless ShoeSource Peru Holding, S.L., Payless ShoeSource Ecuador CIA Ltda, Payless ShoeSource Spain, S.L., nor any of their respective Subsidiaries.

8.18 Budget. No amendment, modification or update shall be made to the Approved Budget or the DIP Budget, except in accordance with the Cash Collateral Orders and the Orders and as otherwise set forth in this Agreement.

SECTION 9.
GUARANTEE

9.1 The Guarantee. Each Guarantor hereby jointly and severally guarantees, as a primary obligor and not as a surety, to each Secured Party and their respective successors and permitted assigns, the prompt payment in full when due (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of (1) the principal of and interest (including any interest, fees, costs or charges that would accrue but for the provisions of the Bankruptcy Code after any bankruptcy or insolvency petition under the Bankruptcy Code or any similar law of any other jurisdiction, including the Chapter 11 Cases) on (i) the Term Loans made by the Lenders to the Borrower, and (ii) the Term Notes, if any, held by each Lender of the Borrower and (2) all other Obligations from time to time owing to the Secured Parties by the Loan Parties (such obligations being herein called the "Guaranteed Obligations"). Each Guarantor hereby jointly and severally agrees that, if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, such Guarantor will promptly pay the same in cash, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

9.2 Obligations Unconditional. The obligations of the Guarantors under Section 9.1, respectively, shall constitute a guarantee of payment (and not of collection) and to the fullest extent permitted by applicable Requirements of Law, are absolute, irrevocable and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the Guaranteed Obligations of the Borrower under this Agreement, the Term Notes, if any, or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety by any Guarantor, as applicable (except for payment in full). Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder, which shall, in each case, remain absolute, irrevocable and unconditional under any and all circumstances as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of this Agreement or the Term Notes, if any, or any other agreement or instrument referred to herein or therein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be amended in any respect, or any right under the Loan Documents or any other agreement or instrument referred to herein or therein shall be amended or waived in any respect or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(d) any Lien or security interest granted to, or in favor of any Lender or the Administrative Agent as security for any of the Guaranteed Obligations shall fail to be perfected; or

(e) the release of any other Guarantor pursuant to and to the extent provided in Section 9.8, or otherwise.

Each of the Guarantors hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Secured Party exhaust any right, power or remedy or proceed against the Borrower or any Guarantor under this Agreement or the Term Notes, if any, or any other agreement or instrument referred to herein or therein, or against any other person under any other guarantee of, or security for, any of the Guaranteed Obligations. Each of the Guarantors waives any and all notice of the creation, renewal, extension, waiver, termination or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by any Secured Party upon this guarantee made under this Section 9 (this "Guarantee") or acceptance of this Guarantee, and the Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guarantee, and all dealings between the Borrower and the Secured Parties shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guarantee. This Guarantee shall be construed as a continuing, absolute, irrevocable and unconditional guarantee of payment without regard to any right of offset with respect to the Guaranteed Obligations at any time or from time to time held by the Secured Parties and the obligations and liabilities of the Guarantors hereunder shall not be conditioned or contingent upon the pursuit by the Secured Parties or any other person at any time of any right or remedy against the Borrower or against any other person which may be or become liable in respect of all or any part of the Guaranteed Obligations or against any collateral security or guarantee therefor or right of offset with respect thereto. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantors and the successors and assigns thereof, and shall inure to the benefit of the applicable Lenders, and their respective successors and permitted assigns, notwithstanding that from time to time during the term of this Agreement there may be no Guaranteed Obligations outstanding.

9.3 Reinstatement. The obligations of the Guarantors under this Section 9 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or any Loan Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

9.4 No Subrogation Until Obligations Repaid. Each Guarantor hereby agrees that until the payment and satisfaction in full in cash of all Guaranteed Obligations (other than contingent indemnification and reimbursement obligations for which no claim has been made) and the expiration and termination of the Term Loan Commitments under this Agreement it shall subordinate any claim and shall not exercise any right or remedy, direct or indirect, arising by reason of any performance by it of its guarantee in Section 9.1, whether by subrogation, right of contribution or otherwise, against the Borrower or any other Guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

9.5 Remedies. Each Guarantor jointly and severally agrees that, as between the Guarantors and the Lenders, the obligations of the Borrower under this Agreement and the Term Notes, if any, may be declared to be forthwith due and payable as provided in Section 10 (and shall be deemed to have become automatically due and payable in the circumstances provided in Section 10) for purposes of Section 9.1, notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower or any Guarantor and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable, or the circumstances occurring where Section 10 provides that such obligations shall become due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 9.1.

9.6 Continuing Guarantee. The Guarantee made by the Guarantors in this Section 9 is a continuing guarantee of payment, and shall apply to all Guaranteed Obligations whenever arising.

9.7 General Limitation on Guaranteed Obligations. In any action or proceeding involving any federal, state, provincial or territorial, corporate, limited partnership or limited liability company law, or any applicable state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 9.1 would otherwise be held or determined to be void, voidable, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 9.1, then, notwithstanding any other provision to the contrary, the amount of such liability of such Guarantor shall, without any further action by such Guarantor, any Loan Party or any other Person, be automatically limited and reduced to the highest amount (after giving effect to the right of contribution established in Section 9.9) that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding and would not constitute fraudulent conveyance. The Guarantors confirm that it is the intention that this Guarantee not constitute a fraudulent transfer or conveyance for purposes of Debtor Relief Laws, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal, state, provincial, territorial or other foreign law to the extent applicable to the obligations set forth herein.

9.8 Limitation on Guarantee of LatAm Business.

(a) In the event that (i) Payless CA becomes a Subsidiary Guarantor, (ii) in the reasonable business judgment of the Debtors, the LatAm Business has a legitimate need for up to $15.0 million in aggregate principal amount of additional financing (a "Latin American Financing"), (iii) a Latin American Financing is proposed to be incurred by Payless CA and/or any of its Subsidiaries, but such entities would only be permitted to incur such Indebtedness in accordance with terms of the Existing Payless CA Credit Facility if the Guarantees of the Obligations (and the associated Liens securing such Guarantees) were reduced by an amount equal to the aggregate principal amount of the Latin American Financing, (iv) the terms of the Latin American Financing are reasonable in the reasonable business judgment of the Debtors and (v) the Latin American Financing shall be offered in a competitive process in which the Lenders shall be afforded the opportunity to participate, then the Guarantee of Payless CA and any Subsidiary thereof which is a Subsidiary Guarantor (and the associated Liens securing such

Guarantees) shall be reduced solely to the extent necessary to enable Payless CA and/or its Subsidiaries to incur such Latin American Financing; provided, that, after giving effect to such reduction such entities shall remain liable for at least $10.0 million in aggregate principal amount of the Term Loans and the other Obligations; provided, further, that if the All-in Yield in respect of the Latin American Financing exceeds the All-in Yield for the Term Loans, the Applicable Margin shall be increased so that the All-in Yield in respect of the Term Loans equals the All-in Yield of the Latin American Financing. The Guarantee reduction contemplated hereby shall be automatically effected upon delivery by the Borrower to the Administrative Agent of an officer's certificate of an Authorized Officer certifying compliance with the provisions of this Section 9.8(a). The Administrative Agent and the Lenders, at the sole cost and expense of the Borrower, agree to take any and all actions, and execute any and all instruments, reasonably necessary to effect the forgoing.

(b) At all times, the amount of liability of Payless CA and its Subsidiaries in each of their capacities as Guarantors of the Guaranteed Obligations shall not exceed $25.0 million.

9.9 Right of Contribution. At any time a payment in respect of the Guaranteed Obligations is made under this Guarantee, the right of contribution of each Subsidiary Guarantor against each other Subsidiary Guarantor shall be determined as provided in the immediately following sentence, with the right of contribution of each Subsidiary Guarantor to be revised and restated as of each date on which a payment (a "Relevant Payment") is made on the Guaranteed Obligations under this Guarantee. Each Subsidiary Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have made payments in respect of the Guaranteed Obligations that, in the aggregate, exceed such Subsidiary Guarantor's Contribution Percentage (as defined below) of the aggregate payments made by all Subsidiary Guarantors (such excess, the "Aggregate Excess Amount"), each such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Subsidiary Guarantor hereunder which has not paid its Contribution Percentage of the aggregate payments made by all Subsidiary Guarantors (the "Aggregate Deficit Amount") on the date of such payment, in an amount equal to (x) a fraction, the numerator of which is the Aggregate Excess Amount paid by such Subsidiary Guarantor and the denominator of which is the Aggregate Excess Amount paid by all Subsidiary Guarantors, multiplied by (y) the Aggregate Deficit Amount. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 9.4. The provisions of this Section 9.9 shall in no respect limit the obligations and liabilities of any Subsidiary Guarantor to the Collateral Agent and the other Secured Parties, and each Subsidiary Guarantor shall remain liable to the Collateral Agent and the other Secured Parties for the full amount guaranteed by such Subsidiary Guarantor hereunder; provided, that no Subsidiary Guarantor may take any action to enforce such right until the Guaranteed Obligations have been irrevocably paid in full in cash and the Total Term Loan Commitment has been terminated, it being expressly recognized and agreed by all parties hereto that any Subsidiary Guarantor's right of contribution arising under this Section 9.9 against any other Subsidiary Guarantor shall be expressly junior and subordinate to such other Subsidiary Guarantor's obligations and liabilities in respect of the Obligations and any other obligations owing under this Guarantee. As used in this Section 9.9: (i) each Subsidiary Guarantor's "Contribution Percentage" shall mean the percentage obtained by dividing (x) Adjusted Net Worth (as defined below) of such Subsidiary Guarantor by (y) the aggregate Adjusted Net Worth of all Subsidiary Guarantors; (ii) the "Adjusted Net Worth" of

each Subsidiary Guarantor shall mean the greater of (x) the Net Worth (as defined below) of such Subsidiary Guarantor and (y) zero; and (iii) the "Net Worth" of each Subsidiary Guarantor shall mean the amount by which the fair saleable value of such Subsidiary Guarantor's assets on the date of any payment by such Subsidiary Guarantor exceeds its existing debts and other liabilities (including contingent liabilities, but without giving effect to any Guaranteed Obligations arising under this Guarantee) on such date. Notwithstanding anything to the contrary contained above, any Subsidiary Guarantor that is released from this Guarantee pursuant to and to the extent provided in Section 9.8 hereof shall thereafter have no contribution obligations, or rights, pursuant to this Section 9.9, and at the time of any such release, if the released Subsidiary Guarantor had an Aggregate Excess Amount or an Aggregate Deficit Amount, same shall be deemed reduced to $0, and the contribution rights and obligations of the remaining Subsidiary Guarantors shall be recalculated on the respective date of releases (as otherwise provided above) based on the payments made hereunder by the remaining Subsidiary Guarantors.

9.10 Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under this Guarantee in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 9.10 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 9.10, or otherwise under this Guaranty, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until a discharge of Guaranteed Obligations. Each Qualified ECP Guarantor intends that this Section 9.10 constitute, and this Section 9.10 shall be deemed to constitute, a "keepwell, support, or other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

9.11 Release of Subsidiary Guarantors and Pledges. A Subsidiary Guarantor shall be automatically released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of to a Person other than Holdings or any of its Subsidiaries in a transaction permitted by Section 8. In connection with any such release of a Guarantor, the Administrative Agent and the Collateral Agent shall promptly execute and deliver to such Guarantor, at such Guarantor's expense, all UCC termination statements and other documents that such Guarantor shall reasonably request to evidence such release.

SECTION 10.
EVENTS OF DEFAULT

10.1 Events of Default. An "Event of Default" shall occur if any of the following events shall occur and be continuing; provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied (any such event, an "Event of Default"):

(a) the Borrower shall fail to pay any principal of any Term Loan when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Term

Loan, any fee or any other amount payable in respect of the Loan Documents within three (3) Business Days after any such interest or other amount becomes due; or

(b) any representation or warranty made or deemed made by Holdings or its Subsidiaries herein or in any other Loan Document or that is contained in any certificate, document or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect (without duplication of any materiality qualifiers set forth therein) on or as of the date made or deemed made (or if any representation or warranty is expressly stated to have been made as of a specific date, inaccurate in any material respect as of such specific date); or

(c) any Loan Party shall default in the observance or performance of (i) any agreement contained in Section 7.4(a), Section 7.5, Section 7.6, Section 7.7(a), Section 7.8, Section 7.9, Section 7.10, Section 7.12, Section 7.15, Section 7.16, Section 7.17 or Section 8 or (ii) the Security Documents; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section 10.1), and such default shall continue unremedied for a period of (x) in the case of Section 7.1 and Section 7.2(f), five (5) days and (y) otherwise, thirty (30) days after the earlier of (i) the date on which an officer of a Loan Party first becomes aware of such default and (ii) the date on which the Administrative Agent or the Required DIP Lenders give written notice thereof to the Borrower; or

(e) Holdings or any of its Subsidiaries shall default in (i) making any payment of principal of any Material Indebtedness (including any Guarantee Obligation in respect of Material Indebtedness, but excluding the Term Loans); or (ii) making any payment of premium or interest on any such Material Indebtedness, in each case of clauses (i) and (ii) beyond the period of grace, if any, provided in the instrument or agreement under which such Material Indebtedness was created or incurred; or (iii) the observance or performance of any other agreement or condition relating to any such Material Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to (x) cause, or to permit the holder or beneficiary of such Material Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause (determined without regard to whether any notice is required) such Material Indebtedness to become due prior to its stated maturity or (in the case of any such Material Indebtedness constituting a Guarantee Obligation) to become payable or (y) to cause (determined without regard to whether any notice is required) Holdings or any of its Subsidiaries to purchase or redeem or make an offer to purchase or redeem such Material Indebtedness prior to its stated maturity, in each case of clauses (i) and (ii) unless the exercise of any rights or remedies by a holder of such Indebtedness is subject to the automatic stay in the Chapter 11 Cases; or

(f) [Reserved]; or

(g) (i) any Person shall engage in any non-exempt "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any Lien

in favor of the PBGC or a Plan shall arise on the assets of Holdings, the Borrower, any Subsidiary, or any Commonly Controlled Entity or the imposition of liability on any of the foregoing under Section 4062 of ERISA with respect to any Plan, (iii) a Reportable Event shall occur with respect to any Plan, or proceedings by the PBGC shall commence to have a trustee appointed or to terminate a Plan, or a trustee shall be appointed, to administer or to terminate, any Plan, (iv) the administrator of a Plan shall provide a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a Plan amendment referred to in Section 4041(e) of ERISA) or any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) Holdings, the Borrower, any Subsidiary or any Commonly Controlled Entity shall, or is reasonably likely to, incur any liability in connection with a partial or complete withdrawal from, or the Insolvency of, a Multiemployer Plan, (vi) a Plan has failed to satisfy the minimum funding standard within the meaning of Section 412 or 430 of the Code or Section 302 or 303 of ERISA, or an application may be or has been made for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code or Section 302 or 304 of ERISA with respect to a Plan, (vii) a determination has been made that any Plan is, or is expected to be, considered an at-risk plan within the meaning of Section 430 of the Code or Section 303 of ERISA, (viii) a Multiemployer Plan is reasonably expected to be in endangered or critical status under Section 305 of ERISA or Holdings, the Borrower, any Subsidiary or Commonly Controlled Entity has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is Insolvent or has been determined to be in endangered or critical status within the meaning of Section 432 of the Code or Section 305 of ERISA or (ix) any contribution required to be made with respect to a Plan, Multiemployer Plan or Non-U.S. Plan has not been timely made; and in each case in clauses (i) through (x) above, such event or condition, together with all other such events or conditions, if any, has had, or could reasonably be expected to have, a Material Adverse Effect; or

(h) one or more judgments or decrees (other than a judgment or decree against a Loan Party that is a Debtor entered prior to the Petition Date that is subject to the automatic stay in the Chapter 11 Cases) shall be entered against Holdings or any of its Subsidiaries involving in the aggregate a liability (not paid or covered by insurance as to which the relevant reputable and solvent insurance company has been notified of the claim and has not denied coverage in writing) of $1,500,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within sixty (60) days from the entry thereof; or

(i) any material provision of any Security Document or any other Loan Document shall cease, for any reason, to be in full force and effect, other than pursuant to the terms hereof or thereof, or as a result of acts or omissions of Administrative Agent or the Lenders or any Lien created by any such Security Document or any such Loan Document shall cease to be enforceable and of the same effect and priority purported to be created thereby with respect to any material portion of the Collateral, other than pursuant to the terms hereof or thereof, or as a result of acts or omissions of Administrative Agent or any of its Related Parties; or

(j) the Guarantee contained in Section 9 shall cease, for any reason, to be in full force and effect, other than (x) as and to the extent provided for in Section 9.8, (y) pursuant

to the terms hereof or thereof, or (z) as a result of acts or omissions of Administrative Agent or any of its Related Parties, or any Loan Party or any of their Subsidiaries shall so assert in writing; or

(k) [reserved] or

(l) a Change of Control shall occur; or

(m) Chapter 11 Cases. There shall have occurred any of the following in the Chapter 11 Cases:

(i) the bringing of a motion or taking of any action, in each case, by any Loan Party in the Chapter 11 Cases, or the entry of any order by the Bankruptcy Court in the Chapter 11 Cases: (w) to obtain additional financing under section 364(c) or (d) of the Bankruptcy Code that does not provide for the repayment of all of the Term Loans and all other Obligations in full in cash on the date of closing of such additional financing; (x) to grant any Lien other than Liens expressly permitted under this Agreement upon or affecting any Collateral; (y) except as provided in the Interim Order or Final Order, as the case may be, to use cash collateral of the Administrative Agent under section 363(c) of the Bankruptcy Code without the prior written consent of the Administrative Agent and the Required DIP Lenders; or (z) that requests or seeks authority for or that approves or provides authority to take any other action or actions adverse to the Administrative Agent and the Lenders (each in their capacity as such) or their rights and remedies hereunder or their interest in the Collateral;

(ii) the filing of any plan of reorganization or plan of liquidation or disclosure statement attendant thereto, or any direct or indirect amendment to such plan or disclosure statement, by any Loan Party which is not an Acceptable Plan of Reorganization;

(iii) the entry of an order in any of the Chapter 11 Cases confirming a plan or plans of reorganization (or of liquidation) other than an Acceptable Plan of Reorganization;

(iv) the entry of an order amending, supplementing, staying, vacating or otherwise modifying any Loan Document, the Interim Order, the Final Order, the Interim Cash Collateral Order, the Final Cash Collateral Order, the Confirmation Order, the Disclosure Statement Order, the Interim GOB Sales Order or the Final GOB Sales Order in any case without the prior written consent of the Administrative Agent and the Required DIP Lenders;

(v) the failure to comply with any Milestone, except to the extent such Milestone is extended to a later date with the prior written consent of the Required DIP Lenders;

(vi) the payment of, or application by any Loan Party for authority to pay, any pre-petition claim without the Administrative Agent's and the Required DIP Lenders'

prior written consent other than as provided in any "first day order" as set forth in the Approved Budget; provided that the Loan Parties may prepay the Prepetition ABL Facility Obligations from the proceeds of the GOB Sales pursuant to Section 7.17(b);

(vii) the entry of an order by the Bankruptcy Court appointing, or the filing of an application by any Loan Party, for an order seeking the appointment of, in either case without the consent of the Required DIP Lenders, an interim or permanent trustee in the Chapter 11 Cases or the appointment of a receiver or an examiner under section 1104 of the Bankruptcy Code in the Chapter 11 Cases with expanded powers (beyond those set forth in sections 1106(a)(3) and 1106(a)(4) of the Bankruptcy Code) to operate or manage the financial affairs, the business, or reorganization of any of the Loan Parties or with the power to conduct an investigation of (or compel discovery from) the Administrative Agent or the Lenders; or the sale without the Administrative Agent's and the Required DIP Lenders' consent, of all or substantially all of a Loan Party's assets either through a sale under section 363 of the Bankruptcy Code, through a confirmed plan of reorganization in the Chapter 11 Cases, or otherwise, in each case, that does not provide for payment in full in cash of the Term Loans and other Obligations on the closing date of such sale and is otherwise acceptable to the Required DIP Lenders, and in each case, other than the GOB Sales;

(viii) the dismissal of the Chapter 11 Cases, or if any Loan Party shall file a motion or other pleading seeking the dismissal of the Chapter 11 Cases;

(ix) the conversion of the Chapter 11 Cases from one under chapter 11 to one under chapter 7 of the Bankruptcy Code or any Loan Party shall file a motion or other pleading seeking the conversion of the Chapter 11 Cases under section 1112 of the Bankruptcy Code or otherwise;

(x) the entry of an order by the Bankruptcy Court granting relief from or modifying the Automatic Stay (x) to allow any creditor to execute upon or enforce a Lien on any Collateral, or (y) 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;

(xi) the entry of an order in the Chapter 11 Cases avoiding or requiring repayment of any portion of the payments made on account of the Term Loans or other Obligations;

(xii) (x) the failure of any Loan Party to perform any of its material obligations under the Interim Order, the Final Order, the Interim Cash Collateral Order, the Final Cash Collateral Order, the Confirmation Order, the Disclosure Statement Order, the Interim GOB Sales Order, the Final GOB Sales Order or any violation of any of the terms of any of the foregoing or (y) the occurrence of a Termination Event under and as defined in the Cash Collateral Orders;

(xiii) the challenge by any Loan Party to the validity, extent, perfection or priority of any Liens granted under, or any obligations arising under, the Prepetition Debt Documents or securing the Term Loans or other Obligations;

(xiv) the remittance, use or application of cash collateral other than in accordance with any cash management procedures and orders entered by the Bankruptcy Court;

(xv) the entry of an order (other than the Orders) in any of the Chapter 11 Cases granting any other super priority administrative claim or Lien equal or superior to that granted to the Administrative Agent, on behalf of itself and the Lenders, without the consent in writing of the Administrative Agent and the Required DIP Lenders;

(xvi) the filing of a motion by any Loan Party requesting, or the entry of any order granting, any super-priority claim which is senior or pari passu with the Lenders' claims except to the extent the claim relates to new financing that provides for the repayment of all Term Loans and other Obligations irrevocably in full in cash on the closing of such new financing and is reasonably acceptable to the Required DIP Lenders;

(xvii) the entry of an order precluding or modifying the Administrative Agent from having the right to or being permitted to "credit bid";

(xviii) any attempt by any Loan Party to reduce, set off or subordinate the Term Loans or other Obligations or the Liens securing such Obligations to any other debt;

(xix) the Interim Order, the Final Order, the Interim Cash Collateral Order, the Final Cash Collateral Order, the Confirmation Order, the Disclosure Statement Order, the Interim GOB Sales Order, the Final GOB Sales Order or any provision thereof (as applicable) is reversed, vacated or stayed, in each case, without the consent of the Required DIP Lenders;

(xx) except as authorized by the Orders or as set forth in the Cash Collateral Orders, the payment of or granting adequate protection with respect to any Indebtedness, including Indebtedness under the Prepetition Debt Documents or the Existing Payless CA Credit Facility;

(xxi) the cessation of Liens or super-priority claims granted with respect to the Term Loans or other Obligations to be valid, perfected and enforceable in all respects; or

(xxii) the Bankruptcy Court shall cease to have exclusive jurisdiction with respect to all matters relating to the exercise of rights and remedies in respect of the Term Loans and other Obligations, the Orders and the Collateral.

10.2 Remedies upon Event of Default. If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required DIP Lenders, take any or all of the following actions, subject to the Orders and the Existing Intercreditor Agreement:

(a) declare the Term Loan Commitments to be terminated, whereupon such commitments shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower and each other Loan Party;

(c) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable Law;

(d) foreclose and sell, or cause to be foreclosed and sold any and all real property of the Loan Parties;

(e) immediately terminate the Loan Parties' use of Cash Collateral (as defined in the Order in effect at such time);

(f) terminate the Facility and any Loan Document as to any future liability or obligation of the Secured Parties, but without affecting any of the Obligations or the Liens securing the Obligations;

(g) freeze monies or balances in accounts of the Loan Parties;

(h) immediately set-off any and all amounts in accounts of the Loan Parties maintained by the Loan Parties with the Administrative Agent or the Lenders against the Obligations, or otherwise enforce any and all rights against the Collateral in the possession of the applicable Lenders, including, without limitation, foreclosure on all or any portion of the Collateral, collection of accounts receivable, occupying the applicable Loan Party's premises and sale or disposition of the Collateral;

(i) apply any and all monies owing by any Secured Party to any Loan Party to the payment of the Loans, including interest accrued thereon, or to payment of any or all other Obligations then owing by the Loan Parties; and

(j) subject to the Interim Order and Final Order, as applicable, exercise any other rights and remedies available to the Administrative Agent or Collateral Agent (including, without limitation, hereunder and under any other Loan Documents), the Lenders or any other Secured Party under applicable Law, any Loan Document, the Interim Order, the Final Order or otherwise.

10.3 Code and Other Remedies.

(a) Remedies. Subject to the Orders and the Existing Intercreditor Agreement, during the continuance of an Event of Default, the Administrative Agent may exercise, in addition to all other rights and remedies granted to it in this Agreement, any other Loan Documents and in any other instrument or agreement securing, evidencing or relating to any Obligation, all rights and remedies of a secured party under the UCC or any other applicable law.

(b) Disposition of Collateral. Subject to the Orders and the Existing Intercreditor Agreement, the Administrative Agent may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by the Interim Order or Final Order and any notice required by law referred to below) to or upon any Loan Party or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived (except as required by the Interim Order or the Final Order)), during the continuance of any Event of Default (personally or through its agents or attorneys), (i) enter upon the premises where any Collateral is located, without any obligation to pay rent, through self-help, without judicial process, without first obtaining a final judgment or giving any Loan Party or any other Person notice or opportunity for a hearing on the Administrative Agent's claim or action, (ii) collect, receive, appropriate and realize upon any Collateral, (iii) Dispose of, grant option or options to purchase and deliver any Collateral (enter into Contractual Obligations to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, (iv) withdraw all cash and Cash Equivalents in any Deposit Account or Securities Account of a Loan Party and apply such cash and Cash Equivalents and other cash, if any, then held by it as Collateral in satisfaction of the Obligations, (v) give notice and take sole possession and control of all amounts on deposit in or credited to the GOB Sales Proceeds Account, the Term Loan Proceeds Account or any other Deposit Account or Securities Account pursuant to the related Account Control Agreement and (vi) exercise all other rights and remedies under applicable law. The Administrative Agent shall have the right, upon any such public sale or sales and, to the extent permitted by the UCC and other applicable Laws, upon any such private sale, to purchase the whole or any part of the Collateral so sold (and, in lieu of actual payment of the purchase price, may "credit bid" or otherwise set off the amount of such price against the Obligations), free of any right or equity of redemption of any Loan Party, which right or equity is hereby waived and released.

(c) Management of the Collateral. Subject to the Orders and the Existing Intercreditor Agreement, each Loan Party further agrees, that, during the continuance of any Event of Default, (i) at the Administrative Agent's request, it shall assemble the Collateral and make it available to the Administrative Agent at places that the Administrative Agent shall reasonably select, whether at such Loan Party's premises or elsewhere, (ii) without limiting the foregoing, the Administrative Agent also has the right to require that each Loan Party store and keep any Collateral pending further action by the Administrative Agent and, while any such Collateral is so stored or kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain such Collateral in good condition, (iii) until the Administrative Agent is able to Dispose of any Collateral, the Administrative Agent shall have the right to hold or use such Collateral to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Administrative Agent and (iv) the Administrative Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of any Collateral and to enforce any of the Administrative Agent's remedies (for the benefit of the Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. The Administrative Agent shall not have any obligation to any Loan Party to maintain or preserve the rights of any Loan

Party as against third parties with respect to any Collateral while such Collateral is in the possession of the Administrative Agent.

(d) Direct Obligation. Subject to the Orders, neither the Administrative Agent nor any other Secured Party shall be required to make any demand upon, or pursue or exhaust any right or remedy against, any Loan Party, any other Loan Party or any other Person with respect to the payment of the Obligations or to pursue or exhaust any right or remedy with respect to any Collateral therefor or any direct or indirect guaranty thereof. All of the rights and remedies of the Administrative Agent and any other Secured Party under any Loan Document shall be cumulative, may be exercised individually or concurrently and not exclusive of any other rights or remedies provided by any applicable Law. To the extent it may lawfully do so, each Loan Party absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Administrative Agent or any Lender, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety, now or hereafter existing, arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of any Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least five (5) Business Days before such sale or other disposition.

