UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY
Caption in compliance with D.N.J. LBR 9004-2(c)

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In re:	Chapter 11
ASHLEY STEWART HOLDINGS, INC., et al.,[1]	Case No. 14-14383 (MBK)
Debtors.	(Jointly Administered)

ORDER (A) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF THE DEBTORS' ASSETS, (B) APPROVING FORM OF ASSET PURCHASE AGREEMENT, (C) APPROVING THE FORM AND MANNER OF NOTICE OF SALE AND TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (D) SCHEDULING AN AUCTION AND SALE HEARING, AND (E) GRANTING RELATED RELIEF

DATED: 4/3/2014

Honorable Michael B. Kaplan
United States Bankruptcy Judge

(Page 1)

Debtor: ASHLEY STEWART HOLDINGS, INC., et al.

Case No.: 14-14383 (MBK) (Jointly Administered)

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The relief set forth on the following pages, numbered two (2) through eighteen (18), is hereby ORDERED.

Upon consideration of the motion (the "Motion")[1] of the Debtors for entry of an order (this "Bidding Procedures Order"), (a) establishing bidding procedures attached as **Exhibit 1** to this Bidding Procedures Order (the "Bidding Procedures") in connection with the sale (the "Sale") of substantially all of the Debtors' assets, including, without limitation, approving a break-up fee and expense reimbursement (the "Bidder Protections") for the stalking horse bidder (the "Stalking Horse Bidder"), (b) approving the asset purchase agreement substantially in the form attached as **Exhibit 2** (the "Stalking Horse Purchase Agreement"), (c) scheduling an auction for the Assets (the "Auction"), (d) scheduling a hearing to consider approval of the Sale (the "Sale Hearing"), (e) approving the form and manner of notice of the Sale, the Auction and the Sale Hearing attached as **Exhibit 3** (the "Sale Notice"), (f) approving the form and manner of the Publication Notice attached hereto as **Exhibit 4**, (g) establishing certain procedures relating to the assumption and assignment of certain executory contracts and unexpired leases in connection with the Sale (the "Assumption and Assignment Procedures"), and (h) granting certain related relief; and it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors, and other parties-in-interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that this Motion is a core proceeding pursuant to 28 U.S.C. § 157; and adequate notice of the Motion and opportunity for objection having been given, with no objections having been

[