(e) Commercially Reasonable. To the extent that applicable Law imposes duties on the Administrative Agent to exercise remedies in a commercially reasonable manner, each Loan Party acknowledges and agrees that it is not commercially unreasonable for the Administrative Agent to do any of the following:

(A) fail to incur significant costs, expenses or other Liabilities reasonably deemed as such by the Administrative Agent to prepare any Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition;

(B) fail to obtain permits, or other consents, for access to any Collateral to Dispose of or for the collection or Disposition of any Collateral, or, if not required by other applicable Laws fail to obtain permits or other consents for the collection or disposition of any Collateral;

(C) fail to exercise remedies against account debtors or other Persons obligated on any Collateral or to remove Liens on any Collateral or to remove any adverse claims against any Collateral;

(D) advertise dispositions of any Collateral through publications or media of general circulation, whether or not such Collateral is of a specialized nature or to contact other Persons, whether or not in the same business as any Loan Party, for expressions of interest in acquiring any such Collateral;

(E) exercise collection remedies against account debtors and other Persons obligated on any Collateral, directly or through the use of collection agencies or other collection specialists, hire one or more professional auctioneers to assist in the disposition of any Collateral, whether or not such Collateral is of a specialized nature or,

to the extent deemed appropriate by the Administrative Agent, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Administrative Agent in the collection or disposition of any Collateral, or utilize Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets to dispose of any Collateral;

(F) dispose of assets in wholesale rather than retail markets;

(G) disclaim disposition warranties, such as title, possession or quiet enjoyment; or

(H) purchase insurance or credit enhancements to insure the Administrative Agent against risks of loss, collection or disposition of any Collateral or to provide to the Administrative Agent a guaranteed return from the collection or disposition of any Collateral.

(f) Each Loan Party acknowledges that the purpose of this Section 10.3 is to provide a non-exhaustive list of actions or omissions that are commercially reasonable when exercising remedies against any Collateral and that other actions or omissions by the Secured Parties shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 10.3. Without limitation upon the foregoing, nothing contained in this Section 10.3 shall be construed to grant any rights to any Loan Party or to impose any duties on the Administrative Agent that would not have been granted or imposed by this Agreement or by applicable Law in the absence of this Section 10.3.

10.4 Application of Proceeds.

(a) Subject to the Orders and the Existing Intercreditor Agreement, the Collateral Agent shall upon any exercise of remedies hereunder or under any Security Document apply the proceeds of any collection or sale of Collateral, together with all other moneys, in each case received by the Administrative Agent or the Collateral Agent hereunder (or, to the extent any Security Document executed by a Loan Party requires proceeds of collateral thereunder to be applied in accordance with the provisions of this Agreement), including any Collateral consisting of cash, in the manner set forth in Section 4.2(d).

(b) If any payment to any Secured Party pursuant to this Section 10.4 of its pro rata share of any distribution would result in overpayment to such Secured Party, such excess amount shall instead be distributed in respect of the unpaid Obligations of the other Secured Parties, with each Secured Party whose Obligations have not been paid in full to receive an amount equal to such excess amount multiplied by a fraction the numerator of which is the unpaid Obligations of such Secured Party and the denominator of which is the unpaid Obligations of all Secured Parties entitled to such distribution.

(c) All payments required to be made hereunder shall be made to the Administrative Agent for the account of such Secured Parties.

(d) For purposes of applying payments received in accordance with this Section 10.4, the Collateral Agent shall be entitled to rely upon the Administrative Agent.

(e) Subject to the other limitations (if any) set forth herein and in the other Loan Documents, it is understood that the Loan Parties shall remain liable (as and to the extent set forth in the Loan Documents) to the extent of any deficiency between the amount of the proceeds of the Collateral and the aggregate amount of the Obligations of the Loan Parties.

(f) It is understood and agreed by each Loan Party and each Secured Party that the Collateral Agent shall have no liability for any determinations made by it in this Section 10.4. Each Loan Party and each Secured Party also agrees that the Collateral Agent may (but shall not be required to), at any time and in its sole discretion, and with no liability resulting therefrom, petition a court of competent jurisdiction regarding any application of Collateral in accordance with the requirements hereof, and the Collateral Agent shall be entitled to wait for, and may conclusively rely on, any such determination.

10.5 Deficiency. Each Loan Party shall remain liable for any deficiency if the proceeds of any sale or other disposition of any Collateral are insufficient to pay the Obligations.

SECTION 11.
ADMINISTRATIVE AGENT

11.1 Appointment. The Lenders hereby irrevocably designate and appoint WSFS as Administrative Agent (for purposes of Sections 11 and 12.1, the term "Administrative Agent" also shall include WSFS in its capacity as Collateral Agent pursuant to the Security Documents) to act as specified herein and in the other Loan Documents. Each Lender hereby irrevocably authorizes, and each holder of any Term Note by the acceptance of such Term Note shall be deemed irrevocably to authorize, the Administrative Agent to take such action on its behalf under the provisions of this Agreement, the other Loan Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Administrative Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its respective duties hereunder by or through its officers, directors, agents, employees or Affiliates. The provisions of this Section 11 are solely for the benefit of the Administrative Agent, the Collateral Agent and the Lenders, and the Borrower shall not have any rights as a third party beneficiary of any such provisions (except as provided in Section 11.9).

11.2 Nature of Duties.

(a) The Administrative Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement and in the other Loan Documents. Subject to clause (b) of this Section 11.2 and Section 11.4, if so directed by the Required DIP Lenders, the Administrative Agent shall take any action (or refrain from taking any action) permitted to be taken by it hereunder or under any of the other Loan Documents. Neither the Administrative Agent nor any of its officers, directors, agents, employees or Affiliates shall be liable for any action taken or omitted by it or them hereunder or under any other Loan Document or in

connection herewith or therewith (i) if such action or omission was taken at the direction of the Required DIP Lenders, or (ii) unless caused by its or their gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision). The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement or any other Loan Document a fiduciary relationship in respect of any Lender or the holder of any Term Note; and nothing in this Agreement or in any other Loan Document, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement or any other Loan Document except as expressly set forth herein or therein.

(b) Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take, or not to take, any discretionary action or exercise any discretionary powers, except discretionary rights and powers contemplated hereby or by the other Loan Documents or as permitted under applicable law that the Administrative Agent is required to exercise as directed in writing by the Required DIP Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the Automatic Stay under any Debtor Relief Law or that may affect a forfeiture, modification or termination of property of a Defaulting Lender in violation of any Debtor Relief Law; and

(iii) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

11.3 Lack of Reliance on the Administrative Agent. Independently and without reliance upon the Administrative Agent, each Lender and the holder of each Term Note, to the extent it deems appropriate, acknowledges that it has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of Holdings and its Subsidiaries in connection with the making and the continuance of the Term Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of Holdings and its Subsidiaries and, except as expressly provided in this Agreement, the Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Lender or the holder of any Term Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Term Loans or at any time or times thereafter. The Administrative Agent shall not be responsible to any Lender or the holder of any Term Note for any recitals, statements, information, representations or

warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectability, priority or sufficiency of this Agreement or any other Loan Document or the financial condition of Holdings or any of its Subsidiaries or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Loan Document, or the financial condition of Holdings or any of its Subsidiaries or the existence or possible existence of any Default or Event of Default.

11.4 Certain Rights of the Administrative Agent. If the Administrative Agent requests instructions from the Required DIP Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from the Required DIP Lenders and shall be entitled to rely and shall be protected in relying on opinions and judgments of attorneys, accountants, experts and other professional advisors selected by it; and the Administrative Agent shall not incur liability to any party by reason of so refraining. Without limiting the foregoing, neither any Lender nor the holder of any Term Note shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of the Required DIP Lenders. The Administrative Agent shall not be required to take any action under this Agreement or any other Loan Document, unless it is indemnified hereunder to its satisfaction.

11.5 Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message (or other electronic communication), cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Administrative Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Loan Document and its duties hereunder and thereunder, upon advice of counsel selected by the Administrative Agent.

11.6 Indemnification. (a) To the extent the Administrative Agent (or any Affiliate thereof) is not timely reimbursed and indemnified by the Borrower, the Lenders will reimburse and indemnify the Administrative Agent (and any Affiliate thereof), including without limitation in its capacity as Collateral Agent under the Loan Documents, in proportion to their respective "percentage" as used in determining the Required DIP Lenders (determined as if there were no Defaulting Lenders) for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent (or any Affiliate thereof) in performing its duties hereunder or under any other Loan Document or in any way relating to or arising out of this Agreement or any other Loan Document including, without limitation, taking or omitting to take any action or exercising any powers at the direction of the Required DIP Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's (or such Affiliate's) gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

(b) To the extent that the Loan Parties fail to pay any amount required to be paid by them to the Administrative Agent or the Collateral Agent under Section 12.1, each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Collateral Agent in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its outstanding Term Loans and unused Commitments at the time (in each case, determined as if no Lender were a Defaulting Lender).

(c) To the extent permitted by applicable law, no party hereto shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(d) The provisions of this Section 11.6 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Commitments, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender. All amounts due under this Section 11.6 shall be payable on written demand therefor.

11.7 [Reserved].

11.8 Holders. The Administrative Agent may deem and treat the payee of any Term Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment, transfer or endorsement thereof, as the case may be, shall have been filed with the Administrative Agent and recorded in the Register. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Term Note shall be conclusive and binding on any subsequent holder, transferee, assignee or endorsee, as the case may be, of such Term Note or of any Term Note or Term Notes issued in exchange therefor.

11.9 Resignation by the Administrative Agent.

(a) The Administrative Agent may resign from the performance of all its respective functions and duties hereunder and/or under the other Loan Documents at any time by giving ten (10) Business Days' prior written notice to the Lenders and the Borrower. Such resignation shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (c) and (d) below or as otherwise provided below.

(b) The Required DIP Lenders may, at any time, remove the Person serving as Administrative Agent by giving ten (10) Business Days' prior written notice to the Borrower and

such Person. Such removal shall take effect upon the appointment of a successor Administrative Agent pursuant to clauses (c) and (d) below or as otherwise provided below.

(c) Upon any such notice of resignation or removal, the Required DIP Lenders, in consultation with the Borrower, may appoint a successor Administrative Agent hereunder or thereunder reasonably acceptable to the Borrower, which acceptance shall not be unreasonably withheld or delayed; provided that the Borrower's approval shall not be required if an Event of Default shall have occurred and be continuing; provided, further, that the Borrower shall not unreasonably withhold its approval of any successor Administrative Agent if such successor is a commercial bank with a consolidated combined capital and surplus of at least $1.0 billion.

(d) If a successor Administrative Agent shall not have been so appointed within the ten (10) Business Day period following delivery of a notice of resignation, the Administrative Agent, in consultation with the Borrower, shall then appoint a successor Administrative Agent who shall serve as Administrative Agent hereunder or thereunder until such time, if any, as the Required DIP Lenders appoint a successor Administrative Agent in accordance with clause (c) above.

(e) If no successor Administrative Agent has been appointed pursuant to clause (c) or (d) above by the twentieth (20^{th}) Business Day after the date of a notice of resignation or removal, as applicable, the Administrative Agent's resignation or removal, as applicable, shall become effective and all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, and the Required DIP Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and/or under any other Loan Document until such time, if any, as the Required DIP Lenders appoint a successor Administrative Agent in accordance with clause (c) above; provided that in the case of any original Collateral held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such original Collateral until such time as a successor Administrative Agent is appointed pursuant to this Section 11.9.

(f) Upon a resignation or removal of the Administrative Agent pursuant to this Section 11.9, the Administrative Agent shall remain indemnified to the extent provided in this Agreement and the other Loan Documents and the provisions of this Section 11 (and the analogous provisions of the other Loan Documents) shall continue in effect for the benefit of the Administrative Agent for all of its actions and inactions while serving as the Administrative Agent.

11.10 Collateral Matters.

(a) Each Lender authorizes and directs the Collateral Agent to enter into the Security Documents, including the BVI Intercreditor Agreement, for the benefit of the Lenders and the other Secured Parties. Each Lender hereby agrees, and each holder of any Term Note by the acceptance thereof will be deemed to agree, that, except as otherwise set forth herein, any action taken by the Required DIP Lenders in accordance with the provisions of this Agreement or the Security Documents, and the exercise by the Required DIP Lenders of the powers set forth

herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. The Collateral Agent is hereby authorized on behalf of all of the Lenders, without the necessity of any notice to or further consent from any Lender, from time to time prior to an Event of Default, to take any action with respect to any Collateral or Security Documents which may be necessary to perfect and maintain perfected the security interest in and liens upon the Collateral granted pursuant to the Security Documents.

(b) The Lenders hereby authorize the Collateral Agent, at its option and in its discretion, to release any Lien granted to or held by the Collateral Agent upon any Collateral (i) upon the occurrence of the Termination Date, (ii) constituting property being sold or otherwise disposed of (to Persons other than Holdings and its Subsidiaries) upon the sale or other disposition thereof in compliance with Section 8.4 or (iii) if approved, authorized or ratified in writing by the Required DIP Lenders (or all of the Lenders hereunder, to the extent required by Section 12.12). Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Collateral Agent's authority to release particular types or items of Collateral pursuant to this Section 11.10.

(c) The Collateral Agent shall have no obligation whatsoever to the Lenders or to any other Person to assure that the Collateral exists or is owned by any Loan Party or is cared for, protected or insured or that the Liens granted to the Collateral Agent herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise or to continue exercising at all or in any manner or under any duty of care, disclosure or fidelity any of the rights, authorities and powers granted or available to the Collateral Agent in this Section 11.10 or in any of the Security Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, the Collateral Agent may act in any manner it may deem appropriate, in its sole discretion, given the Collateral Agent's own interest in the Collateral as one of the Lenders and that the Collateral Agent shall have no duty or liability whatsoever to the Lenders, except for its gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final and non-appealable decision).

(d) Upon request by the Administrative Agent at any time, the Required DIP Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Guaranty pursuant to this Section 11.10. In each case as specified in this Section 11.10, the Administrative Agent will, at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the security interest granted under the Security Agreement and the other Loan Documents or to subordinate its interest in such item, or to release such Subsidiary Loan Party from its obligations under the Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 11.10.

11.11 Delivery of Information. The Administrative Agent shall not be required to deliver to any Lender originals or copies of any documents, instruments, notices, communications or other information received by the Administrative Agent from any Loan Party, any Subsidiary, the Required DIP Lenders, any Lender or any other Person under or in connection with this Agreement or any other Loan Document except (i) as specifically provided

in this Agreement or any other Loan Document and (ii) as specifically requested from time to time in writing by any Lender with respect to a specific document, instrument, notice or other written communication received by and in the possession of the Administrative Agent at the time of receipt of such request and then only in accordance with such specific request.

11.12 Withholding. To the extent required by any applicable law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any withholding tax applicable to such payment. If the IRS or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender for any other reason, or the Administrative Agent has paid over to the IRS applicable withholding tax relating to a payment to a Lender but no deduction has been made from such payment, such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including any penalties or interest and together with any and all expenses incurred, unless such amounts have been indemnified by any Borrower, Guarantor or the relevant Lender.

11.13 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Term Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Term Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 3.1(a) or Section 12.1) allowed in such judicial proceeding;

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, interim receiver, monitor, administrator, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 3.1(a) or Section 12.1.

11.14 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article

shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent.

11.15 Credit Bidding. The Loan Parties and the Lenders hereby irrevocably authorize the Administrative Agent, based upon the instruction of the Required DIP Lenders, to (a) consent to, credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale thereof conducted under the provisions of the Bankruptcy Code, including under section 363 of the Bankruptcy Code, (b) credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any Disposition thereof conducted under the provisions of the UCC, including pursuant to Sections 9-610 or 9-620 of the UCC, or (c) credit bid or purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any other sale or foreclosure conducted by the Administrative Agent (whether by judicial action or otherwise) in accordance with applicable law. In connection with any such credit bid or purchase, (i) the Obligations owed to the Lenders shall be entitled to be, and shall be, credit bid on a ratable basis (with Obligations with respect to contingent or unliquidated claims being estimated for such purpose if the fixing or liquidation thereof would not unduly delay the ability of the Administrative Agent to credit bid or purchase at such Disposition of the Collateral and, if such claims cannot be estimated without unduly delaying the ability of the Administrative Agent to credit bid, then such claims shall be disregarded, not credit bid, and not entitled to any interest in the asset or assets purchased by means of such credit bid) and the Lenders whose Obligations are credit bid shall be entitled to receive interests (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) in the asset or assets so purchased (or in the Equity Interests of the acquisition vehicle or vehicles that are used to consummate such purchase), and (ii) the Administrative Agent, based upon the instruction of the Required DIP Lenders, may accept non-cash consideration, including debt and equity securities issued by such acquisition vehicle or vehicles and in connection therewith the Administrative Agent may reduce the Obligations owed to the Lenders (ratably based upon the proportion of their Obligations credit bid in relation to the aggregate amount of Obligations so credit bid) based upon the value of such non-cash consideration.

SECTION 12.
MISCELLANEOUS

12.1 Payment of Expenses, etc.

(a) The Borrower, Holdings, and each Guarantor agree, jointly and severally, to pay all reasonable and documented (in summary form) out-of-pocket fees, costs, disbursements and expenses (i) incurred by (A) the Administrative Agent (including all reasonable fees, costs, disbursements and expenses of the Administrative Agents' primary outside counsel (including Stroock & Stroock & Lavan LLP) and any local counsel in each relevant jurisdiction, and (B) the Lenders (including all reasonable fees, costs, disbursements and expenses of the Lenders' primary counsel (including Stroock & Stroock & Lavan LLP and Kramer Levin Naftalis & Frankel LLP) and any local counsel in each relevant jurisdiction, and financial advisor to the Lenders (including Houlihan Lokey Capital, Inc. and AlixPartners, LLP), and (C) any other professional advisors retained by the Administrative Agent, or the Lenders or their respective counsel in connection with the negotiations, preparation, execution and delivery

of the Loan Documents, including, without limitation, all due diligence, transportation, computer, duplication, messenger, audit, insurance, appraisal, valuation and consultant costs and expenses, and all search, filing and recording fees, incurred or sustained by the Administrative Agent, the Lenders and its counsel (including Stroock & Stroock & Lavan LLP and Kramer Levin Naftalis & Frankel LLP) and professional advisors in connection with the Facility, the Loan Documents or the transactions contemplated thereby, the administration of the Facility and any amendment or waiver of any provision of the Loan Documents, (whether or not the transactions hereby or thereby contemplated shall be consummated) or (ii) incurred by the Administrative Agent, the Collateral Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, or in connection with any "workout" or restructuring transaction, in each case, including the reasonable and documented fees, costs, charges, expenses and disbursements of counsel to the Administrative Agent, Collateral Agent and the Lenders (including Stroock & Stroock & Lavan LLP and Kramer Levin Naftalis & Frankel LLP) and financial advisors to the Administrative Agent, Collateral Agent and the Lenders (including Houlihan Lokey Capital, Inc. and AlixPartners, LLP) and other professional advisors to the Administrative Agent, the Collateral Agent and the Lenders.

(b) The Loan Parties agree, jointly and severally, to indemnify the Administrative Agent, the Collateral Agent, each Lender and each of their Affiliates and the partners, directors, officers, employees, agents, counsel and advisors of such Person and of such Person's Affiliates (each, a "Related Party") of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and to hold each Indemnitee harmless from, any and all actual losses, claims, damages, liabilities and related expenses, including reasonable counsel fees, charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated thereby, the performance by the parties thereto of their respective obligations thereunder or the consummation of the Transactions and the other transactions contemplated thereby (including fundings under the Facility), (ii) the use of the proceeds of the Loans, or (iii) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto (and regardless of whether such matter is initiated by a third party or by the Borrower, any other Loan Party or any of their respective Affiliates), or (iv) any Release or actual or alleged presence of Materials of Environmental Concern on, at or under any property currently or formerly owned, leased or operated by Holdings or any of the Subsidiaries, or any Environmental Claims related in any way to Holdings or the Subsidiaries; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (A) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted solely from the gross negligence or willful misconduct of such Indemnitee, or (B) resulted solely from a dispute solely among Indemnitees other than any claims against any Indemnitee in its capacity or in fulfilling its role as Administrative Agent or Collateral Agent. No Indemnitee shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any Loan Party or any of its Related Parties for or in connection with the transactions contemplated hereby, except, with respect to any Indemnitee, to the extent such liability is found in a final non appealable judgment by a court of competent jurisdiction to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party.

(c) To the extent that the Loan Parties fail to pay any amount required to be paid by them to the Administrative Agent or the Collateral Agent under paragraph (a) or (b) of this Section 12.1, each Lender severally agrees to pay to the Administrative Agent or the Collateral Agent, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Collateral Agent in its capacity as such. For purposes hereof, a Lender's "pro rata share" shall be determined based upon its outstanding Term Loans and unused Term Loan Commitments at the time.

(d) To the extent permitted by applicable law, no party hereto shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) The provisions of this Section 12.1 shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Loans, the expiration of the Term Loan Commitments hereunder, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of the Administrative Agent, the Collateral Agent or any Lender. All amounts due under this Section 12.1 shall be payable on written demand therefor.

12.2 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence and during the continuance of an Event of Default, the Administrative Agent and each Lender is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to any Loan Party or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency but excluding any deposits in Excluded Accounts) and any other Indebtedness at any time held or owing by the Administrative Agent or such Lender (including, without limitation, by branches and agencies of the Administrative Agent or such Lender wherever located) to or for the credit or the account of Holdings or any of its Subsidiaries against and on account of the Obligations and liabilities of the Loan Parties to the Administrative Agent or such Lender under this Agreement or under any of the other Loan Documents, including, without limitation, all interests in Obligations purchased by such Lender pursuant to Section 12.4, and all other claims of any nature or description arising out of or connected with this Agreement or any other Loan Document, irrespective of whether or not the Administrative Agent or such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured. To the extent permitted by law, each Participant also shall be entitled to the benefits of this Section 12.2 as though it were a Lender; provided that such Participant agrees to be subject to Section 12.6(b) as though it were a Lender.

12.3 Notices.

(a) Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopier or cable communication or other electronic communication) and mailed, telegraphed, telecopied, cabled or delivered:

(A) in the case of any Loan Party, to:

c/o Payless Inc.
3231 SE Sixth Avenue
Topeka, Kansas 66607
Attn: Mario Zarazua, Chief Financial Officer

with a copy to:

Akin Gump Strauss Hauer & Feld LLP
One Bryant Park
New York, NY 10036-6745
Attention: Scott Welkis, Esq.

(B) in the case of Administrative Agent, to:

Wilmington Savings Fund Society, FSB
500 Delaware Avenue
Wilmington, DE 19801
Attention: Patrick J. Healy

with a copy to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Attention: Kristopher M. Hansen, Esq.
Daniel Fliman, Esq.
Alon Goldberger, Esq.

(C) in the case of Collateral Agent, to:

Wilmington Savings Fund Society, FSB
500 Delaware Avenue
Wilmington, DE 19801
Attention: Patrick J. Healy

with a copy to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038

Attention: Kristopher M. Hansen, Esq.
Daniel Fliman, Esq.
Alon Goldberger, Esq.

(D) in the case of any Lender, at its address on file with the Administrative Agent on the Closing Date or in the Assignment and Assumption pursuant to which such Lender shall have become a party hereto; or

(E) as to any Loan Party, the Administrative Agent or the Collateral Agent, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Lender, at such other address as shall be designated by such Lender in a written notice to the Borrower and the Administrative Agent.

All such notices and communications shall, when mailed, telegraphed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telecopier, except that notices and communications to the Administrative Agent and the Borrower shall not be effective until received by the Administrative Agent or such Borrower, as the case may be.

(b) Notices and other communications to the Lenders and the other Secured Parties hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. Each of the Administrative Agent, Holdings and the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

12.4 Benefit of Agreement; Assignments; Participations.

(a) (i) Assignments. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each affected Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void).

Subject to the conditions set forth in paragraphs (a)(ii) below, any Lender may assign to one or more Eligible Assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Term Loan Commitments and the Term Loans at the time owing to it and the Term Note or Term Notes (if any) held by it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower (not to be unreasonably withheld, delayed or conditioned); provided that such consent shall be deemed to have been given if the Borrower has not responded within five (5) Business Days after notice by the Administrative Agent or the respective assigning Lender; provided, further, that no consent of the Borrower shall be required (x) in the case of any Lender, for an assignment of any Term Loan or any Term

Loan Commitment to a Lender, an Affiliate of a Lender or an Approved Fund (as defined below), (y) in the case of any Lender, for an assignment of any Term Loan or any Term Loan Commitment to a lender under the Prepetition Term Loan Facility as of the Closing Date or an Affiliate or Approved Fund thereof or (z) if an Event of Default has occurred and is continuing; and

(B) the Administrative Agent, except, in the case of any Lender, with respect to an assignment of any Term Loan or any Term Loan Commitment to a Lender or an Affiliate of a Lender; and

(ii) Assignment Conditions. Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Term Loan Commitments or Term Loans under any Facility, the amount of the Term Loan Commitments or Term Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $500,000 (provided that simultaneous assignments to or by two or more Approved Funds shall be aggregated for purposes of determining such amount) unless the Administrative Agent consents;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption via an electronic settlement system acceptable to the Administrative Agent (or, if previously agreed with the Administrative Agent, manually); and

(C) the Assignee, if it is not already a Lender hereunder, shall deliver to the Administrative Agent an administrative questionnaire and the Internal Revenue Service forms described in Section 4.4(e) (including a U.S. Tax Compliance Certificate, as applicable, and any forms described in Section 4.4(e)(D), if applicable).

This Section 12.4(a) shall not prohibit any Lender from assigning all or any portion of its rights and obligations among separate facilities on a non-pro rata basis.

For the purposes of this Section 12.4, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) [Reserved].

(iv) [Reserved].

(v) Novation. Subject to acceptance and recording thereof pursuant to Section 12.4(a)(vi) below, from and after the effective date specified in each Assignment

and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.11, 2.12, 4.4 and 12.1).

(vi) Acceptance and Register. Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder) and all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the Patriot Act, together with (x) any processing and recordation fee which shall not exceed $3,500 (unless the Assignee shall already be a Lender hereunder) and (y) any written consents to such assignment required by Section 12.4, the Administrative Agent shall promptly accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(b) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations in respect of Term Loans to one or more banks or other entities (other than the Borrower or any of Holdings or the Borrower's Affiliates, a natural person or Defaulting Lender) (a "Participant") in all or a portion of such Lender's rights and obligations with respect thereto; provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the second proviso of Section 12.12(a) and (2) directly affects such Participant. Each Lender that sells a participation shall, acting solely for this purpose as the non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the commitment of, and the principal amounts (and stated interest) of, each Participant's interest in the Term Loans or other obligations under the Loan Documents, including, in particular, the principal amounts and stated interest of each Participant's interest in any Loan or other obligations under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Term Loan Commitments, Term Loans or its other obligations under any Loan Document) except to the extent that the relevant parties, acting reasonably and in good faith, determine that such

disclosure is necessary to establish that such Term Loan Commitment, Term Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. Unless otherwise required by the IRS, any disclosure required by the foregoing sentence shall be made by the relevant Lender directly and solely to the IRS. The entries in the Participant Register shall be conclusive and binding absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(ii) The Borrower agrees that (x) each Participant shall be entitled to the benefits of Sections 2.11 and 2.12 (subject to the requirements of those sections) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.4(a) and (y) each Participant shall be entitled to the benefits of Section 4.4 (subject to the requirements and limitations therein, including the requirements under Section 4.4(e) (it being understood that the documentation required under Section 4.4(e) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.4(a). Notwithstanding the foregoing, no Participant shall be entitled to receive any greater payment under Section 2.11 or 4.4 than the applicable participating Lender would have been entitled to receive in respect of the amount of the participation transferred by such participating Lender to such Participant had no such participation occurred, except to the extent such entitlement to receive a greater payment results from a Change in Tax Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.2.

(c) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (but not to the Borrower or any of Holdings' or the Borrower's Affiliates) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 12.4 shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto or provide the respective pledgee or assignee any voting rights with respect to the pledged or assigned obligations.

(d) The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Term Notes to any Lender requiring Term Notes to facilitate transactions of the type described in Section 12.4.

(e) Each Lender, upon succeeding to an interest in Term Loan Commitments or Term Loans, as the case may be, represents and warrants as of the effective date of the applicable Assignment and Assumption that it is an Eligible Assignee.

12.5 No Waiver; Remedies Cumulative. No failure or delay on the part of the Administrative Agent, the Collateral Agent or any Lender in exercising any right, power or privilege hereunder or under any other Loan Document and no course of dealing between the Borrower or any other Loan Party and the Administrative Agent, the Collateral Agent or any Lender shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Loan Document preclude any other or further

exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Loan Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Administrative Agent, the Collateral Agent or any Lender would otherwise have. No notice to or demand on any Loan Party in any case shall entitle any Loan Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent, the Collateral Agent or any Lender to any other or further action in any circumstances without notice or demand.

12.6 Payments Pro Rata.

(a) Except as otherwise provided in this Agreement, the Administrative Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any Obligations hereunder, the Administrative Agent shall distribute such payment to the Lenders entitled thereto (other than any Lender that has consented in writing to waive its pro rata share of any such payment) pro rata (or in accordance with the Security Documents, as applicable) based upon their respective shares, if any, of the Obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Loan Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Term Loans or Fees, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such Obligation then owed and due to such Lender bears to the total of such Obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the Obligations of the respective Loan Party to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such amount; provided that if all or any portion of such excess amount is thereafter recovered from such Lenders, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

(c) Notwithstanding anything to the contrary contained herein, the provisions of the preceding Sections 12.6(a) and (b) shall be subject to the provisions of this Agreement which (i) require, or permit, differing payments to be made to Non-Defaulting Lenders as opposed to Defaulting Lenders and (ii) permit disproportionate payments with respect to the Term Loans as, and to the extent, provided herein.

12.7 Calculations; Computations.

(a) All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, except as otherwise specifically prescribed herein.

(b) All computations of interest and other Fees hereunder shall be made on the basis of a year of 360 days (except for interest calculated by reference to the Prime Lending Rate, which shall be based on a year of 365 or 366 days, as applicable) for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or Fees are payable.

12.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL, EXCEPT AS OTHERWISE PROVIDED IN ANY MORTGAGE, BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES) AND, AS MAY BE APPLICABLE, THE BANKRUPTCY CODE. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE BANKRUPTCY COURTS, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. EACH OF THE PARTIES HERETO HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PERSON, AND AGREES NOT TO PLEAD OR CLAIM, IN ANY LEGAL ACTION PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BROUGHT IN ANY OF THE AFOREMENTIONED COURTS, THAT SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PERSON. EACH OF THE PARTIES HERETO FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PERSON AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION 12.8, THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY ACTION OR DISPUTE INVOLVING, RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS; PROVIDED, THAT NOTHING IN THIS SECTION 12.8 SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE REQUIREMENTS OF LAW OR COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY LOAN PARTY OR ANY COLLATERAL IN ANY OTHER JURISDICTION.

(b) EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (a) OF THIS SECTION 12.8. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

12.9 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Administrative Agent. Delivery of an executed counterpart by facsimile or electronic transmission shall be as effective as delivery of an original executed counterpart. Delivery of an executed counterpart by facsimile or electronic transmission shall be as effective as delivery of an original executed counterpart.

12.10 [Reserved].

12.11 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

12.12 Amendment or Waiver; etc.

(a) Neither this Agreement nor any other Loan Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Loan Parties party hereto or thereto (or in the case of this Agreement, Holdings and the Borrower and, to the extent relating to Section 9 that directly and adversely affects any other Loan Party, each such directly and adversely affected Loan Party) and the Required DIP Lenders (although additional parties may be added to (and annexes may be modified to reflect such additions), and Subsidiaries of the Borrower may be released from, the Guarantee and the Security Documents in accordance with the provisions hereof and thereof without the consent of the other Loan Parties party thereto or the Required DIP Lenders); provided that no such change, waiver, discharge or termination shall, without the consent of each affected Lender (other than, except with respect to following clause (A), a Defaulting Lender) (with Obligations being directly and adversely affected in the case of following clause (A)(y) or whose Obligations are being extended in the case of following clause (A)(x)):

(A) (x) extend the final scheduled maturity of any Term Loan or Term Note of such Lender or (y) reduce the rate or extend the time of payment of interest or fees on any Term Loans (except in connection with the waiver of applicability of any post-default increase in interest rates), or reduce (or forgive) the principal amount thereof,

(B) release all or substantially all of the Collateral or Guarantors (except as expressly provided in the Loan Documents) under all the Security Documents or this Agreement, respectively,

(C) amend, modify or waive any provision of this Section 12.12(a) (except for technical amendments with respect to additional extensions of credit pursuant to this Agreement which afford the protections to such additional extensions of credit of the type provided to the Term Loans on the Closing Date),

(D) amend or modify the definition of Required DIP Lenders to reduce the voting threshold or number of Lenders specified therein,

(E) change any provision of Section 4.2(d), 10.4, or 12.6 or any other provision of this Agreement or the other Loan Documents in any manner that would alter the pro rata sharing of payments or other amounts required thereby, or

(F) subordinate the Obligations in right of payment or the Liens securing the Obligations to any other Indebtedness or Liens, respectively,

provided that no such change, waiver, discharge or termination shall (1) increase the Term Loan Commitments of any Lender over the amount thereof then in effect without the consent of such Lender (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or Events of Default or of a mandatory reduction in the Total Term Loan Commitment or a mandatory repayment of Term Loans shall not constitute an increase of the Term Loan Commitment of any Lender, and that an increase in the available portion of any Term Loan Commitment of any Lender shall not constitute an increase of the Term Loan Commitment of such Lender), (2) without the consent of the Administrative Agent, amend, modify or waive any provision of Section 11 or any other provision as same relates to the rights or obligations of the Administrative Agent, or (3) without the consent of Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent. Notwithstanding the foregoing, notice of any amendment hereto shall be provided to the Administrative Agent.

(b) If, in connection with any proposed change, waiver, discharge or termination of or to any of the provisions of this Agreement as contemplated by clauses (A) through (F), inclusive, of the first proviso to Section 12.12(a), the consent of the Required DIP Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then the Borrower shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described below, to replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to Section 2.14.

(c) [Reserved].

(d) Notwithstanding anything to the contrary contained in this Section 12.12, (x) the Security Documents and related documents executed by Subsidiaries in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be amended, supplemented and waived with the consent of the Administrative Agent and the Borrower without the need to obtain the consent of any other Person if such amendment, supplement or waiver is delivered in order (i) to comply with local law or advice of local counsel, (ii) to cure ambiguities, omissions, mistakes or defects or (iii) to cause such Security Document or other document to be consistent with this Agreement and the other Loan Documents and (y) if following the Closing Date, the Administrative Agent and any Loan Party shall have jointly identified an ambiguity, inconsistency, obvious error or any error or omission of a technical or immaterial nature, in each case, in any provision of the Loan Documents (other than the Security Documents), then the Administrative Agent and the Loan Parties shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Documents if the same is not objected to in writing by the Required DIP Lenders within five (5) Business Days following receipt of notice thereof.

12.13 Survival. All indemnities set forth herein including, without limitation, in Sections 2.11, 2.12, 4.4, 11.6, 11.12 and 12.1 and the representations and warranties set forth in Section 5 of this Agreement shall survive the execution, delivery and termination of this Agreement and the Term Notes, or the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, and the making, repayment, satisfaction, or discharge of the Obligations.

12.14 Domicile of Term Loans. Each Lender may transfer and carry its Term Loans at, to or for the account of any office, Subsidiary or Affiliate of such Lender. Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Term Loans pursuant to this Section 12.14 would, at the time of such transfer, result in increased costs under Sections 2.11, 2.12 or 4.4 from those being charged by the respective Lender prior to such transfer, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes in any applicable law, treaty, government rule, regulation, guideline or order, or in the official interpretation thereof, after the date of the respective transfer).

12.15 Register. The Borrower hereby designates the Administrative Agent to serve as its non-fiduciary agent, solely for purposes of this Section 12.15, to maintain a register (the "Register") on which it will record from time to time the name and address of each Lender, the Term Loan Commitments, the principal amounts of the Term Loans and any other obligations under the Loan Documents, and the amounts of stated interest due thereon, owing to each Lender pursuant the terms hereof and any Term Note. The entries in the Register shall be conclusive and binding absent manifest error, and such Lender shall treat each Person whose name is recorded in the Register as the owner of the Term Loans and/or Term Loan Commitments recorded therein and a Lender for all purposes of this Agreement notwithstanding any notice to the contrary. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations in respect of such Term Loans or other obligations under the Loan Documents. With respect to any Lender, the transfer of the Term Loan Commitments of such Lender and the rights to the principal of, and interest on, any Term Loans and any other

obligations under the Loan Documents owing to such Lender shall not be effective until such transfer is recorded on the Register maintained by the Administrative Agent and prior to such recordation all amounts owing to the transferor with respect to such Term Loan Commitments and Term Loans and other obligations under the Loan Documents shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Term Loan Commitments, Term Loans or other obligations under the Loan Documents shall be recorded by the Administrative Agent on the Register upon and only upon the acceptance by the Administrative Agent of a properly executed and delivered Assignment and Assumption pursuant to Section 12.4. Upon such acceptance and recordation, the assignee specified therein shall be treated as a Lender for all purposes of this Agreement. Coincident with the delivery of such an Assignment and Assumption to the Administrative Agent for acceptance and registration of assignment or transfer of all or part of a Term Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Term Note (if any) evidencing such Term Loan, and thereupon one or more new Term Notes in the same aggregate principal amount shall be issued to the assignee or transferee Lender at the request of any such Lender. The Borrower agrees to indemnify the Administrative Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its duties under this Section 12.15 to the same extent that the Administrative Agent is otherwise indemnified pursuant to Section 12.1. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice; provided that the information contained in the Register which is shared with each Lender (other than the Administrative Agent and its Affiliates) shall be limited to the entries with respect to such Lender including the Term Loan Commitment of, or principal amount of and stated interest on the Term Loans owing to such Lender. This Section 12.15 shall be construed so that the Term Loans and the Term Loan Commitments are at all times maintained in "registered form" within the meanings of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code and any related regulations (and any successor provisions).

12.16 Confidentiality.

(a) Subject to the provisions of clause (b) of this Section 12.16, each Lender agrees that it will use its reasonable efforts not to disclose without the prior consent of Holdings (other than to its employees, auditors, advisors, agents, representatives or counsel or to another Lender if such Lender or such Lender's holding or parent company in its reasonable discretion determines that any such party should have access to such information, provided such Persons shall be subject to the provisions of this Section 12.16 to the same extent as such Lender) any information with respect to Holdings or any of its Subsidiaries which is now or in the future furnished pursuant to this Agreement or any other Loan Document, provided that any Lender may disclose any such information (i) as has become generally available to the public other than by virtue of a breach of this Section 12.16(a) by the respective Lender, (ii) upon the request or demand of any regulatory authority having jurisdiction over such Lender or any of their Affiliates (in which case the Lenders agree, to the extent practicable and not prohibited by applicable law, to inform you promptly thereof prior to disclosure (except with respect to any audit or examination conducted by bank accountants or any governmental bank regulatory authority exercising examination or regulatory authority or in cases where any governmental and/or regulatory authority had requested otherwise)), (iii) as may be required or appropriate in

respect to any summons or subpoena or in connection with any litigation, (iv) in order to comply with any law, order, regulation or ruling applicable to such Lender, (v) to the Administrative Agent or the Collateral Agent, (vi) to any direct or indirect contractual counterparty in any swap, hedge or similar agreement (or to any such contractual counterparty's professional advisor), so long as such contractual counterparty (or such professional advisor) agrees to be bound by the provisions of this Section 12.16, (vii) to any prospective or actual transferee or Participant in connection with any contemplated transfer or participation of any of the Term Loans or Term Loan Commitments or any interest therein by such Lender, provided that such prospective transferee agrees to be bound by the confidentiality provisions contained in this Section 12.16, (viii) on a confidential basis to any rating agency in connection with any rating of the Loan Parties or the Facility and (ix) in connection with the exercise of remedies under this Agreement or any other Loan Document or any action or proceeding relating to the enforcement of rights under this Agreement or the other Loan Documents.

(b) Each of Holdings and the Borrower hereby acknowledges and agrees that each Lender may share with any of its Affiliates, and such Affiliates may share with such Lender, any information related to Holdings or any of its Subsidiaries (including, without limitation, any non-public customer information regarding the creditworthiness of Holdings and its Subsidiaries); provided, that such Persons shall be subject to the provisions of this Section 12.16 to the same extent as such Lender.

12.17 Patriot Act and Anti-Money Laundering & Anti-Terrorism Compliance. Each Lender subject to the Patriot Act hereby notifies Holdings and the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies Holdings, the Borrower and the other Loan Parties and other information that will allow such Lender to identify Holdings, the Borrower and the other Loan Parties in accordance with the Patriot Act.

12.18 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Term Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

12.19 Lender Action. Each Lender agrees that it shall not take or institute any actions or proceedings, judicial or otherwise, for any right or remedy against any Loan Party or any other obligor under any of the Loan Documents (including the exercise of any right of setoff, rights on account of any banker's lien or similar claim or other rights of self-help), or institute any actions or proceedings, or otherwise commence any remedial procedures, with respect to any Collateral or any other property of any such Loan Party, unless expressly provided for herein or in any

other Loan Document, without the prior written consent of the Administrative Agent. The provisions of this Section 12.19 are for the sole benefit of the Lenders and shall not afford any right to, or constitute a defense available to, any Loan Party.

12.20 Press Releases. Each Secured Party agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of the Administrative Agent or its Affiliates or referring to this Agreement or the other Loan Documents without at least two (2) Business Days' prior notice to the Administrative Agent and without the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld, delayed or conditioned) unless (and only to the extent that) such Secured Party or Affiliate is required to do so under applicable law and then, in any event, to the extent reasonably possible under applicable law, such Secured Party or Affiliate will consult with the Administrative Agent before issuing such press release or other public disclosure.

12.21 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[Signature pages follow]

PAYLESS INC., as Borrower
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

GUARANTORS

PAYLESS HOLDINGS LLC,
a Delaware limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

CLINCH, LLC,
a Delaware limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

COLLECTIVE BRANDS FRANCHISING SERVICES, LLC, a Kansas limited liability company

By: PAYLESS SHOESOURCE WORLDWIDE, INC.
Its: Managing Member

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

COLLECTIVE BRANDS SERVICES, INC.,
a Delaware corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

COLLECTIVE LICENSING INTERNATIONAL, LLC, a Delaware limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

COLLECTIVE LICENSING, LP,
a Delaware limited partnership

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

EASTBOROUGH, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS COLLECTIVE GP, LLC,
a Delaware limited liability company

By: PAYLESS SHOESOURCE WORLDWIDE, INC.
Its: Managing Member

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS FINANCE INC.,
a Nevada corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS GOLD VALUE CO, INC.,
a Colorado corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS INTERMEDIATE HOLDINGS, LLC,
a Delaware limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS INTERNATIONAL FRANCHISING, LLC, a Kansas limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS NYC, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS PURCHASING SERVICES, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS SHOESOURCE DISTRIBUTION, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS SHOESOURCE MERCHANDISING, INC., a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS SHOESOURCE OF PUERTO RICO, INC., a Puerto Rico corporation

By: _____
Name: Neil Hansen
Title: Vice President

PAYLESS SHOESOURCE WORLDWIDE, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PAYLESS SHOESOURCE, INC.,
a Missouri corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PSS CANADA, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

PSS DELAWARE COMPANY 4, INC.,
a Delaware corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

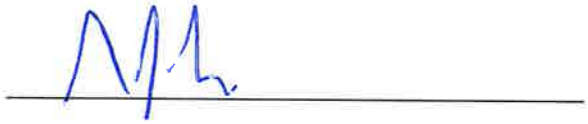
SHOE SOURCING, INC.,
a Kansas corporation

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

WBG – PSS HOLDINGS LLC,
a Delaware limited liability company

By: _____
Name: Stephen Marotta
Title: Chief Restructuring Officer

WILMINGTON SAVINGS FUND SOCIETY, FSB, a federal savings bank, as Administrative Agent and Collateral Agent

By: 
Name: Geoffrey J. Lewis
Title: Vice President

[Lender Signature Pages- On File]

Schedules

SCHEDULE I

Lenders and Term Loan Commitments

On File with Administrative Agent.

SCHEDULE II

Notice Address – Administrative Agent

Notice Office:

Wilmington Savings Fund Society, FSB
500 Delaware Avenue
Wilmington, DE 19801
Attention: Patrick J. Healy
Email: phealy@wsfsbank.com

with a copy to

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Attention: Kristopher M. Hansen, Esq.
Daniel A. Fliman, Esq.
Alon Goldberger, Esq.
Email: khansen@stroock.com
dfliman@stroock.com
agoldberger@stroock.com

SCHEDULE III

Notice Address – Loan Parties

Entity	Address
Payless Holdings LLC	3231 SE Sixth Avenue Topeka, Kansas 66607 Attention: Mario Zarazua, Chief Financial Officer Email: Mario.Zarazua@payless.com with a copy to Akin Gump Strauss Hauer & Feld, LLP One Bryant Park New York, NY 10036 Attention: Scott Welkis Email: swelkis@akingump.com
Payless Intermediate Holdings LLC	
WBG – PSS Holdings LLC	
Payless Inc.	
Payless Finance, Inc.	
Collective Brands Services, Inc.	
PSS Delaware Company 4, Inc.	
Shoe Sourcing, Inc.	
Payless ShoeSource, Inc.	
Eastborough, Inc.	
Payless Purchasing Services, Inc.	
Payless ShoeSource Merchandising, Inc.	
Payless Gold Value CO, Inc.	
Payless ShoeSource Distribution, Inc.	
Payless ShoeSource Worldwide, Inc.	
Payless NYC, Inc.	
Payless ShoeSource of Puerto Rico, Inc.	
Payless Collective GP, LLC	
Collective Licensing, LP	
Collective Licensing International, LLC	
Clinch, LLC	

Collective Brands Franchising Services, LLC Payless International Franchising, LLC PSS Canada, Inc. Collective Brands International Franchising, LLC Collective Indonesia Franchising, LLC Payless India Franchising, LLC Payless Netherlands Holdings LLC Payless Sourcing LLC	
Collective Brands Coöperatif U.A. Payless Netherlands B.V. PSS Global Holding C.V.	c/o TMF Netherlands B.V. Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam P.O. Box 23393, 1100 DW Amsterdam The Netherlands Attention: Erik Reijnierse, Director Email: erik.reijnierse@tmf-group.com
Collective Franchising, Ltd. PSS International Holdings, Limited PSS Latin America Holdings	c/o Maples Corporate Services Limited Ugland House, P.O. Box 309, South Church Street, George Town, Grand Cayman Attention: Mario Zarazua, Director Email: Mario.Zarazua@payless.com
Dynamic Assets Limited	1/F Hong Kong Spinners Industrial Building Phas I & II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong Attention: Tsung-Yuan (Jack) Wang Email: jack.wang@payless.com
Payless CA Management Limited Payless CO Management Ltd.	c/o Harneys Corporate Services Limited Craigmuir Chambers, Road Town, Tortola, British Virgin Islands Attention: Attention: Mario Zarazua, Director Email: Mario.Zarazua@payless.com

SCHEDULE 5.9(b)

Real Property

Loan Party	Address	Fair Market Value above $1,000,000
Payless ShoeSource, Inc.	Store #5620 Springhurst Town Center 10621 Fischer Park Drive Louisville Jefferson County, KY 40241	No.

SCHEDULE 5.16

Subsidiaries

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Clinch, LLC	Delaware	N/A	Collective Licensing International, LLC	Yes
Collective Brands Cayman Finance, Limited	Cayman Islands	Ordinary Shares: 50,000	PSS Global Holding C.V.	No
Collective Brands Cayman Finance, Limited II	Cayman Islands	Ordinary Shares: 50,000	Collective Brands Cayman Finance, Limited	No
Collective Brands Coöperatief U.A.	Netherlands	N/A	Payless Netherlands B.V. (99.9998273108%) Collective Brands Logistics, Limited (.0001726892%)	Yes*
Collective Brands II Coöperatief U.A.	Netherlands	N/A	Payless Netherlands B.V. (99.9%) Collective Brands Cayman Finance Limited (0.1%)	No
Collective Brands Franchising Services, LLC	Kansas	N/A	Payless ShoeSource Worldwide, Inc.	Yes
Collective Brands Holdings, Limited	Hong Kong	N/A	Payless Asia Sourcing (JV)	No
Collective Brands International Franchising, LLC	Kansas	N/A	Collective Franchising, Ltd.	Yes*
Collective Brands International Holdings, Limited I	Cayman Islands	Ordinary Shares: 50,000	PSS International Holdings, Limited	No
Collective Brands International Holdings, Limited II	Cayman Islands	Ordinary Shares: 50,000	Collective Brands International Holdings, Limited I	No
Collective Brands Logistics, Limited	Hong Kong	N/A	Payless Netherlands B.V.	No
Collective Brands Services Vietnam Company Ltd.	Vietnam	Charter Capital: 50,000	Collective Brands Holdings, Limited	No
Collective Brands Services, Inc.	Delaware	Common Stock: 1,500	Payless Finance, Inc.	Yes
Collective Brands Services, Limited	Hong Kong	Shares: 1,000	Payless Asia Sourcing (JV)	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Collective Franchising, Ltd.	Cayman Islands	Ordinary Shares: 50,000	Payless ShoeSource Worldwide, Inc.	Yes*
Collective Indonesia Franchising, LLC	Kansas	N/A	Collective Franchising, Ltd.	Yes*
Collective Licensing International, LLC	Delaware	N/A	Collective Licensing, LP	Yes
Collective Licensing, LP	Delaware	N/A	Payless Collective GP, LLC (0.1%) Payless ShoeSource Worldwide, Inc. (99.9%)	Yes
Dynamic Assets Limited	Hong Kong	Shares: 1,570,000	Payless Netherlands B.V.	Yes*
Eastborough, Inc.	Kansas	Common Stock: 1,000	Payless Finance, Inc.	Yes
Import Solutions de Mexico S. de R.L. de C.V.	Mexico	N/A	Payless Finance, Inc. One share owned by Payless ShoeSource Worldwide, Inc.	No
Payless Asia Sourcing (Not a legal entity)	Joint Business Arrangement governed by the laws of China	N/A	Parties to the Joint Business Agreement: Payless Sourcing LLC (98%) Collective Brands Logistics, Limited (2%)	No
Payless CA Management Limited	British Virgin Islands	Shares: 50,000	PSS Latin America Holdings One share held by Payless ShoeSource, Inc. in trust	Yes*
Payless CO Management Ltd.	British Virgin Islands	Shares: 50,000	Payless CA Management Ltd.	Yes*
Payless Collective GP, LLC	Delaware	N/A	Payless ShoeSource Worldwide, Inc.	Yes
Payless Colombia (BVI) Holdings, Ltd.	British Virgin Islands	Class A Shares: 60,600 Class B1 Shares: 30,300 Class B2 Shares: 10,100	Payless CO Management LTD (60%) Patagonia Capital Limited (30%) Pataya Inc. (10%)	No
Payless Controladora S.A. de C.V.	Mexico	Ordinary Shares: 50,000	PSS Investment I, Inc. (50%) PSS Investment III, Inc. (50%)	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Payless Finance, Inc.	Nevada	Common Stock: 100	Payless Inc.	Yes
Payless Gold Value CO, Inc.	Colorado	Common Stock: 1,000	Payless Finance, Inc.	Yes
Payless Inc.	Delaware	Common Stock: 1,000	WBG - PSS Holdings LLC	Yes
Payless India Franchising, LLC	Kansas	N/A	Collective Franchising, Ltd.	Yes*
Payless Intermediate Holdings LLC	Delaware	N/A	Payless Holdings LLC	Yes
Payless International Finance B.V.	Netherlands	Shares: 90,000	Collective Brands Coöperatief U.A.	No
Payless International Franchising, LLC	Kansas	N/A	Payless ShoeSource Worldwide, Inc.	Yes
Payless Netherlands B.V.	Netherlands	Ordinary Shares: 100	PSS Global Holding C.V.	Yes*
Payless Netherlands Holdings, LLC	Kansas	N/A	Payless ShoeSource Worldwide, Inc.	Yes*
Payless NYC, Inc.	Kansas	Common Stock: 100	Payless ShoeSource, Inc.	Yes
Payless Purchasing Services, Inc.	Kansas	Common Stock: 1,000	Payless Finance, Inc.	Yes
Payless Servicios, S.A. de CV	Mexico	Ordinary Shares: 50,000	Payless Controladora, S.A. de C.V. One share owned by PSS Investment I, Inc.	No
Payless Shoes Pty Ltd	Australia	Ordinary Shares: Unlimited	Collective Brands II Coöperatief U.A.	No
Payless ShoeSource Internacional Servicios Tecnicos E Inspetoria de Calcados S/C LTDA	Brazil	Quotas: 100	Payless ShoeSource, Inc. (75%) PSS Investment I, Inc. (25%)	No
Payless ShoeSource (Barbados) SRL	Barbados	Common Quotas: Unlimited	Payless ShoeSource of St. Lucia, Ltd.	No
Payless ShoeSource (BVI) Holdings, Ltd.	British Virgin Islands	Class A Shares: 60,003 Class B Shares: 40,002	Payless CA Management Ltd. (60%) PLP S.A. (40%)	No
Payless ShoeSource (Panama) S.A.	Panama	Shares: 500	John B. Foster owns 250 shares in trust for Payless ShoeSource (BVI) Holdings, Ltd. Andres M. Sanchez owns 250 shares in trust for Payless ShoeSource (BVI) Holdings, Ltd.	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Payless ShoeSource Andean Holdings	Cayman Islands	Class A Shares: 160,000 Class B Shares: 240,000	PSS Latin America Holdings (60%) South America Local Partners, S.A. (40%)	No
Payless ShoeSource AU Holdings Pty Ltd	Australia	Ordinary Shares: Unlimited	Collective Brands II Coöperatief U.A.	No
Payless ShoeSource Canada GP Inc.	Canada	Common Stock: Unlimited	Payless ShoeSource Canada Inc.	No
Payless ShoeSource Canada Inc.	Canada	Common Stock: Unlimited	PSS Canada, Inc.	No
Payless ShoeSource Canada LP	Canada	General Partnership Units: 2 Limited Partnership Units: 61,641,098	Payless ShoeSource Canada GP Inc. (0.1%) Payless ShoeSource Canada Inc. (99.9%)	No
Payless ShoeSource de Guatemala LTDA	Guatemala	N/A	Payless ShoeSource (BVI) Holdings, Ltd. (99.98%) Payless ShoeSource, Limitada (.02%)	No
Payless ShoeSource de la Republica Dominicana, S.R.L.	Dominican Republic	Shares: 100,000	Payless ShoeSource (BVI) Holdings, Ltd. (999 shares) One share owned by Payless ShoeSource, Limitada	No
Payless ShoeSource Distribution, Inc.	Kansas	Common Shares: 100	Payless Finance, Inc.	Yes
Payless ShoeSource Dominica Ltd.	Dominica	Common Shares: 50,000	Payless ShoeSource of St. Lucia, Ltd.	No
Payless ShoeSource Ecuador CIA Ltda	Ecuador	Shares: 4,505,000	Payless ShoeSource Uruguay SRL; One share owned by PSS Latin America Holdings	No
Payless ShoeSource Honduras S. de R.L.	Honduras	Capital: 9,329,800	Payless ShoeSource (BVI) Holdings, Ltd. (98%) Payless ShoeSource, Limitada (2%)	No
Payless ShoeSource Jamaica Limited	Jamaica	Shares: 10,000,000	Payless ShoeSource of St. Lucia, Ltd.	No
Payless ShoeSource Limitada & Compania Limitada (Nicaragua)	Nicaragua	Quotas: 33,050,000	Payless ShoeSource (BVI) Holdings, Ltd. (99%) Payless ShoeSource, Limitada (1%)	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Payless ShoeSource Merchandising, Inc.	Kansas	Common Stock: 100	Payless Finance, Inc.	Yes
Payless ShoeSource of El Salvador, Ltda. de C.V.	El Salvador	N/A	Payless ShoeSource (BVI) Holdings, Ltd. (99.99%) Payless ShoeSource, Limitada (.01%)	No
Payless ShoeSource of Puerto Rico, Inc.	Puerto Rico	Common Stock: 1,000	Payless ShoeSource, Inc.	Yes
Payless ShoeSource of St. Lucia, Ltd.	St. Lucia	Ordinary Shares: 10,000,000	Payless ShoeSource (BVI) Holdings, Ltd.	No
Payless ShoeSource of Trinidad Unlimited	Trinidad & Tobago	Common Stock: 300,000	Payless ShoeSource of St. Lucia, Ltd.	No
Payless ShoeSource Overseas S.R.L.	Panama	Participations: 50,000	Payless ShoeSource (BVI) Holdings, Ltd.	No
Payless ShoeSource Peru Holding, S.L.	Spain	Class A Shares: Unlimited Class B Shares: Unlimited Class C Shares: Unlimited	Collective Brands Coöperatief U.A. (60%) Bluestone Financial Inc. (40%) Bluestone Financial Inc. (1 Class C share)	No
Payless ShoeSource Peru S.R.L.	Peru	Quotas: 10,000	Payless ShoeSource Peru Holding, S.L. (9,999 quotas) Collective Brands II Coöperatief U.A. (1 quota)	No
Payless ShoeSource PSS De Colombia S.A.S.	Colombia	Quotas: 60,524,010	Payless Colombia (BVI) Holdings, Ltd. (60,524,009 quotas) One quota owned by Payless CA Management Limited)	No
Payless ShoeSource, S.A. de CV	Mexico	Ordinary Shares 50,000	Payless Controladora, S.A. de C.V. One share owned by PSS Investment I, Inc.	No
Payless ShoeSource Saipan, Inc.	Northern Mariana Islands	Common Stock: 20,000	Payless ShoeSource Worldwide, Inc.	No
Payless ShoeSource Spain Licensing, S.L.	Spain	N/A	Payless International Finance B.V.	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
Payless ShoeSource Spain, S.L.	Spain	Quotas: 10,020	Payless ShoeSource Uruguay SRL	No
Payless ShoeSource St. Kitts Ltd.	St. Kitts	Shares: 50,000	Payless ShoeSource of St. Lucia, Ltd.	No
Payless ShoeSource Uruguay SRL	Uruguay	N/A	Payless ShoeSource Andean Holdings (99.93333%) PSS Latin America Holdings (0.066670%)	No
Payless ShoeSource Worldwide, Inc.	Kansas	Common Shares: 100	Payless Finance, Inc.	Yes
Payless ShoeSource, Inc.	Missouri	Common Stock: 10,000,000	Payless Finance, Inc.	Yes
Payless ShoeSource International Limited (Shenzhen Footwear Consulting Company)	China	N/A	Collective Brands Holdings, Limited	No
Payless ShoeSource, Limitada	Costa Rica	Quotas: 10	Payless ShoeSource (BVI) Holdings, Ltd.	No
Payless Sourcing, LLC	Delaware	N/A	Payless Netherlands B.V.	Yes*
Payless SRL	Paraguay	Quotas: 5,000,000	Collective Brands Coöperatief U.A. (99%) 1% owned by Oscar Brelles Mariño Dicen	No
PSS Canada, Inc.	Kansas	Common Stock: 200	Payless ShoeSource Worldwide, Inc. Payless Finance, Inc. (2 shares)	Yes
PSS Delaware Company 4, Inc.	Delaware	Common Stock: 1,500	Payless Finance, Inc.	Yes
PSS Global Holding C.V.	Netherlands	N/A	Payless ShoeSource Worldwide, Inc. (99.9%) Payless Netherlands Holdings, LLC (0.1%)	Yes*
PSS Holdings	Cayman Islands	Ordinary Shares: 50,000	Collective Brands International Holdings, Limited II	No
PSS International Holdings, Ltd.	Cayman Islands	Ordinary Shares: 50,000	Payless Netherlands B.V.	Yes*
PSS International Sourcing (Costa Rica) S.R.L.	Costa Rica	Quotas: 500	Payless ShoeSource (BVI) Holdings, Ltd.	No
PSS Investment I, Inc.	Nevada	Common Stock: 100	Payless ShoeSource, Inc.	No
PSS Investment III, Inc.	Kansas	Common Stock: 100	Payless ShoeSource,	No

Subsidiary's Name	Jurisdiction of Incorporation or Formation	Authorized Equity Interests	Record Owner (100% unless otherwise indicated)	Subsidiary Guarantor (Y/N) *Delayed Guarantor
			Inc.	
PSS Latin America Holdings	Cayman Islands	Ordinary Shares: 50,000	Collective Brands Coöperatief U.A.	Yes*
PSS Uruguay SRL	Uruguay	Quotas: 100,000	Collective Brands Coöperatief U.A. (99%) Collective Brands II Coöperatief U.A. (1%)	No
Shoe Sourcing, Inc.	Kansas	Common Stock: 1,000	Payless Finance, Inc.	Yes
WBG – PSS Holdings LLC	Delaware	N/A	Payless Intermediate Holdings LLC	Yes

SCHEDULE 5.19(b)

Filings, Registrations, Recordings and Jurisdictions

Loan Party	Jurisdiction of Incorporation or Formation (or other filing jurisdiction)	Filings/Registration Requirements
Collective Brands International Franchising, LLC	Kansas	UCC-1
Collective Indonesia Franchising, LLC	Kansas	UCC-1
Payless India Franchising, LLC	Kansas	UCC-1
Payless Netherlands Holdings LLC	Kansas	UCC-1
Payless Sourcing LLC	Delaware	UCC-1

SCHEDULE 7.5

Self-Insurance

None.

SCHEDULE 7.8

Delayed Guarantors

Part A

Collective Brands International Franchising, LLC
Collective Indonesia Franchising, LLC
Payless India Franchising, LLC
Payless Netherlands Holdings LLC
Payless Sourcing LLC

Part B

Payless CA Management Limited
PSS Latin America Holdings
Payless CO Management Limited
Payless Netherlands B.V.
PSS Global Holdings C.V.
Collective Brands Cooperatief U.A.
Collective Franchising, Ltd.
Dynamic Assets Limited
PSS International Holdings Limited

SCHEDULE 7.17(a)

Milestones

1. Obtain entry of the Final Order by the Bankruptcy Court as soon as reasonably practicable after the Petition Date (but in no event later than the date that is 45 days after the date of entry of the Interim Order (or such later date as may be agreed by the Required DIP Lenders));

2. Complete the GOB Sales (with respect to substantially all of the assets subject to the GOB Sales) as soon as reasonably practicable after the Petition Date (but in no event later than June 15, 2019 (or such later date as may be agreed by the Required DIP Lenders));

3. Deliver to the Lenders a copy of a transition services plan relating to the operation or sale of the Latin American Business and the Debtors' information technology and intellectual property as soon as reasonably practicable after the Petition Date (but in no event later than March 31, 2019 (or such later date as may be agreed by the Required DIP Lenders));

4. File a motion seeking approval of the Disclosure Statement Order by the Bankruptcy Court, as soon as reasonably practicable after the Petition Date (but in no event later than May 3, 2019 (or such later date as may be agreed by the Required DIP Lenders));

5. Obtain entry of the Disclosure Statement Order by the Bankruptcy Court, as soon as reasonably practicable after the Petition Date (but in no event later than May 31, 2019 (or such later date as may be agreed by the Required DIP Lenders)); and

6. Obtain entry of the Confirmation Order by the Bankruptcy Court, as soon as reasonably practicable after the Petition Date (but in no event later than June 28, 2019 (or such later date as may be agreed by the Required DIP Lenders)).

SCHEDULE 8.1(i)

Existing Indebtedness

Loan Party	Creditor	Facility Description	Amount Outstanding
Payless ShoeSource Worldwide, Inc.	Performance Team LLC (fka Performance Team Freight Systems, Inc.)	Capital Lease	$6,304,000
Payless Finance, Inc.	Payless ShoeSource Canada Inc.	Promissory Note	$102,795,802
Payless Finance, Inc.	Payless ShoeSource Canada Inc.	Promissory Note	$96,592,463

SCHEDULE 8.2(j)

Existing Liens

Liens securing the capital leases set forth on Schedule 8.2(i).

FILE DATE	FILE #	DEBTOR	SECURED PARTY	COLLATERAL
8/4/2017	2017 5165185	CLINCH, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247009	CLINCH, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5304271	CLINCH, LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334576	COLLECTIVE BRANDS FRANCHISING SERVICES, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335631	COLLECTIVE BRANDS FRANCHISING SERVICES, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7335938	COLLECTIVE BRANDS FRANCHISING SERVICES, LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.

8/4/2017	2017 5165433	COLLECTIVE BRANDS SERVICES, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247231	COLLECTIVE BRANDS SERVICES, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5304453	COLLECTIVE BRANDS SERVICES, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5165607	COLLECTIVE LICENSING INTERNATIONAL, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247314	COLLECTIVE LICENSING INTERNATIONAL, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5304586	COLLECTIVE LICENSING INTERNATIONAL, LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5165722	COLLECTIVE LICENSING, LP	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247454	COLLECTIVE LICENSING, LP	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.

8/10/2017	2017 5304701	COLLECTIVE LICENSING, LP	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334584	EASTBOROUGH, INC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335649	EASTBOROUGH, INC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7335946	EASTBOROUGH, INC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5165839	PAYLESS COLLECTIVE GP, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247561	PAYLESS COLLECTIVE GP, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5305005	PAYLESS COLLECTIVE GP, LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017021589-8	PAYLESS FINANCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.

8/8/2017	2017021882-0	PAYLESS FINANCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017022113-2	PAYLESS FINANCE, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	20172072947	PAYLESS GOLD VALUE CO, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	20172074000	PAYLESS GOLD VALUE CO, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	20172074802	PAYLESS GOLD VALUE CO, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5166027	PAYLESS INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247769	PAYLESS INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5305112	PAYLESS INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.

8/4/2017	7334592	PAYLESS INTERNATIONAL FRANCHISING, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335656	PAYLESS INTERNATIONAL FRANCHISING, LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7335953	PAYLESS INTERNATIONAL FRANCHISING, LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334600	PAYLESS NYC, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335664	PAYLESS NYC, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7335961	PAYLESS NYC, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334618	PAYLESS PURCHASING SERVICES, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335672	PAYLESS PURCHASING SERVICES, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.

8/10/2017	7335979	PAYLESS PURCHASING SERVICES, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334535	PAYLESS SHOESOURCE DISTRIBUTION, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335680	PAYLESS SHOESOURCE DISTRIBUTION, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7336019	PAYLESS SHOESOURCE DISTRIBUTION, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334626	PAYLESS SHOESOURCE MERCHANDISING, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335698	PAYLESS SHOESOURCE MERCHANDISING, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7336027	PAYLESS SHOESOURCE MERCHANDISING, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/17/2017	20170007195	PAYLESS SHOESOURCE OF PUERTO RICO, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.

8/17/2017	20170007150	PAYLESS SHOESOURCE OF PUERTO RICO, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	20170007062	PAYLESS SHOESOURCE OF PUERTO RICO, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/9/2017	20170007118	PAYLESS SHOESOURCE OF PUERTO RICO, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
1/30/2013	71339712	PAYLESS SHOESOURCE WORLDWIDE,	IKON FINANCIAL SVCS	All equipment now hereafter leased in an equipment leasing transaction in connection with that certain Master Agreement/Lease No. 1018611.
2/19/2013	71352277	PAYLESS SHOESOURCE WORLDWIDE, INC.	HEWLETT- PACKARD FINANCIAL SERVICES COMPANY	All equipment and software now or hereafter acquired, which secured party has leased to or financed for debtor.
2/22/2013	71353812	PAYLESS SHOESOURCE WORLDWIDE,	IKON FINANCIAL SVCS	All equipment now or hereafter leased in an equipment leasing transaction in connection with that certain Master Agreement/Lease No. 1018611.
11/17/2015	72088672	PAYLESS SHOESOURCE WORLDWIDE,	IBM CREDIT LLC	2828/H06 – IBM Zenterprise BC 12Model H06,2423/961-DS8870, 9MT3/IBM – IBM Prepaid Maintenance, 3952/F05 – Tape Frame

11/17/2015	72088680	PAYLESS SHOESOURCE WORLDWIDE, INC.	IBM CREDIT LLC	9MT3/IBM – IBM Prepaid Maintenance, 2423/961 – DS8870, 3952/F05 – Tape Frame, 2828/H06 – IBM Zenterprise BC12 Model H06, 999L/001
1/9/2017	72384329	PAYLESS SHOESOURCE WORLDWIDE, INC.	IBM CREDIT LLC	2965/N10 – IBM Z13 Business Class Model N10
8/4/2017	7334543	PAYLESS SHOESOURCE WORLDWIDE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising, except any equity interests owned by Debtor in PSS International Holdings, Limited..
8/8/2017	7335706	PAYLESS SHOESOURCE WORLDWIDE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7336035	PAYLESS SHOESOURCE WORLDWIDE, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired, except equity interests owned by Debtor in PSS International Holdings, Limited..
8/4/2017	1708079189325	PAYLESS SHOESOURCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	Debtor’s interest in all profits and proceeds arising out of claims asserted based on the facts and circumstances of the following litigation:

				Visa/Mastercard Anti-trust Litigation in the U.S. District Court-Eastern District of New York, Case No. 1:05-md-1720-JG-JO.
8/4/2017	1708079189335	PAYLESS SHOESOURCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	1708109206299	PAYLESS SHOESOURCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	Debtor's interest in all profits and proceeds arising out of claims asserted based on the facts and circumstances of the following litigation: Visa/Mastercard Anti-trust Litigation in the U.S. District Court-Eastern District of New York, Case No. 1:05-md-1720-JG-JO.
8/8/2017	1708109206310	PAYLESS SHOESOURCE, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	1708119213347	PAYLESS SHOESOURCE, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/10/2017	1708119213387	PAYLESS SHOESOURCE, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	Debtor's interest in all profits and proceeds arising out of claims asserted based on the facts and circumstances of the following

				litigation: Visa/Mastercard Anti-trust Litigation in the U.S. District Court-Eastern District of New York, Case No. 1:05-md-1720-JG-JO.
8/4/2017	7334550	PSS CANADA, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	7335714	PSS CANADA, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7336043	PSS CANADA, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5166126	PSS DELAWARE COMPANY 4, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5247868	PSS DELAWARE COMPANY 4, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5305096	PSS DELAWARE COMPANY 4, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	7334568	SHOE SOURCING, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or

				arising.
8/8/2017	7335722	SHOE SOURCING, INC.	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	7336050	SHOE SOURCING, INC.	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.
8/4/2017	2017 5166209	WBG – PSS HOLDINGS LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/8/2017	2017 5248007	WBG – PSS HOLDINGS LLC	WELLS FARGO BANK, NATIONAL ASSOCIATION, AS AGENT	All assets of the Debtor, wherever located, whether now owned or hereafter acquired or arising.
8/10/2017	2017 5305187	WBG – PSS HOLDINGS LLC	CORTLAND PRODUCTS CORP., AS COLLATERAL AGENT	All assets of the Debtor, whether now owned or hereafter acquired.

SCHEDULE 8.6(k)

Existing Investments

See Schedule 5.16.

The Intercompany Note dated as of April 5, 2017, by and among each of the Payors (as defined therein) and the lenders or Payees (as defined therein).

Additional intercompany notes described below:

Lender	Borrower	USD	Date
Payless ShoeSource Worldwide, Inc.	Import Solutions de Mexico	167,716.06	2006/01/01
Payless Finance, Inc.	Payless Inc.	462,858,463.00	2010/04/10
Collective Brands Coöperatief U.A.	Payless Finance, Inc.	11,635,159.00	2 loans 2011/12/22 2011/07/26
Collective Brands Cayman Fin Limited	Collective Brands II Coöperatief U.A .	60,027,499.34	2012/10/09
Collective Brands II Coöperatief U.A.	Payless ShoeSource Canada Inc.	59,178,372.63	2012/10/09
Payless ShoeSource Canada Inc.	Payless Finance, Inc.	108,269,650.74	2012/10/09
Payless Finance, Inc.	Payless ShoeSource. Inc.	7,000,000.00	2014/02/20
Payless International Finance BV	Payless Finance, Inc.	2,500,000.00	2016/05/20
Payless CA Management Limited	Payless Asia Sourcing	2,012,385.00	2017/02/27
PSS Latin America Holdings	Payless Asia Sourcing	4,450,000.00	2018/01/08
Payless ShoeSource Worldwide, Inc.	Payless Asia Sourcing	4,727,954.30	2018/12/01
Payless CA Management Limited	Payless Finance, Inc.	40,000,050.00 4,444,450.00	2018/10/22 closing fee
Payless St Lucia Limited	PSS ShoeSource Barbados SRL	1,280.39	2012/02/09
PSS ShoeSource Barbados SRL	Payless ShoeSource (Barbados) SRL - St Lucia	481,178.69	3 loans 2015/12/31 2015/10/30 2014/09/01
Payless St Lucia Limited	Payless ShoeSource (Barbados) SRL - Grenada	51,420.97	2014/09/15
PSS ShoeSource Barbados SRL	Payless ShoeSource (Barbados) SRL - Antigua/Barbuda	125,724.00	2 loans 2015/12/31 2014/10/01
PSS ShoeSource Barbados SRL	Payless ShoeSource (Barbados) SRL - St Vincent	204,279.76	2 loans 2015/12/31 2014/10/01
Payless Asia Sourcing	Collective Brands Services Ltd	2,744,431.03	2014/12/18
PSS ShoeSource Barbados SRL	Payless ShoeSource (Barbados) SRL - Grenada	164,791.57	3 loans 2015/12/31 2015/03/27 2015/03/13
Payless ShoeSource of St Lucia	Payless ShoeSource of Trinidad	1,000,000.00	2016/06/01
Payless ShoeSource Overseas SRL	Payless ShoeSource of Trinidad	1,013,604.00	2 loans 2017/01/26 2017/01/06
Payless ShoeSource St Kitts, Ltd	PSS ShoeSource Barbados SRL	180,000.00	2018/06/27
Payless ShoeSource BVI Holding	PSS International Sourcing	150,000.00	2018/12/19

SCHEDULE 8.8

Existing Affiliate Transactions

That certain Term Loan and Guarantee Agreement, dated as of October 2, 2018, among Payless CA Management Limited, as Borrower, the several guarantors from time to time party thereto, the several lenders from time to time parties thereto, and Alden Global Opportunities Master Fund, L.P., as administrative agent and collateral agent.

Support services provided to Subsidiaries consistent with past practices.

Exhibits

EXHIBIT A

FORM OF
ASSIGNMENT AND ASSUMPTION AGREEMENT[1]

This Assignment and Assumption Agreement (this "Assignment") is dated as of the Effective Date set forth below and is entered into by and between [the][each] Assignor identified in item [1][2] below ([the] [each, an] "Assignor") and [the] [each] Assignee identified in item 2 below ([the] [each, an] "Assignee"). [It is understood and agreed that the rights and obligations of such [Assignees][and Assignors] hereunder are several and not joint.] Capitalized terms used herein but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, restated, supplemented and/or otherwise modified from time to time, the "Credit Agreement"). The Standard Terms and Conditions for Assignment and Assumption Agreement set forth in Annex 1 hereto (the "Standard Terms and Conditions") are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the] [each] Assignee, and [the] [each] Assignee hereby irrevocably purchases and assumes from [the][each] Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of [the][each] Assignor's rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the [respective] Assignor's outstanding rights and obligations under the respective Term Loans and/or Term Loan Commitments identified below ([the] [each, an] "Assigned Interest"). [Each] [Such] sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment, without representation or warranty by [the][any] Assignor.

1. [Assignor: _____

2. Assignor: _____][2]

[1][3]. Credit Agreement: Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto, Wilmington Savings Fund Society, FSB, as Administrative Agent and Collateral Agent, and the other parties thereto.

[1] This Form of Assignment and Assumption Agreement should be used by Lenders for an assignment to a single Assignee or to funds managed by the same or related investment managers.

[2] If the form is used by a single Assignor and Assignee, items 1 and 2 should list the Assignor and the Assignee, respectively. In the case of an assignment to funds managed by the same or related investment managers or an assignment by multiple Assignors, the Assignors and the Assignee(s) should be listed in the table under bracketed item 2 below.

[2. Assigned Interest:[3]

Assignor	Assignee	Term Loans Assigned	Percentage of Aggregate Term Loans for all Lenders	Interim Delayed Draw Term Loan Commitments Assigned	Percentage of Aggregate Interim Delayed Draw Term Loan Commitments for all Lenders	Final Delayed Draw Term Loan Commitments Assigned	Percentage of Aggregate Final Delayed Draw Term Loan Commitments for all Lenders
[Name of Assignor]	[Name of Assignee]	_____	_____	_____	_____	_____	_____
[Name of Assignor]	[Name of Assignee]	_____	_____	_____	_____	_____	_____

[4]. Assigned Interest:[4]

Term Loans Assigned	Percentage of Aggregate Term Loans for all Lenders	Interim Delayed Draw Term Loan Commitments Assigned	Percentage of Aggregate Interim Delayed Draw Term Loan Commitments for all Lenders	Final Delayed Draw Term Loan Commitments Assigned	Percentage of Aggregate Final Delayed Draw Term Loan Commitments for all Lenders
$_____	$_____	$_____	$_____	$_____	$_____

[3] Insert this chart if this Form of Assignment and Assumption Agreement is being used for assignments to funds managed by the same or related investment managers or for an assignment by multiple Assignors. Insert additional rows as needed.

[4] Insert this chart if this Form of Assignment and Assumption Agreement is being used by a single Assignor for an assignment to a single Assignee.

Effective Date ____, ____.

Assignor[s] Information		**Assignee[s] Information**	
Payment Instructions:	_____	Payment Instructions:	_____
	_____		_____
	_____		_____
	Reference:___		Reference:___
Notice Instructions:	_____	Notice Instructions:	_____
	_____		_____
	_____		_____
	Reference:___		Reference:___

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR	ASSIGNEE
[NAME OF ASSIGNOR]	[NAME OF ASSIGNEE][5]
By:_____	By:_____
Name:	Name:
Title:	Title:

[5] Add additional signature blocks, as needed, if this Form of Assignment and Assumption Agreement is being used by funds managed by the same or related investment managers.

[Consented to and] Accepted[6]:

WILMINGTON SAVINGS FUND SOCIETY, FSB,
as Administrative Agent

By:_____
Name:
Title:]

[Consented to and] Accepted[7]:

Payless Inc.,
as Borrower

By:_____
Name:
Title:]

[6] Insert only if assignment is being made to an Eligible Assignee pursuant to Section 12.4(a)(i)(B) of the Credit Agreement, unless the assignment is to a Person that is already a Lender or an Affiliate of a Lender. Consent of the Administrative Agent shall not be unreasonably withheld or delayed.

[7] Insert only if assignment is being made to an Eligible Assignee pursuant to Section 12.4(a)(i)(A) of the Credit Agreement, unless the assignment is to a Person that is already a Lender or an Affiliate of a Lender or an Approved Fund, a lender under the Prepetition Term Loan Facility as of the Closing Date or an Affiliate of such lender or Approved Fund (as defined in the Prepetition Term Loan Agreement) of such lender, or if an Event of Default has occurred and is continuing. Consent of the Borrower shall not be unreasonably withheld or delayed.

ANNEX 1 TO
EXHIBIT A

PAYLESS INC.

SENIOR-SECURED SUPER-PRIORITY PRIMING DEBTOR-IN-POSSESSION TERM LOAN AND GUARANTEE AGREEMENT

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ASSUMPTION AGREEMENT

Representations and Warranties.

Assignor. [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [its] Assigned Interest, (ii) [the] [its] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document delivered pursuant thereto (other than this Assignment) or any collateral thereunder, (iii) the financial condition of Holdings, any of its Subsidiaries or affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Holdings, any of its Subsidiaries or affiliates or any other Person of any of their respective obligations under any Loan Document.

Assignee. [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it is an Eligible Assignee; (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of [the][its] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.1 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase [the][its] Assigned Interest on the basis of which it has made such analysis and decision and (v) if it is organized under the laws of a jurisdiction outside the United States, it has attached to this Assignment any tax documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by it; (b) agrees that it will, independently and without reliance upon the Administrative Agent, [the][each] Assignor, or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (c) appoints and authorizes each of the Administrative Agent and the Collateral Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement and the other Loan Documents as are delegated to or otherwise conferred upon the Administrative Agent or the Collateral Agent, as the case may be, by the terms thereof, together

with such powers as are reasonably incidental thereto; (d) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender; and (e) to the extent not already a Lender under the Credit Agreement, has delivered to the Administrative Agent an administrative questionnaire and the Internal Revenue Service forms described in Section 4.4(e) of the Credit Agreement and any forms described in Section 4.4(e)(D) of the Credit Agreement (if applicable).

Payment. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the] [each] Assigned Interest (including payments of principal, interest, fees, commissions and other amounts) to [the][each] Assignor for amounts which have accrued to but excluding the Effective Date and to [the] [each] Assignee for amounts which have accrued from and after the Effective Date.

Effect of Assignment. Upon the delivery of a fully executed electronic copy hereof to the Administrative Agent, as of the Effective Date, (i) [the][each] Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment, have the rights and obligations of a Lender thereunder and under the other Loan Documents and (ii) [the][each] Assignor shall, to the extent provided in this Assignment, relinquish its rights and be released from its obligations under the Credit Agreement and the other Loan Documents.

General Provisions. This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of the Assignment. THIS ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES), AND THE BANKRUPTCY CODE, AS APPLICABLE.

* * *

EXHIBIT B

FORM OF
COMPLIANCE CERTIFICATE

Reference is made to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019 (as amended, restated, amended and restated, modified, supplemented and/or extended as of the date hereof, the "Credit Agreement"; capitalized terms used herein have the meanings attributed thereto in the Credit Agreement unless otherwise defined herein), among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (each, a "Lender" and, collectively, the "Lenders"), and Wilmington Savings Fund Society, FSB, as Administrative Agent (the "Administrative Agent") and Collateral Agent. Pursuant to Section 7.2(b) of the Credit Agreement, the undersigned, solely in his/her capacity as an Authorized Officer and not in any individual capacity, certifies on the date hereof as follows:

1. Attached hereto as Exhibit A are the (i) the unaudited consolidated balance sheet of Holdings and its Subsidiaries and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter ending [ ], certified by an Authorized Officer as fairly stating in all material respects the financial position of Holdings and its Subsidiaries and, in accordance with GAAP for the period covered thereby (subject to normal year-end audit adjustments and the absence of footnotes)[8]

2. To the best of my knowledge, each of Holdings and its Subsidiaries has observed or performed all of its covenants and other agreements contained in the Credit Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it[, except as set forth on Exhibit B hereto][9]

3. I have obtained no knowledge of any Event of Default that has occurred and is continuing[, except as set forth on Exhibit C hereto][10].

4. Exhibit D hereto describes any change in the jurisdiction of organization of any Loan Party since [the Closing Date][the delivery of the immediately preceding previous Compliance Certificate].

5. Exhibit E hereto describes each event, condition or circumstances since the delivery of the immediately preceding previous Compliance Certificate requiring a mandatory prepayment under Section 4.2 of the Credit Agreement.

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[8] To be delivered not later than forty-five (45) days after the end of each fiscal quarter of Holdings of each fiscal year.

[9] Please describe in reasonable detail the reasons for and circumstances of any Default or Event of Default and any action taken or proposed to be taken with respect thereto on Exhibit B.

[10] Please describe in reasonable detail the reasons for and circumstances of any Default or Event of Default and any action taken or proposed to be taken with respect thereto on Exhibit C.

EXHIBIT A

Quarterly (unaudited)
Financial Statements

EXHIBIT B

Disclosure Of Non-Performance Of Covenants/Agreements

EXHIBIT C

Disclosure Of Event Of Default

EXHIBIT D

Disclosure Of Changes In The Jurisdiction Of Organization Of Any Loan Party

EXHIBIT D

FORM OF
GUARANTOR JOINDER AGREEMENT

THIS GUARANTOR JOINDER AGREEMENT (this "Joinder") is executed as of [DATE] by [NAME OF NEW SUBSIDIARY], a [corporation][limited liability company] [partnership] (the "Joining Party"), and delivered to Wilmington Savings Fund Society, FSB, as Administrative Agent and as Collateral Agent, for the benefit of the Secured Parties and their respective successors and assigns under the Credit Agreement (as defined below). Except as otherwise defined herein, all capitalized terms used herein and defined in the Credit Agreement shall be used herein as therein defined.

W I T N E S S E T H:

WHEREAS, Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), Wilmington Savings Fund Society, FSB, as Administrative Agent (together with any successor Administrative Agent, the "Administrative Agent") and as Collateral Agent and the other parties thereto, have entered into a Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019 (as amended, modified, restated and/or supplemented from time to time, the "Credit Agreement"), providing for the making of Term Loans to the Borrowers, all as contemplated therein;

WHEREAS, the Joining Party is a direct or indirect [Domestic][Foreign] Subsidiary of Holdings and desires, or is required pursuant to Section 7.8 of the Credit Agreement, to become a Subsidiary Guarantor under the Credit Agreement; and

WHEREAS, the Joining Party has obtained or will obtain benefits from the incurrence of Term Loans by the Borrowers pursuant to the Credit Agreement and, accordingly, desires to execute this Joinder in order to (i) satisfy the requirements described in the preceding recital and (ii) induce the Lenders to continue to make Term Loans (if any) to the Borrowers pursuant to the Credit Agreement;

NOW, THEREFORE, in consideration of the foregoing and the other benefits accruing to the Joining Party, the receipt and sufficiency of which are hereby acknowledged, the Joining Party hereby makes the following representations and warranties to the Administrative Agent for the benefit of the Secured Parties and hereby covenants and agrees with the Administrative Agent for the benefit of the Secured Parties as follows:

6. By this Joinder, the Joining Party becomes a Subsidiary Guarantor for all purposes under the Credit Agreement.

The Joining Party agrees that, upon its execution hereof, it will become a Subsidiary Guarantor under the Credit Agreement with respect to all Guaranteed Obligations, and will be bound by all terms, conditions and duties applicable to a Subsidiary Guarantor under the Credit Agreement and the other Loan Documents. Without limitation of the foregoing, and in furtherance thereof, the Joining Party jointly and severally guarantees, as a primary obligor and not as a surety, to each Secured Party and their respective successors and permitted assigns, consistent with the terms of the Credit Agreement and the other Loan Documents to which a Subsidiary Guarantor is or becomes a party, the prompt payment in full when due and payable (whether at stated maturity, by required prepayment, declaration, demand, by acceleration or otherwise) of all Guaranteed Obligations (on the same basis as the other Subsidiary Guarantors under the Credit Agreement).

Without limiting the foregoing, the Joining Party hereby makes and undertakes, as the case may be, each covenant, representation and warranty made by each Subsidiary Guarantor pursuant to [Section 9] of the Credit Agreement and agrees to be bound by each of the covenants, agreements and obligations of a Subsidiary Guarantor pursuant to the Credit Agreement and all other Loan Documents to which it is or becomes a party.

This Joinder shall be binding upon and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns, provided, however, the Joining Party may not assign any of its rights, obligations or interest hereunder or under any other Loan Document, except as otherwise permitted by the Loan Documents. **THIS JOINDER SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES), AND THE BANKRUPTCY CODE, AS APPLICABLE.** This Joinder may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one instrument. In the event that any provision of this Joinder shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Joinder which shall remain binding on all parties hereto.

From and after the execution and delivery hereof by the parties hereto, this Joinder shall constitute a "Loan Document" for all purposes of the Credit Agreement and the other Loan Documents.

The effective date of this Joinder is [ ], 20__.

[*Remainder of this page intentionally left blank; signature pages follow.*]

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed and delivered by a duly authorized officer on the date first above written.

[NAME OF ADDITIONAL GUARANTOR]

By:_____
Name:
Title:

Address for notices:

_____
_____
_____

Accepted as of the date first above written:

WILMINGTON SAVINGS FUND SOCIETY, FSB,
as Administrative Agent

By:_____
Name:
Title:

EXHIBIT E

FORM OF
SECURITY AGREEMENT

(Please see attached)

SECURITY AGREEMENT

Among

PAYLESS INC.,
as Borrower,

PAYLESS HOLDINGS LLC,
as Holdings,

and

THE OTHER GRANTORS PARTY HERETO FROM TIME TO TIME,

and

WILMINGTON SAVINGS FUND SOCIETY, FSB
as Agent

Dated as of March [ ], 2019

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SCHEDULES/EXHIBITS

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of March [ ], 2019 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Security Agreement") made by (i) Payless Inc., a Delaware corporation (the "Borrower") and (ii) Payless Holdings LLC, a Delaware limited liability company ("Holdings"), as a Guarantor, and the other Guarantors listed on the signature pages hereto (together with Holdings, the "Original Guarantors") and the other Guarantors from time to time party hereto by execution of a joinder agreement (the "Additional Guarantors", and together with the Original Guarantors, the "Guarantors"), as pledgors, assignors and debtors (the Borrower, together with the Guarantors, in such capacities and together with any successors in such capacities, the "Grantors", and each, a "Grantor"), in favor of Wilmington Savings Fund Society, FSB ("WSFS"), in its capacity as collateral agent and administrative agent for the Secured Parties (as defined in the Credit Agreement (as defined below)) pursuant to the Credit Agreement, as pledgee, assignee and secured party (in such capacities and together with any successors and assigns in such capacities, the "Agent").

R E C I T A L S :

A. The Borrower, the Guarantors, WSFS, in its capacity as Agent, and the Lenders party thereto, among others, have, in connection with the execution and delivery of this Security Agreement, entered into that certain Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

B. The Guarantors have, pursuant to Section 9 of the Credit Agreement, among other things, unconditionally guaranteed (such guarantee, as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Guaranty") the Guaranteed Obligations (as defined in the Credit Agreement).

C. The Debtors (as defined in the Credit Agreement) have filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Missouri.

D. Each Debtor continues to operate its business and manage its properties as a debtor and debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

E. The Lenders have agreed to provide Loans to the Borrower upon the terms and subject to the conditions set forth in the Credit Agreement and subject to the Orders.

F. The Borrower and the Guarantors will receive substantial benefits from the execution, delivery and performance of the Obligations and the Guaranteed Obligations and each is, therefore, willing to enter into this Security Agreement.

G. This Security Agreement is given by each Grantor in favor of the Agent for the benefit of the Secured Parties to secure the payment and performance of all of the Secured Obligations (as hereinafter defined).

H. It is a condition to the obligations of the Lenders under the Credit Agreement and the issuance of the Term Loans under the Credit Agreement on the Closing Date that each Grantor execute and deliver the applicable Loan Documents including this Security Agreement.

A G R E E M E N T :

NOW THEREFORE, in consideration of the foregoing premises and to induce the Lenders and the Agent to enter into the Credit Agreement and to, as applicable, provide the Loans and perform their obligations under the Credit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor and the Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions.

(a) Unless otherwise defined herein or in the Credit Agreement, capitalized terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC.

(b) Capitalized terms used but not otherwise defined herein that are defined in the Credit Agreement shall have the meanings given to them in the Credit Agreement.

(c) The following terms shall have the following meanings:

"Additional Guarantors" shall have the meaning assigned to such term in the Preamble hereof.

"Agent" shall have the meaning assigned to such term in the Preamble hereof.

"Borrower" shall have the meaning assigned to such term in the Preamble hereof.

"Claims" shall mean any and all property taxes and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and all claims (including, without limitation, landlords', carriers', mechanics', workmen's, repairmen's, laborers', materialmen's, suppliers' and warehousemen's Liens and other claims arising by operation of law) against, all or any portion of the Collateral.

"Collateral" shall have the meaning assigned to such term in Section 2.1 hereof.

"Contracts" shall mean, collectively, with respect to each Grantor, all sale, service, performance, equipment or property lease contracts, agreements and grants and all other contracts, agreements or grants (in each case, whether written or oral, or third party or intercompany), between such Grantor and any other party, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof.

"Control" shall mean (i) in the case of each Deposit Account, "control," as such term is defined in Section 9-104 of the UCC, and (ii) in the case of any security entitlement, "control," as such term is defined in Section 8-106 of the UCC.

"Control Agreements" shall mean, collectively, the Deposit Account Control Agreements and the Securities Account Control Agreements.

"Copyrights" shall mean, collectively, with respect to each Grantor, all copyrights (whether statutory or common law, whether established or registered in Canada, the United States or any other country or any political subdivision thereof whether registered or unregistered and whether published or unpublished) and all copyright registrations and applications made by such Grantor, in each case, whether now owned or hereafter created or acquired by or assigned to such Grantor, including, without limitation, the registrations and applications listed in the Perfection Certificate; together with any and all (i) rights and privileges arising under applicable law with respect to such Grantor's use of such copyrights, (ii) reissues, renewals, continuations and extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Credit Agreement" shall have the meaning assigned to such term in the Preamble hereof.

"Deposit Account Control Agreement" means a control agreement with respect to one or more Deposit Accounts in form and substance reasonably satisfactory to the Agent, executed and delivered by Holdings or one of its Subsidiaries, the Agent and the applicable depository institution.

"Distributions" shall mean, collectively, with respect to each Grantor, all Restricted Payments that constitute Collateral from time to time received, receivable or otherwise distributed to such Grantor in respect of or in exchange for any or all of the Pledged Securities or Intercompany Notes.

"Excluded Equity" shall mean any Equity Interests in any Subsidiary, other than Wholly Owned Subsidiaries of any of the Loan Parties, to the extent the grant of any Lien therein is prohibited by the terms of such Subsidiary's organizational or joint venture documents without consent of third parties that are not Affiliates of the Loan Parties, other than, subject to the Orders, any Equity Interests of Payless ShoeSource (BVI) Holdings Ltd. and Payless Columbia (BVI) Holdings Ltd.

"Excluded Property" shall mean, solely with respect to the Grantors that are not Debtors, the following:

(i) any license, property rights, charter, authorization, or permit held by any Grantor, or any instrument, lease, or agreement (x) that validly prohibits the creation by such Grantor of a Lien therein or thereon or the creation of such security interest results in the abandonment, invalidation or unenforceability of any right, title or interest of any Grantor therein or (y) to the extent that applicable law prohibits the creation of a Lien therein or thereon;

(ii) any Intellectual Property Collateral that either (x) consists of intent-to-use trademark applications (unless and until a statement of use or amendment to statement of use in connection therewith has been filed with and accepted by United States Trademark and Patent Office), or (y) the creation by a Grantor of a security interest therein is prohibited without the consent of third party or by applicable law or would result in the abandonment, invalidation or unenforceability of any right, title or interest of any Grantor therein;

(iii) any motor vehicle or other asset subject to a certificate of title (other than to the extent a Lien on such assets can be perfected by filing a UCC-1 financing statement or the Orders);

(iv) Excluded Equity;

(v) any rights under any leases with respect to any Real Estate;

(vi) any property or assets subject to a Lien with respect to any purchase money Indebtedness or Capital Lease Obligations permitted under the Loan Documents if the contract, agreement or document to which such Lien is granted (or in the contract, agreement or document providing for such Capital Lease Obligations) prohibits or requires the consent of any Person as a condition to the creation of any other Lien on such property or asset;

(vii) Excluded Accounts to the extent that applicable law or any agreement or arrangement prohibits the creation of a Lien therein or thereto, or the creation of such security interest results in abandonment, invalidation or unenforceability of any right title or interest of any Grantor therein; and

(viii) Avoidance Actions (provided that, from and after the Final Order Entry Date, "Collateral" shall include, subject to the approval of the Bankruptcy Court in the Final Order, all proceeds of any Avoidance Actions).

provided, however, that in each case described in clauses (i), (ii)(y), (vi) and (vii) of this definition, such property shall constitute "Excluded Property" only to the extent and for so long as such license, charter, permit, instrument, lease, agreement or applicable law validly prohibits the creation of a Lien on such property in favor of the Agent and, upon the termination of such prohibition (howsoever occurring), such property shall cease to constitute "Excluded Property" and a Lien on and security interest in and to all of the right, title and interest of the applicable Grantor in, to and under such property shall immediately and automatically attach thereto and, to the extent such a Lien can be perfected by the filing of a UCC-1 financing statement or the Orders, become fully perfected without requiring any action on the part of any Person; provided, further, that in the case described in clause (ii)(x), such Property shall only be Excluded Property until an amendment to use has been submitted to, and accepted by, the United States Patent and Trademark Office pursuant to 15 U.S.C. Section 1051(a); provided, further, that "Excluded Property" shall not include (i) any assets that secure (or are required to secure) the Prepetition ABL Facility Obligations or obligations under the Prepetition Term Loan Facility or (ii) any proceeds arising therefrom (or the right to receive such proceeds) or

any other rights referred to in Sections 9-406(f), 9-407(a) or 9-408(a) of the UCC or any Proceeds, substitutions or replacements of any Excluded Property (unless such Proceeds, substitutions or replacements would otherwise constitute Excluded Property).

"Existing Intercreditor Agreement" shall mean the Intercreditor Agreement, dated as of August 10, 2017, between the Prepetition Term Loan Agent and the Prepetition ABL Agent, and acknowledged by certain of the Loan Parties, as the same may be amended, supplemented, waived or otherwise modified from time to time.

"Goodwill" shall mean, collectively, with respect to each Grantor, the goodwill connected with such Grantor's business including, without limitation, (i) all goodwill connected with the use of and symbolized by any of the Intellectual Property Collateral in which such Grantor has any interest, (ii) all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclosure thereof by any Person, pricing and cost information, business and marketing plans and proposals, and (iii) the goodwill connected with all product lines of such Grantor's business.

"Grantor" and "Grantors" shall have the respective meanings assigned to such terms in the Preamble hereof.

"Guarantors" shall have the meaning assigned to such term in the Preamble hereof.

"Guaranty" shall have the meaning assigned to such term in the Preamble hereof.

"Holdings" shall have the meaning assigned to such term in the Preamble hereof.

"Indemnitee" shall have the meaning assigned to such term in Section 9.16 hereof.

"Industrial Designs" shall mean, collectively, with respect to each Grantor, all industrial design registrations issued or assigned to and all industrial design applications made by such Grantor (whether established or registered or recorded in Canada or any other country or any political subdivision thereof), including, without limitation, those industrial design registrations, industrial design applications listed in the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable law with respect to such Grantor's use of any industrial designs, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Intellectual Property Collateral" shall mean, collectively, the Patents, Trademarks, Copyrights, Industrial Designs, Software, Licenses and Goodwill that is not Excluded Property.

"Intercompany Notes" shall mean, with respect to each Grantor, all other intercompany notes described on Schedule I hereto and each intercompany note hereafter acquired by such Grantor and all certificates, instruments or agreements evidencing such intercompany notes, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

"Joinder" means an agreement in form reasonably satisfactory to Agent, pursuant to which, among other things, a Person becomes a party to and bound by the terms of this Security Agreement and/or the other Loan Documents in the same capacity and to the same extent as a Guarantor.

"Letter of Credit" unless the context otherwise requires shall have the meaning given to such term in the UCC.

"Licenses" shall mean, collectively, with respect to each Grantor all license and distribution agreements (to the extent containing express licenses) with any other Person with respect to any Software, Patent, Trademark, Industrial Design or Copyright or any other patent, trademark, industrial design or copyright, whether such Grantor is a licensor or licensee, distributor or distributee under any such license or distribution agreement (to the extent containing express licenses) together with any and all (i) renewals, extensions, supplements and continuations thereof (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder, and with respect thereto, including, without limitation, damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) other rights to use, exploit or practice any or all of the Patents, Trademarks, Industrial Designs or Copyrights or any other patent, trademark, industrial design or copyright.

"Loan Parties" shall have the meaning assigned to such term in the Credit Agreement.

"Original Guarantors" shall have the meaning assigned to such term in the Preamble hereof.

"Patents" shall mean, collectively, with respect to each Grantor, all patents issued or assigned to and all patent applications made by such Grantor (whether established or registered or recorded in Canada or the United States or any other country or any political subdivision thereof), including, without limitation, those patents, and patent applications listed in the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable law with respect to such Grantor's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Perfection Certificate" shall mean, collectively, those certain perfection certificates dated as of the date hereof, executed and delivered by each Grantor in favor of the Agent for the benefit of the Secured Parties, and each other Perfection Certificate (which shall be in form and substance reasonably acceptable to the Agent) executed and delivered by the applicable Grantor in favor of the Agent for the benefit of the Secured Parties, contemporaneously with the execution and delivery of a Joinder executed in accordance with Section 3.6 hereof, in each case, as the same may be amended, replaced, amended and restated, restated, supplemented or otherwise modified from time to time as permitted by the Agent in its reasonable discretion.

"Pledged Interests" shall mean, collectively, with respect to each Grantor, all Equity Interests in any issuer now existing or hereafter acquired or formed, including, without limitation, all Equity Interests of such issuer described in Schedule III hereof, together with all rights, privileges, authority and powers of such Grantor relating to such Equity Interests issued by any such issuer under the Organizational Documents of any such issuer, and the certificates, instruments and agreements representing such Equity Interests; provided, however, that to the extent applicable, Pledged Interests shall not include any Excluded Equity.

"Pledged Securities" shall mean, collectively, the Pledged Interests and the Successor Interests.

"Prepetition Collateral" collectively, all "Collateral" under, and as such term is defined in, the Prepetition Debt Documents.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Secured Obligations" shall mean the Obligations and the Guaranteed Obligations.

"Securities Account Control Agreement" shall mean an agreement in form and substance reasonably satisfactory to the Agent with respect to any Securities Account of a Grantor.

"Securities Act" means the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, and the applicable regulations promulgated by the Securities and Exchange Commission thereunder.

"Securities Collateral" shall mean, collectively, the Pledged Securities, the Intercompany Notes and the Distributions.

"Security Agreement" shall have the meaning assigned to such in the Preamble hereof.

"Software" means a computer program and any supporting information provided in connection with a transaction relating to the program, including any and all software implementations of algorithms, models and methodologies, whether in source code or object

code; databases and compilations, including any and all data and collections of data, whether machine readable or otherwise; descriptions, flow charts and other work product used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons; and all documentation including user manuals and other training documentation related to any of the foregoing not including a computer program that is included in the definition of Goods.

"Successor Interests" shall mean, with respect to any entity whose Equity Interests at any time constitute Pledged Interests that are Collateral (each such entity at such time being referred to as a "Pledged Entity"), collectively, all shares of capital stock, limited liability company interests, or partnership interest (in each case, regardless of designation) or other Equity Interest of any kind issued by any entity which is the successor, surviving entity or otherwise formed by or results from the consolidation, reorganization, amalgamation, arrangement or merger of such entity with any Pledged Entity, in each case, unless such consolidation, reorganization, amalgamation, arrangement or merger is permitted to occur under Section 8.3 or 8.4 of the Credit Agreement where a Grantor is not a surviving entity; provided, however, that Successor Interests shall not include Excluded Equity.

"Trademarks" shall mean, collectively, with respect to each Grantor, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locations (URLs), domain names, corporate names and trade names or other source identifier, whether registered or unregistered, owned by or assigned to such Grantor and all registrations and applications for the foregoing (whether statutory or common law and whether established or registered in Canada or the United States or any other country or any political subdivision thereof), including, without limitation, the registrations and applications listed in the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable law with respect to such Grantor's use of any trademarks, (ii) reissues, continuations, extensions and renewals thereof, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including, without limitation, damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

"UCC" or "Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning set forth in Article 9; provided further that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "UCC", and "Uniform Commercial Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

"WSFS" shall have the meaning assigned to such in the Preamble hereof.

SECTION 1.2 Interpretation. The rules of interpretation specified in Section 1.2 of the Credit Agreement shall be applicable to this Security Agreement.

SECTION 1.3 Perfection Certificate. The Agent and each Grantor agree that the Perfection Certificate, and all schedules, amendments and supplements thereto are and shall at all times remain a part of this Security Agreement and Grantors hereby represent and warrant that the information set forth in the Perfection Certificate is true, accurate and complete in all material respects as of the applicable date of such Perfection Certificate.

ARTICLE II

GRANT OF SECURITY AND SECURED OBLIGATIONS

SECTION 2.1 Pledge; Grant of Security Interest. As collateral security for the payment and performance in full of all the Secured Obligations, each Grantor hereby pledges, assigns and grants to the Agent, for its benefit and for the benefit of the other Secured Parties, a Lien on and a security interest in and to all of the right, title and interest of such Grantor in, to and under all personal property and interests in such personal property, wherever located, whether tangible or intangible and whether now owned by or owing to, or hereafter acquired by or arising in favor of such Grantor, or in which such Grantor now has or at any time in the future may acquire any right, title or interest, in each case, (other than Excluded Property) (collectively, the "Collateral"), including, without limitation:

(a) all Accounts;

(b) all Goods, including Equipment, Inventory and Fixtures;

(c) all Documents, Instruments and Chattel Paper;

(d) all Letters of Credit and Letter of Credit Rights;

(e) all Securities Collateral;

(f) all Investment Property (except for Excluded Equity);

(g) all Intellectual Property Collateral;

(h) all Commercial Tort Claims, including, without limitation, those described on Schedule IV attached hereto;

(i) all General Intangibles (including, without limitation, all Payment Intangibles);

(j) all Deposit Accounts and Securities Accounts (except for Excluded Accounts that constitute Excluded Property) including, without limitation, the GOB Sales Proceeds Account and the Term Loan Proceeds Account;

(k) all Supporting Obligations;

(l) all money, cash or cash equivalents;

(m) all insurance proceeds, refunds and premium rebates, including, without limitation, proceeds of fire and credit insurance, whether any of such proceeds, refunds and premium rebates arise out of anything in clauses (a) through (l);

(n) all books, records and information relating to the Collateral and/or to the operation of any Grantor's business, and all rights of access to (a) such books, records and information, and (b) all property in which such books, records and information are stored, recorded and maintained;

(o) to the extent not covered by clauses (a) through (n) of this sentence, all receivables and all present and future claims, rights, interest, assets and properties recovered by or on behalf of any Grantor; and

(p) to the extent not covered by clauses (a) through (o) of this sentence, all other personal property of such Grantor, whether tangible or intangible and all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

(q) Notwithstanding anything to the contrary contained in clauses (a) through (p) above, the security interest created by this Security Agreement shall not with respect to all Grantors, extend to, and the term "Collateral" shall not include, any Excluded Property; provided, that if and when any property shall cease to be Excluded Property, a Lien on and security in such property shall be automatically deemed granted therein until, if ever, such property shall again become Excluded Property.

The Grantors may be required from time to time (but in no event more than once per calendar quarter) at the reasonable request of the Agent and/or the Required Lenders to give written notice to the Agent and/or the Lenders identifying in reasonable detail the Excluded Property (and stating in such notice that such property constitutes Excluded Property) and to provide the Agent and/or the Lenders with such other information regarding the Excluded Property as the Agent and/or the Required Lenders may reasonable request.

SECTION 2.2 Secured Obligations. This Security Agreement secures, and the Collateral is collateral security for, the payment and performance in full when due of the Secured Obligations.

SECTION 2.3 Security Interest.

(a) Each Grantor hereby irrevocably (until this Security Agreement is terminated in accordance with Section 9.5 herein) authorizes the Agent at any time and from time to time to authenticate and file in any relevant jurisdiction any initial financing statements (including fixture filings) and any continuations and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment or continuation relating to the

Collateral, including, without limitation, (i) whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor, (ii) a description of the Collateral as "all assets of the Grantor, wherever located, whether now owned or hereafter acquired" (or words of similar effect), or as otherwise may be required under applicable law and (iii) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Collateral relates; provided that the Agent agrees to provide, upon the reasonable request of any Grantor, written evidence to any Person identified by Grantor that a security interest in favor of the Agent does not extend to such Excluded Property. Each Grantor agrees to provide all information described in the immediately preceding sentence to the Agent promptly (and in any event within five (5) Business Days, or such later date as the Agent may agree in its sole discretion) upon reasonable written request.

(b) Each Grantor hereby ratifies its prior authorization for the Agent to file in any relevant jurisdiction any initial financing statements or amendments or continuations thereto relating to the Collateral if filed prior to the date hereof.

(c) Each Grantor hereby further authorizes the Agent to file filings with the United States Patent and Trademark Office and/or United States Copyright Office (or any successor office or any similar office in any other country) or other documents as may be necessary for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by such Grantor hereunder in any Intellectual Property Collateral, and naming such Grantor, as debtor, and the Agent, as secured party.

ARTICLE III

PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF COLLATERAL

SECTION 3.1 Delivery of Certificated Pledged Securities. Each Grantor represents and warrants that (subject to the five (5) Business Day grace period referenced in the following sentence) all "security certificates" (as defined in Article 8 of the UCC) representing or evidencing the Pledged Securities of a Person that is a corporation, or if such Person is a limited liability company or limited partnership, solely to the extent its Equity Interests constitute "securities" governed by Article 8 of the UCC, in existence on the date hereof have been, to the extent representing "security certificates" or "securities" of (i) Grantors that are (a) not Debtors and (b) Debtors but not party to the Prepetition ABL Agreement, delivered to the Agent and (ii) Grantors that are Debtors and party to the Prepetition ABL Agreement, delivered to the Prepetition Term Loan Agent (as bailee for the Agent), in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank and that the Agent has (x) a perfected first priority security interest in such Pledged Securities owned by Grantors that are not Debtors (which priority shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations) and (y) a perfected security interest having the priorities set forth in the Orders and the Existing Intercreditor Agreement in such Pledged Securities owned by the Grantors that are Debtors. Each Grantor hereby agrees that all "security certificates" (as defined in Article 8 of the UCC) representing or evidencing Pledged Securities of a Person that is a corporation, or if such Person is a limited liability company or limited partnership, solely to the

extent its Equity Interests constitute "securities" governed by Article 8 of the UCC, acquired by such Grantor after the date hereof, shall promptly (and in any event within five (5) Business Days) upon receipt thereof by such Grantor be delivered to and held by on behalf of the Agent pursuant hereto. All certificated Pledged Securities that constitute "security certificates" (as defined in Article 8 of the UCC) shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right (as defined in Article 8 of the UCC), at any time upon the occurrence and during the continuance of any Event of Default, after one (1) Business Day's written notice has been delivered by the Agent to the applicable Grantor, to endorse, assign or otherwise transfer to or to register in the name of the Agent or any of its nominees or endorse for negotiation any or all of the Pledged Securities, without any indication that such Pledged Securities are subject to the security interest hereunder. In addition, the Agent shall have the right, with respect to certificates held by the Agent pursuant to clause (i) above, with written notice to exchange certificates representing or evidencing Pledged Securities for "securities certificates" of smaller or larger denominations accompanied by instruments of transfer or assignment and letters of direction duly executed in blank.

SECTION 3.2 Perfection of Uncertificated Pledged Securities. Each Grantor represents and warrants that the Agent has a perfected security interest in all "uncertificated securities" evidencing Pledged Securities of any Person that is a corporation, or if such Person is a limited liability company or limited partnership, solely to the extent its Equity Interests constitute "securities" governed by Article 8 of the UCC, pledged by it hereunder that is in existence on the date hereof and that the applicable Organizational Documents do not require the consent of the other shareholders, members, partners or other Person (other than the applicable Grantor) to permit the Agent or its designee to be substituted for the applicable Grantor as a shareholder, member, partner or other equity owner, as applicable, thereto, or, to the extent consent is required, such consent has been obtained (including, with respect to the applicable Grantor, pursuant to Section 3.1 herein), and that such security interest is (x) with respect to such Equity Interests owned by Grantors that are not Debtors, a perfected first priority security interest (which priority shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations) and (y) with respect to such Equity Interests owned by the Grantors that are Debtors, a perfected security interest having the priorities set forth in the Orders and the Existing Intercreditor Agreement. Each Grantor hereby agrees that if any of the Pledged Securities are at any time not evidenced by certificates of ownership, then each applicable Grantor shall, to the extent permitted by applicable law, and upon the reasonable request of the Agent, cause such pledge to be recorded on the equity holder register or the books of the issuer, execute customary pledge forms or other documents necessary or reasonably requested to grant or perfect the pledge and give the Agent the right to transfer such Pledged Securities under the terms hereof.

SECTION 3.3 Financing Statements and Other Filings; Maintenance of Perfected Security Interest. Each Grantor represents and warrants that the only filings, registrations and recordings necessary and appropriate to perfect by filing a financing statement or by filing with the United States Patent and Trademark Office and the United States Copyright Office with respect to the security interest granted by each Grantor to the Agent (for the benefit of the Secured Parties) pursuant to this Security Agreement in respect of the Collateral are listed on Schedule II hereto. Each Grantor represents and warrants that all such filings, registrations and

recordings have been delivered to the Agent in completed, and to the extent necessary or appropriate, duly executed form for filing in each governmental municipal or other office specified in Schedule II. Each Grantor agrees that, at the sole cost and expense of the Grantors, (i) such Grantor will maintain the security interest created by this Security Agreement in the Collateral as (x) a perfected first priority security interest with respect to Grantors that are not Debtors (which priority shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations) and (y) a perfected security interest having the priorities set forth in the Orders and the Existing Intercreditor Agreement with respect to the Grantors that are Debtors and shall, at the written request of the Agent in its reasonable discretion defend such security interest against the claims and demands of all Persons (other than with respect to Liens permitted under Section 8.2 of the Credit Agreement) and (ii) at any time and from time to time, upon the reasonable written request of the Agent, such Grantor shall promptly and duly execute and deliver to the Agent for filing or recording, as applicable, such further instruments and documents and take such further action as the Agent may reasonably request for such filing or recording, including the filing of any financing statements, continuation statements and other documents (including this Security Agreement) under the UCC (or other applicable laws) in effect in any jurisdiction with respect to the security interest created hereby and the execution and delivery of Control Agreements, all in form reasonably satisfactory to the Agent and in such offices (including, without limitation, the United States Patent and Trademark Office and the United States Copyright Office) wherever required by applicable law, in each case to perfect, continue and maintain a valid, enforceable, and perfected (x) first priority security interest with respect to Grantors that are not Debtors (which priority shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations) and (y) security interest having the priorities set forth in the Orders and the Existing Intercreditor Agreement with respect to the Grantors that are Debtors, and to preserve the other rights and interests granted to the Agent hereunder as against the Grantors and third parties (other than with respect to Liens permitted under Section 8.2 of the Credit Agreement) with respect to the Collateral.

SECTION 3.4 Other Actions. In order to further evidence the attachment, perfection and priority (which priority with respect to Grantors that are not Debtors shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations and which priority with respect to the Grantors that are Debtors shall be as set forth in the Order and the Existing Intercreditor Agreement) of, and the ability of the Agent to enforce, the Agent's security interest in the Collateral, each Grantor represents, warrants and agrees, in each case at such Grantor's own expense, with respect to the following Collateral that:

(a) Instruments and Tangible Chattel Paper. As of the Closing Date (i) no amount in excess of $1,000,000 payable under or in connection with any of the Collateral is evidenced by any Instrument or Tangible Chattel Paper other than such Instruments and Tangible Chattel Paper listed in the Perfection Certificate and the Intercompany Notes listed on Schedule I attached hereto, and (ii) each of the Intercompany Notes listed on Schedule I attached hereto, together with each Instrument in excess of $1,000,000 and each item of Tangible Chattel Paper in excess of $1,000,000 listed in the Perfection Certificate, to the extent reasonably requested in writing by the Agent, has been properly endorsed, assigned and delivered to the Agent, or subject

to the Orders and the Existing Intercreditor Agreement, the Prepetition ABL Agent, accompanied by instruments of transfer or assignment and letters of direction duly executed in blank. If any amount payable in excess of $1,000,000, individually, or $1,500,000, in the aggregate, under or in connection with any of the Collateral, shall be evidenced by any Instrument or Tangible Chattel Paper after the Closing Date, the Grantor acquiring such Instrument (which for the avoidance of doubt, shall include any Intercompany Notes) or Tangible Chattel Paper shall provide notice to the Agent concurrently with the delivery of the financial statements referred to in Section 7.1(a) or Section 7.1(b) of the Credit Agreement that are next due and, at the request of the Agent in its reasonable discretion, endorse, assign and deliver the same to the Agent, or subject to the Orders and the Existing Intercreditor Agreement, the Prepetition ABL Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Agent may reasonably request in writing from time to time.

(b) Investment Property.

(i) As of the Closing Date (x) it has no Securities Accounts other than those listed on Schedule V attached hereto and (y) it does not hold own or have any interest in any "security certificates" or "uncertificated securities" (as each such term is defined in Article 8 of the UCC) other than those constituting Pledged Securities with respect to which the Agent has (i) a perfected first priority security interest with respect to Grantors that are not Debtors (which priority shall be subject only to Liens having priority by operation of law and Permitted Encumbrances, solely to the extent permitted to have priority over the Secured Obligations) and (ii) a perfected security interest having the priorities set forth in the Orders and the Existing Intercreditor Agreement with respect to the Grantors that are Debtors, in each case, in such Pledged Securities.

(ii) If any Grantor shall at any time hold or acquire any "security certificates" (as defined in Article 8 of the UCC), other than Excluded Equity, such Grantor shall promptly notify the Agent thereof and endorse, assign and deliver the same to the Agent, accompanied by such instruments of transfer or assignment duly executed in blank, all in form and substance reasonably satisfactory to the Agent. If any Equity Interests now or hereafter acquired by any Grantor, other than any Excluded Equity, constitute "uncertificated securities" (as defined in Article 8 of the UCC), such Grantor shall promptly notify the Agent in writing thereof and, at the written reasonable request of the Agent, do one of the following: (w) grant Control to the Agent and cause the issuer to agree to comply with instructions from the Agent as to such Equity Interests, without further consent of any Grantor or such nominee, (x) cause a security entitlement with respect to such uncertificated security to be held in a securities account with respect to which the Agent has Control, (y) arrange for the Agent to become the registered owner of the Equity Interests, or (z) issue one or more "security certificates" (as such term is defined in Article 8 of the UCC) for such Equity Interests and deliver such "security certificates" to the Agent in accordance with Section 3.1, in each case, as applicable, pursuant to an agreement in form and substance reasonably satisfactory to the Agent. Grantor shall not hereafter establish and maintain any Securities Account with any Securities Intermediary unless such Securities Intermediary and such Grantor shall have duly executed and delivered a Control Agreement with respect to such Securities Account (1) if an Event of Default has occurred and is continuing, contemporaneous with

establishing such Securities Account, or (2) if an Event of Default is not then continuing, within ten (10) Business Days after establishing such Securities Account; provided, that the applicable Grantor shall provide the Agent with written notice of the establishment of such Securities Account no later than five (5) Business Days after the establishment thereof. Each Grantor shall accept any cash and Investment Property which are proceeds of the Pledged Interests in trust for the benefit of the Agent and promptly upon receipt thereof, deposit any cash received by it into an account in which the Agent has Control, or with respect to any Investment Property (to the extent applicable) or additional Equity Interests, take such actions as required above with respect to such securities. The Agent agrees with each Grantor that the Agent shall not give any entitlement orders or instructions or directions to any issuer of uncertificated securities or Securities Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Grantor, unless an Event of Default has occurred and is continuing, and the Agent has at least delivered one (1) Business Day's prior written notice to the applicable Grantor before exercising any remedies with respect thereto.

(iii) As between the Agent and the Grantors, the Grantors shall bear the investment risk with respect to the Investment Property and Pledged Securities, and the risk of loss of, damage to, or the destruction of the Investment Property and Pledged Securities, whether in the possession of, or maintained as a security entitlement or deposit by, or subject to the control of, the Agent, a Securities Intermediary, any Grantor or any other Person (except to the extent arising from the gross negligence or willful misconduct of the Agent or its Related Parties as determined by a court of competent jurisdiction by final and nonappealable judgment); provided, however, that nothing contained in this Section 3.4(b) shall release or relieve any Securities Intermediary of its duties and obligations to the Grantors or any other Person under any Control Agreement or under applicable law. Each Grantor shall promptly pay all material Claims and material fees when due and payable with respect to the Pledged Securities pledged by it under this Security Agreement, except as otherwise permitted under the Credit Agreement or the other Loan Documents. In the event any Grantor shall fail to make such payment required by the immediately preceding sentence the Agent may do so for the account of such Grantor and the Grantors shall promptly reimburse and indemnify the Agent for all costs and expenses incurred by the Agent under this Section 3.4(b) and under Section 9.3 hereof.

(c) Electronic Chattel Paper and Transferable Records. As of the date hereof no amount payable in excess of $1,000,000 under or in connection with any of the Collateral is evidenced by any Electronic Chattel Paper or any "transferable record" (as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction). If any amount payable under or in connection with any of the Collateral in excess of $1,000,000, individually, or $1,500,000, in the aggregate, shall be evidenced by any Electronic Chattel Paper or any transferable record, the Grantor acquiring such Electronic Chattel Paper or transferable record shall notify the Agent thereof concurrently with the delivery of the financial statements referred to in Section 7.1(a) or Section 7.1(b) of the Credit Agreement that are next due, and shall take such action as the Agent may reasonably request in writing to vest in the Agent control under UCC Section 9-105 of such Electronic Chattel Paper or control under Section 201 of the

Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Agent agrees with such Grantor that the Agent will arrange, pursuant to procedures reasonably satisfactory to the Agent and so long as such procedures will not result in the Agent's loss of control, for the Grantor to make alterations to the Electronic Chattel Paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Grantor with respect to such Electronic Chattel Paper or transferable record.

(d) Letter of Credit Rights. If such Grantor is at any time a beneficiary under a Letter of Credit in excess of $1,000,000, individually or in the aggregate, now or hereafter issued in favor of such Grantor (which, for the avoidance of doubt, shall not include any Letter of Credit issued pursuant to the Prepetition ABL Facility), such Grantor shall notify the Agent thereof concurrently with the delivery of the financial statements referred to in Section 7.1(a) or Section 7.1(b) of the Credit Agreement that are next due, and such Grantor shall, at the written request of the Agent in its reasonable discretion, pursuant to an agreement in form and substance reasonably satisfactory to the Agent, use its commercially reasonable efforts either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Agent of, and to pay to the Agent, the proceeds of, any drawing under the Letter of Credit or (ii) arrange for the Agent to become the beneficiary of such Letter of Credit, with the Agent agreeing, in each case, that the proceeds of any drawing under the Letter of Credit are to be applied as provided in the Credit Agreement.

(e) Commercial Tort Claims. As of the date hereof, no Grantor holds any Commercial Tort Claims other than those listed on Schedule IV attached hereto. If any Grantor shall at any time hold or acquire any Commercial Tort Claims, either individually or in the aggregate, in excess of $1,000,000, such Grantor shall notify the Agent concurrently with the delivery of the financial statements referred to in Section 7.1(a) or Section 7.1(b) of the Credit Agreement that are next due, in writing signed by such Grantor of the brief details thereof and, to the extent requested by the Agent, grant to the Agent in such writing a security interest therein and in the Proceeds thereof, all upon the terms of this Security Agreement, with such writing to be in form and substance reasonably satisfactory to the Agent and amend Schedule IV to describe such after-acquired Commercial Tort Claim in a manner that reasonably identifies such Commercial Tort Claim. Each Grantor hereby authorizes the filing of additional financing statements or amendments to existing financing statements describing such Commercial Tort Claims, and agrees to do such other acts or things reasonably deemed necessary or desirable by the Agent to give the Agent a perfected security interest in any such Commercial Tort Claim.

SECTION 3.5 Supplements; Further Assurances. Each Grantor shall take such further actions, and execute and deliver to the Agent such additional assignments, agreements, supplements, powers and instruments, as the Agent may in its reasonable judgment deem necessary or appropriate, wherever required by law, in order to perfect, preserve and protect the security interest in the Collateral as provided herein and the rights and interests granted to the Agent hereunder, to carry into effect the purposes hereof or better to assure and confirm unto the

Agent or permit the Agent to exercise and enforce its rights, powers and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor shall make, execute, endorse, acknowledge, file or refile and/or deliver to the Agent from time to time upon reasonable request such lists, descriptions and designations of the Collateral, financing statements, and other assurances necessary or prudent to perfect or protect the Agent's security interest in the Collateral. If an Event of Default has occurred and is continuing, the Agent may institute and maintain, in its own name or in the name of any Grantor, such suits and proceedings as the Agent may be advised by counsel shall be necessary or expedient to prevent any impairment of its security interest in or the perfection thereof in the Collateral. All of the foregoing shall be at the sole cost and expense of the Grantors. The Grantors and the Agent acknowledge that this Security Agreement is intended to grant to the Agent for the benefit of the Secured Parties a security interest in and Lien upon the Collateral and shall not constitute or create a present assignment of any of the Collateral.

SECTION 3.6 Joinder of Additional Grantors. The Grantors shall cause each direct or indirect Subsidiary of any Loan Party which, from time to time, after the date hereof shall be required to pledge any assets to the Agent for the benefit of the Secured Parties pursuant to the provisions of the Credit Agreement, to execute and deliver to the Agent a Perfection Certificate and a Joinder, in each case, within the applicable time period set forth in the Credit Agreement (or such later date as the Agent may permit in its sole discretion) and, upon such execution and delivery, such Subsidiary shall constitute a "Grantor" for all purposes hereunder with the same force and effect as if originally named as a Grantor herein, including, but not limited to, granting the Agent a security interest in all Securities Collateral of such Subsidiary. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

SECTION 3.7 Perfection or Other Action Cost vs. Benefit Determination. Notwithstanding anything to the contrary herein or in any other Loan Document, although such property and assets shall still be considered Collateral, the Grantors shall not be required to perfect the security interest granted to the Agent under this Security Agreement or any other Loan Document or to take any other action with respect to any property, asset or right to use any property or any asset to the extent the burden or cost of obtaining or perfecting a Lien in favor of the Agent or taking any other action is excessive in relation to the benefit of the security afforded thereby, as reasonably determined by the Agent. Any property, asset or right to use any property or any asset that is subject to the conditions set forth in the immediately preceding sentence of this Section 3.7 shall be an exception or carve-out to any representation, warranty or covenant in any Loan Document relating to the perfection or priority of the Agent's Liens on the Collateral or other actions to be taken, in each case, to the extent set forth in the immediately preceding sentence.

SECTION 3.8 Reserved.

SECTION 3.9 Effects of Post-Closing Time Periods. Notwithstanding anything to the contrary herein or in any other Loan Document, all representations, warranties, covenants and other provisions in this Security Agreement and the other Loan Documents shall take into account any time extensions provided in Schedule 7.15 of the Credit Agreement and in any amendment or extension thereof and any time extension provided in Schedule 7.15 of the Credit

Agreement shall automatically be applied to any relevant representation, warranty, covenant or other provision in this Security Agreement and the other Loan Documents.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

Notwithstanding anything to the contrary herein or in any other Loan Document, it is understood and agreed that all representations and warranties (but not the covenants) set forth in this Security Agreement shall be made only on the Closing Date and on each date that a Borrowing is made. Each Grantor represents, warrants and covenants as follows:

SECTION 4.1 Validity of Security Interests. The security interest in and Liens on the Collateral granted by each Debtor Grantor herein and pursuant to the Orders constitutes a legal, valid, binding, enforceable and automatically and fully and properly perfected security interest in, and Lien on, the Collateral securing the payment and performance of the Obligations of such Grantor, which security interest and Lien has the priorities set forth in the Orders and, if applicable, the Existing Intercreditor Agreement, notwithstanding any failure on the part of any Person to carry out any actions set forth herein or otherwise applicable with respect to the perfection of the security interest and Liens, and, for the avoidance of doubt, no financing statement, notice of lien, mortgage, deed of trust or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to create, record, validate or perfect the Liens and security interests hereunder and pursuant to the Orders. The security interest in and Liens on the Collateral granted by each non-Debtor Grantor herein constitutes a legal, valid, binding and enforceable interest in, and Lien on, the Collateral securing the payment and performance of the Obligations of such Grantor.

SECTION 4.2 Limitation on Liens; Defense of Claims; Transferability of Collateral. Each Grantor is as of the date hereof, and, as to Collateral acquired by it from time to time after the date hereof, such Grantor will be, the sole direct and beneficial owner of all Collateral pledged by it hereunder free from any Lien or other right, title or interest of any Person other than the Liens and security interest created by this Security Agreement and Liens permitted under Section 8.2 of the Credit Agreement. Each Grantor shall, at its own cost and expense, defend title to the Collateral pledged by it hereunder and the security interest therein and Lien thereon granted to the Agent and the priority thereof against all claims and demands of all Persons, at its own cost and expense, at any time claiming any interest therein adverse to the Agent or any other Secured Party other than Liens permitted under Section 8.2 of the Credit Agreement.

SECTION 4.3 Chief Executive Office; Change of Name; Jurisdiction of Organization.

(a) As of the Closing Date, the type of organization, federal employer identification number, and organizational identification from its state of organization of such Grantor is indicated in Section 1 of the Perfection Certificate, and its chief executive office is indicated on the Perfection Certificate.

(b) The Agent may rely on opinions of counsel as to whether any or all UCC financing statements of the Grantors need to be amended as a result of any of the changes described in Section 4.3(a). If any Grantor fails to provide information to the Agent about such changes on a timely basis, the Agent shall not be liable or responsible to any party for any failure to maintain a perfected security interest in such Grantor's property constituting Collateral, for which the Agent needed to have information relating to such changes. The Agent shall have no duty to inquire about such changes if any Grantor does not inform the Agent of such changes, the parties acknowledging and agreeing that it would not be feasible or practical for the Agent to search for information on such changes if such information is not provided by any Grantor.

SECTION 4.4 Reserved.

SECTION 4.5 Reserved.

SECTION 4.6 Reserved.

SECTION 4.7 Amounts Owing. There is no material amount or other material obligation owing by any Grantor to any issuer of the Pledged Interests in exchange for or in connection with the issuance of the Pledged Interests or any Grantor's status as a partner or a member of any issuer of the Pledged Interests.

SECTION 4.8 No Conflicts, Consents, Etc. Subject to the Orders, no consent of any party (including, without limitation, equity holders or creditors of such Grantor) and no consent, authorization, approval, license or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or other Person is required (a) for the grant of the security interest by such Grantor of the Collateral pledged by it pursuant to this Security Agreement, (b) for the exercise by the Agent of the voting or other rights provided for in this Security Agreement or (c) for the exercise by the Agent of the remedies in respect of the Collateral pursuant to this Security Agreement except, in each case, for such consents which have been obtained prior to the date hereof; provided however, with respect to clauses (b) and (c), to the extent the Agent's exercise of such remedies is dependent upon the Agent's Lien in such Collateral being perfected, assuming such Lien has been properly perfected. Following the occurrence and during the continuation of an Event of Default, if the Agent desires to exercise any remedies, voting or consensual rights or attorney-in-fact powers set forth in this Security Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other Person therefor, then, upon the reasonable written request of the Agent, such Grantor agrees to use commercially reasonable efforts to assist and aid the Agent to obtain as soon as commercially practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

SECTION 4.9 Reserved.

SECTION 4.10 Insurance. Each Grantor hereby irrevocably makes, constitutes and appoints the Agent (and all officers, employees or agents designated by the Agent) as such Grantor's true and lawful agent (and attorney-in-fact), exercisable only after the occurrence and during the continuance of an Event of Default, for the purpose of making, settling and adjusting claims in respect of the Collateral under policies of insurance, endorsing the name of such

Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto (subject to the Orders and the Existing Intercreditor Agreement). In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required under the Credit Agreement or to pay any premium in whole or in part relating thereto, the Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Agent deems advisable. All sums disbursed by the Agent in connection with this Section 4.10, including reasonable and documented attorneys' fees, court costs, and reasonable and documented out-of-pocket expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Agent and shall be additional Secured Obligations secured hereby.

ARTICLE V

CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

SECTION 5.1 Pledge of Additional Securities Collateral. Each Grantor shall, upon obtaining any Pledged Securities or Intercompany Notes of any Person required to be pledged hereunder, accept the same in trust for the benefit of the Agent and promptly deliver to the Agent a pledge amendment, duly executed by such Grantor, in substantially the form of Exhibit 1 annexed hereto (each, a "Pledge Amendment"), and the certificates and other documents required under Section 3.1, Section 3.2, or Section 3.4(a) hereof in respect of the additional Pledged Securities or Intercompany Notes which are to be pledged pursuant to this Security Agreement. Each Grantor hereby authorizes the Agent to attach each Pledge Amendment to this Security Agreement and agrees that all Pledged Securities or Intercompany Notes listed on any Pledge Amendment delivered to the Agent shall for all purposes hereunder be considered Collateral.

SECTION 5.2 Voting Rights; Distributions; etc.

(a) So long as no Event of Default shall have occurred and be continuing and one (1) Business Day's written notice is delivered by the Agent to the applicable Grantor, each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral or any part thereof for any purpose not inconsistent with the terms or purposes hereof, the Credit Agreement or any other Loan Document evidencing the Secured Obligations. The Agent shall be deemed without further action or formality to have granted to each Grantor all necessary consents relating to voting rights and shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to this Section 5.2(a).

(b) Upon the occurrence and during the continuance of any Event of Default and one (1) Business Day's written notice is delivered by the Agent to the applicable Grantor after the existence of such Event of Default, subject to the Orders, all rights of each Grantor to exercise the voting and other consensual rights it would otherwise be entitled to exercise

pursuant to Section 5.2(a) hereof without any action (other than, in the case of any Securities Collateral, the giving of the notice mentioned above) shall automatically cease, and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to exercise such voting and other consensual rights until no Event of Default is continuing; provided that the Agent shall have the right, in its sole discretion, from time to time following the occurrence and continuance of an Event of Default and after providing the one (1) Business Day's notice mentioned above to permit such Grantor to exercise such rights under Section 5.2(a). After such Event of Default is no longer continuing, each Grantor shall have the right to exercise the voting, managerial and other consensual rights and powers that it would otherwise be entitled to pursuant to Section 5.2(a) hereof.

(c) So long as no Event of Default shall have occurred and be continuing and one (1) Business Day's written notice is delivered by the Agent to the applicable Grantor after the existence of such Event of Default, each Grantor shall be entitled to receive and retain, and to utilize free and clear of the Lien hereof, any and all Distributions, but only if and to the extent made in accordance with, and to the extent not prohibited by, the provisions of the Credit Agreement; provided, however, that any and all such Distributions consisting of rights or interests in the form of "security certificates" (as defined in Article 8 of the UCC) shall be promptly delivered to the Agent to hold as Collateral and shall, if received by any Grantor, be received in trust for the benefit of the Secured Parties, and be promptly delivered to the Agent as Collateral in the same form as so received (with any necessary endorsement). The Agent shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to receive the Distributions which it is authorized to receive and retain pursuant to this Section 5.2(c).

(d) Upon the occurrence and during the continuance of any Event of Default, all rights of each Grantor to receive Distributions which it would otherwise be authorized to receive and retain pursuant to Section 5.2(c) hereof shall cease and all such rights shall thereupon become vested in the Agent in accordance with the provisions of the Credit Agreement, the Orders and the Existing Intercreditor Agreement, which shall thereupon have the sole right to receive and hold as Collateral such Distributions. After such Event of Default is no longer continuing, each Grantor shall have the right to receive the Distributions which it would be authorized to receive and retain pursuant to Section 5.2(c).

(e) Each Grantor shall at its sole cost and expense, from time to time execute and deliver to the Agent appropriate instruments as the Agent may reasonably request in writing in order to permit the Agent to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 5.2(b) hereof and to receive all Distributions which it may be entitled to receive under Section 5.2(c) hereof.

(f) All Distributions which are received by any Grantor contrary to the provisions of Section 5.2(c) hereof shall be received in trust for the benefit of the Agent (subject to the Orders and the Existing Intercreditor Agreement), shall be segregated from other funds of such Grantor and shall immediately be paid over to the Agent (subject to the Orders and the

Existing Intercreditor Agreement) as Collateral in the same form as so received (with any necessary endorsement).

SECTION 5.3 Organizational Documents. No Grantor will modify or amend any Organizational Documents to treat any Pledged Interests of such Grantor as a security under Section 8-103 of the UCC, unless prior written notice is delivered and the requirements set forth in Section 3.1 are complied with by the applicable Grantor.

SECTION 5.4 Defaults, Etc. Such Grantor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which such Grantor is a party relating to the Pledged Securities pledged by it, and such Grantor is not in violation of any other provisions of any such agreement to which such Grantor is a party, or otherwise in default or violation thereunder unless, in each case, such default or violation would not be materially adverse to the interests of the Lenders. No Pledged Securities pledged by such Grantor is subject to any material defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against such Grantor by any Person with respect thereto, and as of the date hereof, there are no "security certificates" (as defined in Article 8 of the UCC) which evidence any Pledged Securities of such Grantor.

SECTION 5.5 Certain Agreements of Grantors as Issuers and Holders of Capital Stock.

(a) In the case of each Grantor which is an issuer of Securities Collateral, such Grantor agrees to be bound by the terms of this Security Agreement relating to the Securities Collateral issued by it and will comply with such terms insofar as such terms are applicable to it.

(b) In the case of each Grantor which is a partner in a partnership, limited liability company or other entity, such Grantor hereby consents to the extent required by the applicable Organizational Documents to the pledge by each other Grantor, pursuant to the terms hereof, of the Pledged Interests in such partnership, limited liability company or other entity and, upon the occurrence and during the continuance of an Event of Default after one (1) Business Day's written notice is delivered by the Agent to the applicable Grantor, to the transfer of such Pledged Interests to the Agent or, unless prohibited by applicable law, its nominee and to the substitution of the Agent or its nominee as a substituted partner or member in such partnership, limited liability company or other entity with all the rights, powers and duties of a general partner or a limited partner or member as the case may be.

ARTICLE VI

CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL

SECTION 6.1 Grant of License. Without limiting the rights of Agent as the holder of a Lien on the Intellectual Property Collateral, for the purpose of enabling the Agent during the continuance of an Event of Default, to exercise rights and remedies under ARTICLE VIII hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Grantor grants to the Agent during the continuance of an Event of Default, to the extent assignable and to the extent such assignment would not invalidate or terminate such Grantor's rights in the Intellectual Property Collateral, a non-exclusive license

(exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any of the Intellectual Property Collateral now owned or hereafter acquired by such Grantor, wherever the same may be located, including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof.

SECTION 6.2 Registrations. Except pursuant to licenses and other user agreements entered into by any Grantor in the ordinary course of business, on and as of the date hereof (a) each Grantor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any material Copyright, Patent, Industrial Design or Trademark listed in the Perfection Certificate or as otherwise provided to the Agent in any Compliance Certificate and (b) all registrations listed in the Perfection Certificate or as otherwise provided to the Agent in any Compliance Certificate are valid and in full force and effect.

SECTION 6.3 No Violations or Proceedings. To each Grantor's knowledge, on and as of the date hereof, there is no violation by other Persons of any right of such Grantor with respect to any Copyright, Patent, Industrial Design or Trademark listed in the Perfection Certificate respectively, pledged by it hereunder under the name of such Grantor that could materially adversely affect the Grantors' operation of their business in the ordinary course.

SECTION 6.4 Protection of Agent's Security. On a continuing basis, each Grantor shall, at its sole cost and expense, (a) promptly following its becoming aware thereof, notify the Agent of (i) any material adverse determination in any proceeding in the United States Patent and Trademark Office or the United States Copyright Office with respect to any Patent, Trademark, Industrial Design or Copyright necessary for the conduct of business of such Grantor or (ii) the institution of any material adverse proceeding or any material adverse determination in any federal, state, provincial or local court or administrative body regarding such Grantor's claim of ownership in or right to use any of the Intellectual Property Collateral material to the use and operation of the Collateral, its right to register such Intellectual Property Collateral or its right to keep and maintain such registration in full force and effect, (b) upon such Grantor's obtaining knowledge thereof, promptly notify the Agent in writing of any event which may be reasonably expected to materially and adversely affect the value or utility of the Intellectual Property Collateral or any portion thereof material to the use and operation of the Collateral, the ability of such Grantor or the Agent to dispose of the Intellectual Property Collateral or any portion thereof or the rights and remedies of the Agent in relation thereto including, without limitation, a levy or threat of levy or any legal process against the Intellectual Property Collateral or any portion thereof, (c) until the Agent exercises its rights to make collection, keep adequate records respecting the Intellectual Property Collateral and (d) furnish to the Agent from time to time upon the Agent's reasonable written request therefor detailed statements and amended schedules further identifying and describing the Intellectual Property Collateral and such other materials evidencing or reports pertaining to the Intellectual Property Collateral as the Agent may from time to time reasonably request in writing. Notwithstanding the foregoing, nothing herein shall prevent any Grantor from selling, licensing, disposing of or otherwise using any Intellectual Property Collateral as permitted under the Credit Agreement.

SECTION 6.5 After-Acquired Property. If any Grantor shall, at any time before this Security Agreement shall have been terminated in accordance with Section 9.5(a), (a) obtain any

rights to any additional Intellectual Property Collateral or (b) become entitled to the benefit of any additional Intellectual Property Collateral or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property Collateral, or any improvement on any Intellectual Property Collateral, the provisions hereof shall automatically apply thereto and any such item enumerated in clause (a) or (b) of this Section 6.5 with respect to such Grantor shall automatically constitute Intellectual Property Collateral if such would have constituted Intellectual Property Collateral at the time of execution hereof and be subject to the Lien and security interest created by this Security Agreement without further action by any party. With respect to any federally registered Intellectual Property Collateral each Grantor shall concurrently with the delivery of the financial statements referred to in Sections 7.1(a) and 7.1(b) of the Credit Agreement that are next due, (x) provide to the Agent written notice of any of the foregoing and (y) confirm the attachment of the Lien and security interest created by this Security Agreement to any rights described in clauses (a) and (b) of the immediately preceding sentence of this Section 6.5 by execution of an instrument in form reasonably acceptable to the Agent (which instrument shall be provided to the Grantors by the Agent at such time).

SECTION 6.6 Modifications. Each Grantor authorizes the Agent to modify this Security Agreement by amending the Perfection Certificate to include any Intellectual Property Collateral acquired or arising after the date hereof of such Grantor including, without limitation, any of the items listed in Section 6.5 hereof.

SECTION 6.7 Litigation. Unless there shall occur and be continuing any Event of Default, each Grantor shall have the right to commence and prosecute in its own name, as the party in interest, for its own benefit and at the sole cost and expense of the Grantors, such applications for protection of the Intellectual Property Collateral and suits, proceedings or other actions to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value, misappropriation or other damage as are necessary to protect the Intellectual Property Collateral. Upon the occurrence and during the continuance of any Event of Default, the Agent shall have the right but shall in no way be obligated to file applications for protection of the Intellectual Property Collateral and/or bring suit in the name of any Grantor, the Agent or the other Secured Parties to enforce the Intellectual Property Collateral and any license thereunder. In the event of such suit, each Grantor shall, at the written request of the Agent in its reasonable discretion, do any and all lawful acts and execute any and all documents requested in writing by the Agent in its reasonable discretion in aid of such enforcement and the Grantors shall promptly reimburse and indemnify the Agent, as the case may be, for all reasonable and documented out-of-pocket costs and expenses incurred by the Agent in the exercise of its rights under this Section 6.7 in accordance with Section 9.3 hereof. In the event that the Agent shall elect not to bring suit to enforce the Intellectual Property Collateral, each Grantor agrees, at the written request of the Agent in its reasonable discretion to take all commercially reasonable actions necessary, whether by suit, proceeding or other action, to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value, misappropriation or other damage to any of the Intellectual Property Collateral by others and for that purpose agrees to maintain any suit, proceeding or other action against any Person so infringing necessary to prevent such infringement.

ARTICLE VII

CERTAIN PROVISIONS CONCERNING ACCOUNTS

SECTION 7.1 RESERVED.

SECTION 7.2 Maintenance of Records. Each Grantor shall keep and maintain at its own cost and expense materially complete records of each Account in a manner consistent with prudent business practice, including, without limitation, records of all material payments received, all material credits granted thereon, all material merchandise returned and all material other documentation relating thereto. Each Grantor shall, at such Grantor's sole cost and expense, upon the Agent's written demand made at any time after the occurrence and during the continuance of any Event of Default, deliver all reasonably available tangible evidence of Accounts, including, without limitation, all material documents evidencing Accounts and any material books and records relating thereto to the Agent or to its representatives (copies of which evidence and books and records may be retained by such Grantor). Upon the occurrence and during the continuance of any Event of Default, subject to Section 12.16 of the Credit Agreement, the Agent may transfer a full and complete copy of any Grantor's books, records, credit information, reports, memoranda and all other writings relating to the Accounts to and for the use by any Person that has acquired or is contemplating acquisition of an interest in the Accounts or the Agent's security interest therein in accordance with applicable law without the consent of any Grantor.

SECTION 7.3 Legend. Each Grantor shall legend, at the request of the Agent at any time after the occurrence and during the continuance of any Event of Default and in form and manner reasonably satisfactory to the Agent, the Accounts and the other books, records and documents of such Grantor evidencing or pertaining to the Accounts with an appropriate reference to the fact that the Accounts have been collaterally assigned to the Agent for the benefit of the Secured Parties and that the Agent has a security interest therein.

SECTION 7.4 Modification of Terms, Etc. No Grantor shall rescind or cancel any indebtedness evidenced by any Account or modify any term thereof or make any adjustment with respect thereto except in the ordinary course of business or consistent with prudent business practice, or extend or renew any such indebtedness except in the ordinary course of business or consistent with prudent business practice or compromise or settle any dispute, claim, suit or legal proceeding relating thereto or sell any Account or interest therein except in the ordinary course of business or consistent with prudent business practice or in accordance with the Credit Agreement without the prior written consent of the Agent.

SECTION 7.5 Collection. Each Grantor shall cause to be collected from the account debtor of each of the Accounts as and when due in the ordinary course of business any and all amounts owing under or on account of such Account less any discounts, compromises, cancellations, forgiveness or exchanges for non-cash items agreed to by any Grantor in its reasonable and commercial business judgment, and apply in accordance with its normal business practice upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The costs and expenses (including, without limitation, attorneys' fees) of collection by any Grantor shall be paid by the Grantors.

ARTICLE VIII

REMEDIES

SECTION 8.1 Remedies. Subject to any necessary Bankruptcy Court approval, the Orders and the Existing Intercreditor Agreement and any notice requirements contained therein, upon the occurrence and during the continuance of any Event of Default the Agent may, and at the direction of the Required Lenders, shall, from time to time in respect of the Collateral, in addition to the other rights and remedies provided for herein, under applicable law or otherwise available to it:

(a) Personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from any Grantor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon any Grantor's premises where any of the Collateral is located, remove such Collateral, remain present at such premises to receive copies of all communications and remittances relating to the Collateral and use in connection with such removal and possession any and all services, supplies, aids and other facilities of any Grantor;

(b) Demand, sue for, collect or receive any money or property at any time payable or receivable in respect of the Collateral including, without limitation, instructing the obligor or obligors on any agreement, instrument or other obligation constituting part of the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Agent, and in connection with any of the foregoing, compromise, settle, extend the time for payment and make other modifications with respect thereto; provided, however, that in the event that any such payments are made directly to any Grantor, prior to receipt by any such obligor of such instruction, such Grantor shall segregate all amounts received pursuant thereto in trust for the benefit of the Agent and shall promptly pay such amounts to the Agent;

(c) Sell, assign, grant a license to use or otherwise liquidate, or direct any Grantor to sell, assign, grant a license to use or otherwise liquidate, any and all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment, license or liquidation;

(d) Take possession of the Collateral or any part thereof, by directing any Grantor in writing to deliver the same to the Agent at any place or places so designated by the Agent, in which event such Grantor shall at its own expense: (i) promptly cause the same to be moved to the place or places designated by the Agent and therewith delivered to the Agent, (ii) store and keep any Collateral so delivered to the Agent at such place or places pending further action by the Agent and (iii) while the Collateral shall be so stored and kept, provide such security and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition, subject to ordinary wear and tear. Each Grantor's obligation to deliver the Collateral as contemplated in this Section 8.1 is of the essence hereof. Upon application to a court of equity having jurisdiction, the Agent shall be entitled to a decree requiring specific performance by any Grantor of such obligation;

(e) Withdraw all moneys, instruments, securities and other property in any bank, financial securities, deposit or other account of any Grantor constituting Collateral for application to the Secured Obligations as provided in Section 8.7 hereof (and, if applicable, as between the Agent and such third parties subject to any Control Agreements);

(f) Retain and apply the Distributions to the Secured Obligations as provided in ARTICLE V hereof;

(g) Exercise any and all rights as beneficial and legal owner of the Collateral, including, without limitation, perfecting assignment of and exercising any and all voting, consensual and other rights and powers with respect to any Collateral as provided in and pursuant to the terms of ARTICLE V hereof;

(h) Exercise any and all rights afforded to and under the Orders, the Credit Agreement (including, but not limited to, Section 10 thereof), this Security Agreement, any other Loan Document or instruments or agreements securing, evidencing or relating to the Obligations, and all rights and remedies of a secured party under the Bankruptcy Code or other applicable law; and

(i) Exercise all the rights and remedies of a secured party under the UCC, and the Agent may also in its sole discretion, without notice except as specified in Section 8.2 hereof (and in the proviso at the end of this Section 8.1) sell, assign or grant a license to use the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Agent may deem commercially reasonable in its reasonable discretion. The Agent or any other Secured Party or any of their respective Affiliates may be the purchaser, licensee, assignee or recipient of any or all of the Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations owed to such Person as a credit on account of the purchase price of any Collateral payable by such Person at such sale. Each purchaser, assignee, licensee or recipient at any such sale shall acquire the property sold, assigned or licensed absolutely free from any claim or right on the part of any Grantor (other than any claim or right that any notice specifically required to be delivered pursuant to the proviso below was not delivered), and each Grantor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the fullest extent permitted by law, each Grantor hereby waives any claims against the Agent arising by reason of the fact that the price at which any Collateral may have been sold, assigned or licensed at such a private sale was less than the price which might have been obtained at a public sale, even if the Agent accepts the first offer received and does not offer such Collateral to more than one offeree; provided, that, notwithstanding anything to the contrary, Agent shall provide Grantors with one (1) Business Day's written notice prior to exercising any of the foregoing remedies, or other right or remedy, with respect to the Pledged

Securities (it being understood that, to the extent this Security Agreement provides for the Agent's delivery of one (1) Business Day's prior written notice before exercising any of such rights or remedies elsewhere in this Security Agreement, such references shall not be deemed to read cumulatively, and in all events shall only require (1) Business Day's prior written notice before exercising any rights or remedies against any particular Pledge Securities held by a Grantor).

SECTION 8.2 Notice of Sale. Each Grantor acknowledges and agrees that, to the extent notice of sale or other disposition of Collateral shall be required by applicable law and unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market (in which event the Agent shall provide such Grantor such advance written notice as may be practicable under the circumstances), five (5) Business Days' prior written notice to such Grantor of the time and place of any public sale or of the time after which any private sale or other intended disposition is to take place shall be commercially reasonable notification of such matters. No notification need be given to any Grantor if it has signed, after the occurrence of an Event of Default, a statement renouncing or modifying (as permitted under law) any right to notification of sale or other intended disposition.

SECTION 8.3 Waiver of Notice and Claims. Each Grantor hereby waives, to the fullest extent permitted by applicable law notice (other than any notice specifically required hereunder) or judicial hearing in connection with the Agent's taking possession or the Agent's disposition of any of the Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Grantor would otherwise have under law, and each Grantor hereby further waives, to the fullest extent permitted by applicable law: (a) all damages occasioned by such taking of possession (other than such damages determined by final and nonappealable judgment of a court of competent jurisdiction to have been caused by the gross negligence or willful misconduct of the Agent or any of its Related Parties), (b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Agent's rights hereunder and (c) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law. The Agent shall not be liable for any incorrect or improper payment made pursuant to this ARTICLE VIII in the absence of gross negligence or willful misconduct. Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the applicable Grantor therein and thereto, and shall be a perpetual bar both at law and in equity against such Grantor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through or under such Grantor.

SECTION 8.4 Certain Sales of Collateral.

(a) Each Grantor recognizes that, by reason of certain prohibitions contained in law rules, regulations or orders of any Governmental Authority, the Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who meet the requirements of such Governmental Authority. Each Grantor acknowledges that any such sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any

such restricted sale shall be deemed to have been made in a commercially reasonable manner and that, except as may be required by applicable law the Agent shall have no obligation to engage in public sales.

(b) Each Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws the Agent may be compelled, with respect to any sale of all or any part of the Securities Collateral and Investment Property, to limit purchasers to Persons who will agree, among other things, to acquire such Securities Collateral or Investment Property for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges that any such private sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Securities Collateral or Investment Property for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws even if such issuer would agree to do so.

(c) If the Agent determines to exercise its right to sell any or all of the Securities Collateral or Investment Property, upon written request, the applicable Grantor shall from time to time furnish to the Agent all such information as the Agent may reasonably request in order to determine the number of securities included in the Securities Collateral or Investment Property which may be sold by the Agent as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(d) Each Grantor further agrees that a breach of any of the covenants contained in this Section 8.4 will cause irreparable injury to the Agent and the other Secured Parties, that the Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 8.4 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing, any notice required to be delivered pursuant to the proviso in Section 8.1(h) has not been delivered, or the Obligations have been paid in full (other than unasserted contingent indemnification Obligations and unasserted expense reimbursement Obligations) and the Commitments have been terminated.

SECTION 8.5 No Waiver; Cumulative Remedies.

(a) No failure on the part of the Agent to exercise, no course of dealing with respect to, and no delay on the part of the Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy; nor shall the Agent be required to look first to, enforce or

exhaust any other security, collateral or guaranties. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law.

(b) In the event that the Agent shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Agent, then and in every such case, the Grantors, the Agent and each other Secured Party shall be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Agent and the other Secured Parties shall continue as if no such proceeding had been instituted.

SECTION 8.6 Certain Additional Actions Regarding Intellectual Property. If any Event of Default shall have occurred and be continuing, upon the written demand of the Agent, each Grantor shall execute and deliver to the Agent an assignment or assignments of the registered Patents, Trademarks, Industrial Designs and/or Copyrights and such other documents as are necessary or appropriate to carry out the intent and purposes hereof to the extent such assignment does not result in any loss of rights therein under applicable law or under contract or agreement. Within five (5) Business Days of written notice thereafter from the Agent upon the occurrence and during the continuance of an Event of Default, each Grantor shall make available to the Agent, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of the Event of Default as the Agent may reasonably designate to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by such Grantor under the registered Patents, Trademarks, Industrial Designs and/or Copyrights, and such Persons shall be available to perform their prior functions on the Agent's behalf.

SECTION 8.7 Application of Proceeds. The proceeds received by the Agent in respect of any sale of, collection from or other realization upon all or any part of the Collateral pursuant to the exercise by the Agent of its remedies shall be applied, together with any other sums then held by the Agent pursuant to this Security Agreement, in accordance with and as set forth in Section 10.4 of the Credit Agreement (subject to the Orders and any other direction from the Bankruptcy Court).

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Concerning Agent.

(a) The Agent has been appointed as Agent pursuant to the Credit Agreement. The actions of the Agent hereunder are subject to the provisions of the Credit Agreement. The Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of the Collateral), in accordance with this Security Agreement and the Credit Agreement. The Agent may employ agents and attorneys-in-fact in connection herewith in accordance with the Credit Agreement. The Agent may resign and a successor Agent may be appointed in the manner provided in the Credit Agreement. Upon the

acceptance of any appointment as the Agent by a successor Agent, that permitted successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent under this Security Agreement, and the retiring Agent shall thereupon be discharged from its duties and obligations under this Security Agreement from and after the exact time of such discharge. After any retiring Agent's resignation, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was the Agent.

(b) The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equivalent to that which the Agent, in its individual capacity, accords its own property consisting of similar instruments or interests, it being understood that neither the Agent nor any of the other Secured Parties shall have responsibility for, without limitation, (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Securities Collateral, whether or not the Agent or any other Secured Party has or is deemed to have knowledge of such matters or (ii) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

(c) The Agent shall be entitled to rely upon any written notice, statement, certificate, order or other document or any telephone message believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and, with respect to all matters pertaining to this Security Agreement and its duties hereunder, upon advice of counsel selected by it.

(d) The Agent shall have no responsibility for preparing, recording, filing, re-recording, or re-filing any financing statement, continuation statement or other instrument in any public office. In no event shall the Agent be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control.

(e) If any item of Collateral also constitutes collateral granted to the Agent under any other deed of trust, mortgage, security agreement, pledge or instrument of any type, in the event of any conflict between the provisions hereof and the provisions of such other deed of trust, mortgage, security agreement, pledge or instrument of any type in respect of such collateral, the Agent in its reasonable discretion shall select which provision or provisions shall control.

SECTION 9.2 Agent May Perform; Agent Appointed Attorney-in-Fact. If any Grantor shall fail to perform any covenants contained in this Security Agreement or in the Credit Agreement, or if any warranty on the part of any Grantor contained herein shall be breached, the Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend funds for such purpose; provided, however, that the Agent shall in no event be bound to inquire into the validity of any tax, lien, imposition or other obligation which such Grantor fails to pay or perform as and when required hereby. Any and all amounts so expended by the Agent shall be paid by the Grantors in accordance with the provisions of Section 9.3 hereof. Neither the provisions of this Section 9.2 nor any action taken by the Agent pursuant to the provisions of this Section 9.2 shall prevent any such failure to observe any

covenant contained in this Security Agreement nor any breach of warranty from constituting an Event of Default. Subject to Section 5.2 hereof, and as applicable, each Grantor hereby appoints the Agent its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, from time to time after the occurrence and during the continuation of an Event of Default in the Agent's discretion to take any action and to execute any instrument consistent with the terms of the Credit Agreement, the Orders, the Loan Documents and the other Security Documents which the Agent may deem necessary to accomplish the purposes of this Security Agreement, the Orders, the Existing Intercreditor Agreement and the other Loan Documents. The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof. Each Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof in accordance with this Section 9.2.

SECTION 9.3 Expenses. Each Grantor will upon demand pay to the Agent the amount of any and all amounts required to be paid pursuant to Section 12.1 of the Credit Agreement.

SECTION 9.4 Continuing Security Interest; Assignment. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) be binding upon the Grantors, their respective, permitted successors and assigns, and (b) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent and the other Secured Parties and each of their respective successors, transferees and assigns. No other Persons (including, without limitation, any other creditor of any Grantor) shall have any interest herein or any right or benefit with respect hereto.

SECTION 9.5 Termination; Release.

(a) This Security Agreement, the Liens in favor of the Agent (for the benefit of itself and the other Secured Parties) and all other security interests granted hereby shall immediately and automatically terminate with respect to all Secured Obligations (other than contingent indemnification obligations for which claims have not been asserted and unasserted expense reimbursement Obligations) when the principal of and interest on each Loan and all fees and other Secured Obligations (other than unasserted contingent indemnification Obligations and unasserted expense reimbursement Obligations) shall have been paid in full in cash, provided, however, that in connection with the termination of this Security Agreement, the Agent may require such indemnities as it shall reasonably deem necessary or appropriate to protect the Secured Parties against (y) loss on account of credits previously applied to the Secured Obligations that may subsequently be reversed or revoked and (z) any Secured Obligations that may thereafter arise under Section 11.6 of the Credit Agreement.

(b) The Collateral shall be released from the Lien of this Security Agreement in accordance with the provisions of the Credit Agreement. Upon termination hereof or any release of Collateral in accordance with the provisions of the Credit Agreement, the Agent shall, upon the request and at the sole cost and expense of the Grantors, release, assign, transfer and deliver to the Grantors, without recourse to or warranty by the Agent, such of the Collateral to be released (in the case of a partial release) or all of the Collateral (in the case of termination of this Security Agreement) as may be in possession of the Agent and as shall not have been sold or otherwise applied pursuant to the terms hereof, and, with respect to any other Collateral, file, or

authorize such Grantor to file, proper documents and instruments (including UCC-3 termination statements or releases and releases with respect to Intellectual Property Collateral to be filed with the United States Trademark and Patent Office and the United States Copyright Office) acknowledging the termination hereof or the release of such Collateral, as the case may be.

(c) At any time that the respective Grantor desires that the Agent take any action described in clause (b) of this Section 9.5, such Grantor shall, upon reasonable request of the Agent, deliver to the Agent an officer's certificate certifying that the release of the respective Collateral is permitted pursuant to clause (a) or (b) of this Section 9.5. The Agent shall have no liability whatsoever to any other Secured Party as the result of any release of Collateral by it as permitted (or which the Agent in good faith believes to be permitted) by this Section 9.5.

SECTION 9.6 Modification in Writing. No amendment, modification, supplement, termination or waiver of or to any provision hereof, nor consent to any departure by any Grantor therefrom, shall be effective unless the same shall be made in accordance with the terms of the Credit Agreement and unless in writing and signed by the Agent and the Grantors. Any amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by any Grantor from the terms of any provision hereof shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Security Agreement or any other document evidencing the Secured Obligations, no notice to or demand on any Grantor in any case shall entitle any Grantor to any other or further notice or demand in similar or other circumstances.

SECTION 9.7 Notices. Unless otherwise provided herein or in the Credit Agreement any notice or other communication herein required or permitted to be given shall be given in the manner and become effective as set forth in Section 12.3 of the Credit Agreement, as to any Grantor, addressed to it at the address of the Borrower set forth in Section 12.3 of the Credit Agreement and as to the Agent, addressed to it at the address set forth in Section 12.3 of the Credit Agreement, or in each case at such other address as shall be designated by such party in a written notice to the other parties hereto complying as to delivery with the terms of this Section 9.7 and Section 12.3 of the Credit Agreement.

SECTION 9.8 GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, AND AS APPLICABLE, THE BANKRUPTCY CODE.

SECTION 9.9 CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OVER ANY ACTION OR DISPUTE INVOLVING, RELATING TO OR ARISING OUT OF THIS SECURITY AGREEMENT OR THE OTHER LOAN DOCUMENTS; PROVIDED, THAT NOTHING IN THIS SECTION 9.9 SHALL AFFECT THE RIGHT OF THE AGENT OR ANY LENDER TO COMMENCE LEGAL

PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY LOAN PARTY OR ANY COLLATERAL IN ANY OTHER JURISDICTION. EACH OF THE PARTIES HERETO HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM THAT ANY SUCH COURTS LACK PERSONAL JURISDICTION OVER SUCH PERSON, AND AGREES NOT TO PLEAD OR CLAIM IN ANY LEGAL ACTION PROCEEDING WITH RESPECT TO THIS SECURITY AGREEMENT, OR ANY OTHER LOAN DOCUMENT, BROUGHT IN THE AFOREMENTIONED COURT THAT SUCH COURT LACK PERSONAL JURISDICTION OVER SUCH PERSON. EACH OF THE PARTIES HERETO FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF THE AFOREMENTIONED COURT, IN ANY SUCH ACTION OR PROCEEDING, BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL POSTAGE PREPAID TO SUCH PERSON AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION TO SUCH SERVICE OF PROCESS AND FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY ACTION OR PROCEEDING COMMENCED HEREUNDER OR UNDER ANY OTHER LOAN DOCUMENT THAT SERVICE OF PROCESS WAS IN ANY WAY INVALID OR INEFFECTIVE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT, ANY LENDER OR THE HOLDER OF ANY TERM NOTE, TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST HOLDINGS, THE BORROWER OR ANY OTHER LOAN PARTY IN ANY OTHER JURISDICTION.

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE, AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS SECURITY AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

SECTION 9.10 Severability of Provisions. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 9.11 Execution in Counterparts; Effectiveness. This Security Agreement may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together

shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Security Agreement by telecopy, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

SECTION 9.12 No Release.

(a) Nothing set forth in this Security Agreement shall relieve any Grantor from the performance of any term, covenant, condition or agreement on such Grantor's part to be performed or observed under or in respect of any of the Collateral.

(b) Nothing set forth in this Security Agreement shall impose any obligation on the Agent or any other Secured Party to perform or observe any such term, covenant, condition or agreement on such Grantor's part to be so performed or observed or shall impose any liability on the Agent or any other Secured Party for any act or omission on the part of such Grantor relating thereto or for any breach of any representation or warranty on the part of such Grantor contained in this Security Agreement, the Credit Agreement or the other Loan Documents, or under or in respect of the Collateral or made in connection herewith or therewith. This Section 9.12(b) shall survive the termination hereof and the discharge of such Grantor's obligations under this Security Agreement, the Credit Agreement and the other Loan Documents.

SECTION 9.13 Obligations Absolute. To the maximum extent permitted by applicable law, the rights and remedies of the Agent hereunder, the Liens and security interest created hereby and/or under the Orders, and the obligations of the Grantors under this Security Agreement and under any of the Loan Documents and the Orders are absolute, irrevocable and unconditional and will remain in full force and effect without regard to, and will not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including:

(a) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, composition, liquidation or dissolution proceeding commenced by or against any Person (including, for the avoidable of doubt, in the Chapter 11 Cases), including any discharge of, or bar or stay against collecting, all or any part of the Obligations (or any interest on all or any part of the Obligations) in or as a result of any such proceeding;

(b) any lack of validity or enforceability of the Credit Agreement or any other Loan Document, or any other agreement or instrument relating thereto;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement or any other Loan Document or any other agreement or instrument relating thereto;

(d) any pledge, exchange, release or non-perfection of any other collateral or any release or amendment or waiver of or consent to any departure from any guarantee for all or any of the Secured Obligations;

(e) any exercise, non-exercise or waiver of any right, remedy, power or privilege under or in respect hereof, the Credit Agreement or any other Loan Document except as specifically set forth in a waiver granted pursuant to the provisions of Section 9.6 hereof;

(f) the election by the Agent, in any bankruptcy proceeding of any Person, of the application or non-application of Section 1111(b)(2) of the Bankruptcy Code;

(g) any extension of credit or the grant of any Lien under Section 364 of the Bankruptcy Code;

(h) any use of cash collateral under Section 363 of the Bankruptcy Code;

(i) any agreement or stipulation with respect to the provision of adequate protection in any bankruptcy proceeding of any Person;

(j) the avoidance of any Lien in favor of the Agent for any reason; or

(k) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Grantor (other than (i) the payment in full of the Secured Obligations (other than unasserted contingent indemnification Obligations and unasserted expense reimbursement Obligations) and the termination of the Commitments and (ii) the termination of this Security Agreement in accordance with Section 9.5(a) hereof).

SECTION 9.14 Intercreditor Agreement. Solely with respect to Grantors that are Debtors and party to the Prepetition Credit Agreement, the Obligations shall be deemed "Term Obligations" as defined in and for all purposes under the Existing Intercreditor Agreement. Notwithstanding anything herein to the contrary, the security interest granted to the Agent, for the benefit of the Secured Parties, herein and the exercise of any right or remedy by the Agent hereunder are subject to the provisions of the Existing Intercreditor Agreement. Notwithstanding the foregoing, each such Grantor expressly acknowledges and agrees that the Existing Intercreditor Agreement is solely for the benefit of the parties thereto, and that notwithstanding the fact that the exercise of certain of the Agent's and the other Secured Parties' rights under this Security Agreement and the other Loan Documents may be subject to the Existing Intercreditor Agreement, no action taken or not taken by the Agent or any other Secured Party in accordance with the terms of the Existing Intercreditor Agreement shall constitute, or be deemed to constitute, a waiver by the Agent or any other Secured Party of any rights such Person has with respect to any such Grantor under any Loan Document and except as specified herein, nothing contained in the Existing Intercreditor Agreement shall be deemed to modify any of the provisions of this Security Agreement and the other Loan Documents, which, as among the other Grantors, the Agent and the other Secured Parties, shall remain in full force and effect. Notwithstanding anything herein to the contrary, for so long as the obligations under the Prepetition ABL Facility Obligations and/or the obligations under the Prepetition Term Loan Documents remain outstanding, any covenant hereunder requiring (or any representation or warranty hereunder to the extent that it would have the effect of requiring) the delivery of possession or control to the Agent of Collateral shall be deemed to have been satisfied (or, in the case of any representation and warranty shall be deemed to be true) if such possession or control shall have been, subject to the Existing Intercreditor Agreement, with respect to Grantors that are

Debtors and party to the Prepetition Term Loan Agreement, delivered to the Prepetition Term Loan Agent (as bailee for the Agent).

SECTION 9.15 Cumulative Rights; Orders Govern. The security interests and Liens granted pursuant to this Security Agreement with respect to the Grantors that are Debtors may be independently granted by the Orders. Notwithstanding anything to the contrary herein (i) this Security Agreement supplements and in no manner diminishes, impairs or limits the Credit Agreement, the Orders and the other Loan Documents, (ii) the security interests, Liens, grants, priorities, rights and remedies of the Secured Parties, on the one hand, and the obligations and liabilities of the Grantors, on the other hand, hereunder are cumulative to those under the Credit Agreement, the Orders and the other Loan Documents and (iii) the provisions of this Security Agreement are subject to the terms, covenants, conditions and provisions of the Orders, as applicable. In the event of a conflict between the terms of Credit Agreement, the Orders and the other Loan Documents, on the one hand, and this Security Agreement, on the other hand, the terms of the Credit Agreement, the Orders and the other Loan Documents shall govern and control (provided, that, the terms of the Orders shall govern and control in the event of a conflict between the terms thereof and the terms of the Credit Agreement or any other Loan Documents).

SECTION 9.16 No Modification. The security interests and Liens, the priority of the security interests and Liens, and other rights and remedies granted to the Agent pursuant to this Security Agreement, the Orders and the other Loan Documents (specifically including but not limited to the existence, validity, enforceability, extent, perfection and priority of the security interests and Liens) and the administrative superpriority claims and any other rights and priorities under the Orders provided shall not be modified, altered or impaired in any manner by any other financing or extension of credit or incurrence of debt by any Grantor (pursuant to section 364 of the Bankruptcy Code or otherwise), or by any dismissal or conversion of the Chapter 11 Cases, or by any other act or omission whatsoever. Without limitation, and notwithstanding any such order, financing, extension, incurrence, dismissal, conversion, act or omission, subject to the Orders no costs or expenses of administration which have been or may be incurred in the Chapter 11 Cases or any conversion of the same or in any other proceedings related thereto, and no priority claims, are or will be prior to or pari passu with any claim of the Secured Parties against any Grantor in respect of the Obligations.

IN WITNESS WHEREOF, the Grantors and the Agent have caused this Security Agreement to be duly executed and delivered by their duly authorized officers as of the date first above written.

GRANTORS:

PAYLESS INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS HOLDINGS LLC,
a Delaware limited liability company

By: _____
Name:
Title:

CLINCH, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

COLLECTIVE BRANDS FRANCHISING SERVICES, LLC, a Kansas limited liability company

By: PAYLESS SHOESOURCE WORLDWIDE, INC.
Its: Managing Member

By: _____
Name:
Title:

COLLECTIVE BRANDS SERVICES, INC.,
a Delaware corporation

By: _____
Name:
Title:

COLLECTIVE LICENSING INTERNATIONAL, LLC, a Delaware limited liability company

By: _____
Name:
Title:

COLLECTIVE LICENSING, LP,
a Delaware limited partnership

By: _____
Name:
Title:

EASTBOROUGH, INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS COLLECTIVE GP, LLC,
a Delaware limited liability company

By: PAYLESS SHOESOURCE WORLDWIDE, INC.
Its: Managing Member

By: _____
Name:
Title:

PAYLESS FINANCE INC.,
a Nevada corporation

By: _____
Name:
Title:

PAYLESS GOLD VALUE CO, INC.,
a Colorado corporation

By: _____
Name:
Title:

PAYLESS INTERMEDIATE HOLDINGS, LLC,
a Delaware limited liability company

By: _____
Name:
Title:

PAYLESS INTERNATIONAL FRANCHISING, LLC, a Kansas limited liability company

By: _____
Name:
Title:

PAYLESS NYC, INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS PURCHASING SERVICES, INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS SHOESOURCE DISTRIBUTION, INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS SHOESOURCE MERCHANDISING, INC., a Kansas corporation

By: _____
Name:
Title:

PAYLESS SHOESOURCE OF PUERTO RICO, INC., a Puerto Rico corporation

By: _____
Name:
Title:

PAYLESS SHOESOURCE WORLDWIDE, INC.,
a Kansas corporation

By: _____
Name:
Title:

PAYLESS SHOESOURCE, INC.,
a Missouri corporation

By: _____
Name:
Title:

PSS CANADA, INC.,
a Kansas corporation

By: _____
Name:
Title:

PSS DELAWARE COMPANY 4, INC.,
a Delaware corporation

By: _____
Name:
Title:

SHOE SOURCING, INC.,
a Kansas corporation

By: _____
Name:
Title:

WBG – PSS HOLDINGS LLC,
a Delaware limited liability company

By: _____
Name:
Title:

WILMINGTON SAVINGS FUND SOCIETY, FSB as Agent

By: _____
Name:
Title:

EXHIBIT 1

[Form of]

SECURITIES PLEDGE AMENDMENT

This Securities Pledge Amendment, dated as of _____, is delivered pursuant to Section 5.1 of that certain Security Agreement (as amended, amended and restated, restated, supplemented or otherwise modified from time to time, the "Security Agreement;" capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated February [ ], 2019 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Security Agreement") made by (i) Payless Inc., a Delaware corporation (the "Borrower") and (iii) Payless Holdings LLC, a Delaware limited liability company ("Holdings"), and the other Guarantors listed on the signature pages thereto (together with Holdings, the "Original Guarantors") and the other Guarantors from time to time party thereto by execution of a joinder agreement (the "Additional Guarantors", and together with the Original Guarantors, the "Guarantors"), as pledgors, assignors and debtors (the Borrower, together with the Guarantors and Holdings, in such capacities and together with any successors in such capacities, the "Grantors", and each, a "Grantor"), in favor of Wilmington Savings Fund Society, FSB ("WSFS"), in its capacities as collateral agent for the Secured Parties (as defined in the Credit Agreement defined below) pursuant to the Credit Agreement (in such capacity and together with any successors in such capacities, the "Agent"). The undersigned hereby agrees that this Securities Pledge Amendment may be attached to the Security Agreement and that the Pledged Securities listed on this Securities Pledge Amendment shall be deemed to be and shall become part of the Collateral and shall secure all Secured Obligations.

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PLEDGED SECURITIES

ISSUER	CLASS OF STOCK OR INTEREST $_____	PAR VALUE	CERTIFICATE NO(S).	NUMBER OF SHARES OR INTERESTS	PERCENTAGE OF ALL ISSUED CAPITAL OR OTHER CAPITAL STOCK OF ISSUER

INTERCOMPANY NOTES

ISSUER	PRINCIPAL AMOUNT	DATE OF ISSUANCE	INTEREST RATE	MATURITY DATE

[_____]
as Grantor

By:_____
Name:
Title:

AGREED TO AND ACCEPTED:

WILMINGTON SAVINGS FUND SOCIETY, FSB, as Agent

By:_____
Name:
Title:

Schedule I

Intercompany Notes

Schedule II

Filings, Registrations and Recordings

Schedule III

Pledged Interests

Grantor	Issuer	Type of Organization	# of Shares Owned	Total Shares Outstanding	% of Interest Pledged	Certificate No. (if uncertificated, please indicate so)

Schedule IV

Commercial Tort Claims

Schedule V

Securities Accounts

EXHIBIT F

FORM OF
NOTICE OF BORROWING

[____], 201[_]

Wilmington Savings Fund Society, FSB, as
Administrative Agent (the "Administrative Agent")
for the Lenders party to the Credit Agreement
referred to below

500 Delaware Avenue
Wilmington, DE 19801
[contact information]

Ladies and Gentlemen:

The undersigned, Payless Inc., a Delaware corporation (the "Borrower"), refers to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, to be dated on or about March 14, 2019 (the "Credit Agreement", the capitalized terms defined therein being used herein as therein defined), among the Borrower, Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (each, a "Lender" and collectively, the "Lenders"), the other parties thereto, and you, as Administrative Agent for such Lenders, and hereby gives you notice, irrevocably, pursuant to Section 2.3 of the Credit Agreement, that the undersigned hereby requests a Borrowing for the [Initial Term Loans][Delayed Draw Term Loans] under the Credit Agreement pursuant to and in accordance with Section 2.1[(a)][(b)][(c)] thereof, and in that connection sets forth below the information relating to such deemed Borrowing (the "Proposed Borrowing") as required by Section 2.3 and/or 6.3(l) of the Credit Agreement (to the extent applicable):

(i) The Business Day of the Proposed Borrowing is [____], 201[__],.

(ii) The aggregate principal amount of [Initial Term Loans][Delayed Draw Term Loans] to be Borrowed under the Credit Agreement pursuant to Section 2.1 thereof is $[__] [as of the Closing Date][as of ___].

(iii) The Term Loans subject to the Proposed Borrowing shall be initially maintained as [LIBOR Loans][Base Rate Loans].

(iv) The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) the representations and warranties contained in the Credit Agreement and in the other Loan Documents are and will be true and correct in all material respects (or, in all respects, if qualified by materiality), immediately before and immediately after giving effect to the Proposed Borrowing, as though made on such date, unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects (or, in all respects, if qualified by materiality) as of such earlier date; and

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Borrowing.

[remainder of page intentionally left blank]

EXHIBIT G

FORM OF
TERM NOTE

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR PURPOSES OF SECTION 1271 ET SEQ. OF THE INTERNAL REVENUE CODE. A HOLDER MAY OBTAIN THE ISSUE PRICE, AMOUNT OF ORIGINAL ISSUE DISCOUNT, ISSUE DATE AND YIELD TO MATURITY FOR SUCH NOTES BY SUBMITTING A WRITTEN REQUEST FOR SUCH INFORMATION TO THE ISSUERS AT THE FOLLOWING ADDRESS: PAYLESS INC., [ADDRESS] ATTENTION: [CHIEF FINANCIAL OFFICER].

$_____ New York, New York

_____ ___, _____

FOR VALUE RECEIVED, [Payless Inc., a Delaware corporation, (the "Borrower"), hereby promises to pay to [___] or its registered assigns (the "Lender"), in lawful money of the United States of America in immediately available funds, at the Payment Office (as defined in the Agreement referred to below) on the [Maturity Date (as defined in the Agreement (as defined below))] (the "Maturity Date") the unpaid principal amount of all Term Loans (as defined in the Agreement) made by the Lender pursuant to the Agreement, payable at such times and in such amounts as are specified in the Agreement.

The undersigned also promises to pay interest on the unpaid principal amount of each Term Loan (as defined in the Agreement) made by the Lender in like money at said office from the date hereof until paid at the rates and at the times provided in Sections [2.9] and [2.10] of the Agreement.

This Note is one of the Term Notes referred to in the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among the Borrower, Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors (as defined in the Agreement) from time to time party thereto, the lenders from time to time party thereto (including the Lender), Wilmington Savings Fund Society, FSB, as Administrative Agent and as Collateral Agent (as each term is defined in the Agreement), and the other parties thereto (as amended, restated, modified and/or supplemented from time to time, the "Agreement") and is entitled to the benefits thereof and of the other Loan Documents (as defined in the Agreement). This Note is secured by the Security Documents (as defined in the Agreement) and is entitled to the benefits of the Guarantee (as defined in the Agreement). As provided in the Agreement, this Note is subject to voluntary prepayment and mandatory repayment prior to the Maturity Date, in whole or in part, and Term Loans may be converted from one Type (as defined in the Agreement) into another Type to the extent provided in the Agreement and the other Loan Documents, as applicable.

In case an Event of Default (as defined in the Agreement) shall occur and be continuing, the principal of and accrued interest on this Note may be declared to be due and payable in the manner and with the effect provided in the Agreement.

The undersigned hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES), AND THE BANKRUPTCY CODE, AS APPLICABLE.

Provisions of Section 12.8 of the Agreement are incorporated to apply to this Note mutatis mutandis.

[PAYLESS INC., as Borrower]

By:_____
Name:
Title:

EXHIBIT H

FORM OF
NOTICE OF CONVERSION/CONTINUATION

[Date]

Wilmington Savings Fund Society, FSB, as
Administrative Agent (the "Administrative Agent") for the Lenders party to the
Credit Agreement referred to below

500 Delaware Avenue
Wilmington, DE 19801
[WSFS contact information]

Ladies and Gentlemen:

The undersigned, Payless Inc. (the "Borrower"), refers to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019 (as amended, restated, modified and/or supplemented as of the date hereof, the "Credit Agreement", the capitalized terms defined therein being used herein as therein defined), among the Borrower, Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (each, a "Lender" and collectively, the "Lenders"), the other parties thereto and you, as Administrative Agent and as Collateral Agent for such Lenders, and hereby gives you notice, irrevocably, pursuant to Section [2.7][2.10] of the Credit Agreement, that the undersigned hereby requests to [convert] [continue] the Borrowing of Term Loans referred to below, and in that connection sets forth below the information relating to such [conversion] [continuation] (the "Proposed [Conversion][Continuation]") as required by Section 2.7 of the Credit Agreement:

(i) The Proposed [Conversion] [Continuation] relates to the Borrowing of Term Loans originally made on _____ _____, 201_ (the "Outstanding Borrowing") in the principal amount of $ _____ and currently maintained as a Borrowing of [Base Rate Loans] [LIBOR Loans].

(ii) The Business Day of the Proposed [Conversion] [Continuation] is , ____.[11]

[11] With respect to Base Rate Loans into LIBOR Loans or continuations of LIBOR Loans, shall be at least three Business Days after the date hereof; provided that such notice shall be deemed to have been given on a certain day only if given before 11:00 A.M. (New York City time) on such day. With respect to LIBOR Loans into Base Rate Loans, shall be at least one Business Day after the date hereof; provided that such notice shall be deemed to have been given on a certain day only if given before 11:00 A.M. (New York City time). If the Borrower fails to give a timely notice requesting a conversion or continuation, then the Borrower shall be deemed to have elected to continue

(iii) [The Outstanding Borrowing shall be [continued as a Borrowing of LIBOR Loans] converted into a Borrowing of [Base Rate Loans] [LIBOR Loans].][12]

(iv) [The undersigned hereby certifies that no Default or Event of Default has occurred and will be continuing on the date of the Proposed [Conversion] [Continuation] or will have occurred and be continuing on the date of the Proposed [Conversion] [Continuation].][13]

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such LIBOR Loans as LIBOR Loans with an Interest Period of one month effective as of the expiration date of such current Interest Period.

[12] In the event that only a portion of the outstanding Borrowing is to be so converted or continued, the [Borrower] should make appropriate modifications to this clause to reflect same.

[13] In the case of a Proposed Conversion or Continuation, insert this sentence only in the event that the conversion is from a Base Rate Loan to a LIBOR Loan or in the case of a continuation of a LIBOR Loan.

EXHIBIT I-1

U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), Wilmington Savings Fund Society, FSB, as Administrative Agent (together with any successor Administrative Agent, the "Administrative Agent") and as Collateral Agent, and the other parties thereto (as amended, restated, modified and/or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein that are not defined herein shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to the provisions of Section 4.4(e)(B)(iii) of the Credit Agreement, the undersigned hereby certifies that: (i) it is the sole record and beneficial owner of the obligations hereunder and under any Term Note in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF LENDER]

By:_____
Name:
Title:

Date: _____, _____

Exhibit I-2

U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), Wilmington Savings Fund Society, FSB, as Administrative Agent (together with any successor Administrative Agent, the "Administrative Agent") and as Collateral Agent, and the other parties thereto (as amended, restated, modified and/or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein that are not defined herein shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to the provisions of Section 4.4(e)(B)(iv) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a "ten percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (iv) it is not a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. Person status on IRS Form W-8BEN or IRS Form W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform such Lender in writing, and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF PARTICIPANT]

By:_____

Name:

Title:

Date: _____ __, 20[ ]

Exhibit I-3

U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), Wilmington Savings Fund Society, FSB, as Administrative Agent (together with any successor Administrative Agent, the "Administrative Agent") and as Collateral Agent, and the other parties thereto (as amended, restated, modified and/or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein that are not defined herein shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to the provisions of Section 4.4(e)(B)(iv) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its direct or indirect partners/members is a "bank" extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Date: _____ __, 20[ ]

Exhibit I-4

U.S. TAX COMPLIANCE CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Senior-Secured Super-Priority Priming Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of March 14, 2019, among Payless Inc., a Delaware corporation, as the borrower (the "Borrower"), Payless Holdings LLC, a Delaware limited liability company, as guarantor ("Holdings"), the Subsidiary Guarantors from time to time party thereto, the lenders from time to time party thereto (the "Lenders"), Wilmington Savings Fund Society, FSB, as Administrative Agent (together with any successor Administrative Agent, the "Administrative Agent") and as Collateral Agent, and the other parties thereto (as amended, restated, modified and/or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein that are not defined herein shall have the meanings ascribed to them in the Credit Agreement.

Pursuant to the provisions of Section 4.4(e)(B)(iv) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the obligations hereunder and under any Term Note in respect of which it is providing this certificate, (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members is a "bank" extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a "ten percent shareholder" of the Borrower within the meaning of Section 871(h)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a "controlled foreign corporation" related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members that is claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or IRS Form W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or IRS Form W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided in this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent, and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[NAME OF LENDER]
By:_____
Name:
Title:
Date: _____ __, 20[ ]

EXHIBIT N

PERFECTION CERTIFICATE

(Please see attached)

Exhibit Version

PERFECTION CERTIFICATE

Reference is made to the SENIOR-SECURED SUPER-PRIORITY DEBTOR-IN-POSSESSION CREDIT FACILITY (the "DIP Credit Agreement") by and among (a) PAYLESS INC., a Delaware corporation, as a debtor and a debtor-in-possession, (b) Payless Holdings and each Company from time to time party thereto as a Guarantor, (c) the Lenders from time to time party thereto, and WILMINGTON SAVINGS FUND SOCIETY, FSB, as Administrative Agent and Collateral Agent. Capitalized terms used herein without definition are used as defined in the DIP Credit Agreement, unless stated otherwise.

In connection with the DIP Credit Agreement, each of the undersigned certifies to the Lenders and the Agent as follows:

1. Names. The exact name of each domestic Borrower and Guarantor (collectively, the "Security Parties" and each, individually, a "Security Party") as it appears in their respective articles/certificate of incorporation or other formation documents, as well as their states of incorporation/formation, tax identification numbers, organizational numbers and corporate function are as follows:

	Name of Security Party	**State of Incorporation / Formation**	**Tax ID#**	**Organizational #**	**Corporate Function**

Set forth below is each other name that a Security Party has had in the past five years, together with the date of the relevant change: None.

Except as set forth on Schedule 1, no Security Party has changed its identity or corporate structure in any way within the past five years. Changes in identity or corporate structure include mergers, consolidations and acquisitions (asset or stock), as well as any change in form, nature or jurisdiction of incorporation/formation. If any such change has occurred, Schedule 1 includes the information required by Sections 1, 2 and 3 of this Perfection Certificate as to each acquiree or constituent party to a merger or consolidation.

The following is a list of all other names (including trade names or similar appellations) used by any Security Party or any of its divisions or other business units in connection with the conduct of its business or the ownership of its properties at any time during the past five years:

Security Party	**Names**

2. Current Locations. The chief executive office or highest ranking officer of each Security Party is located at the address set forth opposite its name below:

Security Party	Chief Executive Office

Set forth on Schedule 2 is a list of all other locations where each Security Party maintains or has maintained, over the past five years, tangible assets, including but not limited to: (1) any books or records relating to any Collateral, (2) any inventory or equipment (including any warehouses or distribution centers) and (3) any other place of business.

3. Prior Locations. Set forth on Schedule 3 is all material locations at which, or other person or entity with which, any of the Collateral has been previously held, in each case, at any time during the past five years.

4. Bank Deposits/Securities Accounts. Set forth on Schedule 4 is the name of each bank at which the Security Parties maintain deposit or securities accounts, the type of account and the account numbers for each deposit or securities account.

5. Letters of Credit. Set forth on Schedule 5 is a list of all letters of credit under which any Security Party is named as beneficiary, including the name of the issuing bank and the letter of credit number.

6. Bailees. Schedule 6 lists all third parties ("Bailees") with possession of any collateral (including inventory and equipment) of the Security Parties, including the name and address of such Bailee, a description of the inventory and equipment in such Bailee's possession and the location of such inventory and equipment.

7. Unusual Transactions. Except as identified on Schedule 7, all accounts have been originated by the Security Parties, and all inventory and equipment have been acquired by the Security Parties, in the ordinary course of business.

8. Intellectual Property. Attached hereto as Schedule 8 is a list of each Security Party's patents, patent applications, copyrights and copyright applications, trademarks, trademark rights, patent licenses, copyright licenses, trademark licenses, industrial designs and industrial design applications (whether established or registered or recorded in Canada or any other country or any political subdivision thereof) and domain names now owned or used by any Security Party.

9. Stock Ownership. Attached hereto as Schedule 9 is a true and correct list of all duly authorized, issued and outstanding types of stock or membership interests of the Borrowers and each other Security Party and the record and beneficial ownership of such stock or membership interests. Also set forth on Schedule 9 is a list of each equity investment of the Borrowers and each other Security Party that represents 50% or less of the equity investment of the entity in which such investment was made.

10. Instruments / Tangible Chattel Paper. Attached hereto as Schedule 10 is a true and correct list of (i) all Instruments or Tangible Chattel Paper in excess of $1,000,000 held by each Security Party and (ii) all intercompany notes between Security Parties. The Borrowers represent and warrant that the Instruments or Tangible Chattel Paper held by any Security Party (other than intercompany notes) and not disclosed on Schedule 10 do not have an aggregate principal value in excess of $2,500,000.

11. Real Property. Attached hereto as Schedule 11 is:

(a) each street address and county and state or similar jurisdiction where each Security Party owns real property, the nature and current use of such property and whether such property includes fixtures;

(b) each street address and county and state or similar jurisdiction where each Security Party leases real property; and

(c) the name and current mailing address of each lessee or sublessee with respect to all or any portion of any real property described in paragraph (a) above, a description of the leased property and the scheduled date of expiration of the lease with respect to such property.

12. Commercial Tort Claims. Attached hereto as Schedule 12 is a true and correct list of all claims arising in tort in excess of $1,000,000 with respect to which a Security Party is a claimant and which arose in such Security Party's business and the case file numbers or other identification for each such claim.

13. Foreign Qualifications. Set forth below is a list of all jurisdictions where each Security Party is qualified to conduct business:

Entity	Foreign Qualification

[*remainder of page intentionally left blank*]

[*Insert Signature Pages*]

SCHEDULE 1

CHANGES IN IDENTITY OR CORPORATE STRUCTURE

SCHEDULE 2

LOCATIONS OF COLLATERAL

SCHEDULE 3

PRIOR LOCATIONS

SCHEDULE 4

DEPOSIT ACCOUNTS

SECURITIES ACCOUNTS

SCHEDULE 5

LETTERS OF CREDIT

SCHEDULE 6

BAILEES

SCHEDULE 7

UNUSUAL TRANSACTIONS

SCHEDULE 8

INTELLECTUAL PROPERTY

SCHEDULE 9

STOCK OWNERSHIP

SCHEDULE 10

SCHEDULE 11

SCHEDULE 12

COMMERCIAL TORT CLAIMS

EXHIBIT O

INITIAL BUDGET

(Please see attached)

Exhibit B

DIP Budget

Payless
Cash Collateral Budget - DIP
($ in 000's)

4-5-4 Month	Mar	Mar	Apr	Apr	Apr	Apr	May	May	May	May	Jun	Jun	Jun	
Week Ending	3/29/2019	4/5/2019	4/12/2019	4/19/2019	4/26/2019	5/3/2019	5/10/2019	5/17/2019	5/24/2019	5/31/2019	6/7/2019	6/14/2019	6/21/2019	
Forecast Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	Total 13 Week
Store Count	2065	1812	1812	1812	1624	1483	1483	1053	730	606	606	606	606	
Forecast/Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
I. Cash Flow														
1 **Receipts**														
2 GOB Receipts	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
3 Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Canada / Latin / Franchise	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Total Receipts	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
6 Operating Disbursements														
7 Merchandise / Freight / Duty	$ (434)	$ (929)	$ (245)	$ (1,879)	$ (1,897)	$ (1,495)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	(6,879)
8 Payroll & Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Other Operating Disbursements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Total Operating Disbursements	**$ (434)**	**$ (929)**	**$ (245)**	**$ (1,879)**	**$ (1,897)**	**$ (1,495)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (6,879)**
12 Total Operating Cash Flow	**$ (434)**	**$ (929)**	**$ (245)**	**$ (1,879)**	**$ (1,897)**	**$ (1,495)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ (6,879)**
13 Financing														
14 ABL Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15 ABL Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 DIP Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 Total Financing	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
18 Total Free Cash Flow	$ (434)	$ (929)	$ (245)	$ (1,879)	$ (1,897)	$ (1,495)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,879)
19 Restructuring Disbursements														
20 Restructuring Prof Fees / Escrow	(520)	-	-	-	-	-	-	-	-	-	-	-	-	(520)
21 ABL Pre-Petition Indemnity Acct	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22 L/C Cash Collateralization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22 Severance / WARN Act	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23 Agency Fees	(18)	(29)	(35)	(30)	(40)	(28)	(22)	(17)	(13)	(4)	-	(280)	-	(516)
24 Liquidator Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25 Store Employee Incentive Bonus	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26 Retention / KEIP / KERP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27 Critical Vendor Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
28 Utility Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
29 First Day Motion Freight	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 First Day Motion Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 Stub Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 503(b)9	-	-	-	-	-	-	-	-	-	-	-	-	-	-
33 Total Restructuring Disbursements	**$ (538)**	**$ (29)**	**$ (35)**	**$ (30)**	**$ (40)**	**$ (28)**	**$ (22)**	**$ (17)**	**$ (13)**	**$ (4)**	**$ -**	**$ (280)**	**$ -**	**$ (1,036)**
34 Net Cash Flow	**$ (972)**	**$ (959)**	**$ (280)**	**$ (1,909)**	**$ (1,937)**	**$ (1,522)**	**$ (22)**	**$ (17)**	**$ (13)**	**$ (4)**	**$ -**	**$ (280)**	**$ -**	**$ (7,915)**
35 Liquidity														
36 Cash Schedule														
37 Beginning Cash Balance	$ 2,673	$ 5,701	$ 4,743	$ 4,463	$ 2,554	$ 616	$ (906)	$ (928)	$ (945)	$ (958)	$ (962)	$ (962)	$ (1,242)	$ 2,673
38 Net Cash Flow	(972)	(959)	(280)	(1,909)	(1,937)	(1,522)	(22)	(17)	(13)	(4)	-	(280)	-	(7,915)
39 Revolver - Draw / (Paydown)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
40 DIP - Draw / (Paydown)	4,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000
41 Ending Cash Balance	$ 5,701	$ 4,743	$ 4,463	$ 2,554	$ 616	$ (906)	$ (928)	$ (945)	$ (958)	$ (962)	$ (962)	$ (1,242)	$ (1,242)	$ (1,242)
42 DIP Schedule														
43 Beginning Balance	$ 21,320	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 21,320
44 Draw	4,000	-	-	-	-	-	-	-	-	-	-	-	-	4,000
45 Original Issue Discount	61	-	-	-	-	-	-	-	-	-	-	-	-	61
46 (Paydown)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
47 Ending Balance	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381	$ 25,381

APPENDIX "E"

[ATTACHED]

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

In re:	Chapter 11
PAYLESS HOLDINGS LLC, *et al.*,	Case No. 19-40883-659
Debtors.	JOINTLY ADMINISTERED
	Related Docket No. 543

STIPULATION AND AGREED ORDER REGARDING MOTION OF LIBERTY MUTUAL INSURANCE COMPANY AND SAFECO INSURANCE COMPANY OF AMERICAN TO LIFT THE AUTOMATIC STAY

This matter coming on for hearing on the *MOTION OF LIBERTY MUTUAL INSURANCE COMPANY AND SAFECO INSURANCE COMPANY OF AMERICA TO LIFT THE AUTOMATIC STAY PURSUANT TO 11 U.S.C. § 362(A)* [Docket No. 543], the Debtors and Liberty Mutual Insurance Company and Safeco Insurance Company of America (collectively, the "Sureties" herein) having agreed to the following relief on the Motion:

1) To the extent that relief from the automatic stay is necessary, the automatic stay is lifted to enable the Sureties to proceed with cancellation, release or discharge of all surety bonds it issued on behalf of the Debtors.

2) The Debtors agree to assist the Sureties in requesting and obtaining the release and discharge of surety bonds that are still in effect and to provide information to the Sureties with respect to claims against the surety bonds.

3) The relief granted in this Order does not affect any other rights or claims of the Debtors or the Sureties.

No later than two (2) business days after entry of this Order, the Debtors shall serve a copy of this Order on the Notice Parties and shall file a certificate of service no later than 24 hours after service.

IT IS SO ORDERED

Kathy A. Surratt-States
KATHY A. SURRATT-STATES
Chief United States Bankruptcy Judge

DATED: April 3, 2019
St. Louis, Missouri
jjh

This Order Prepared By:

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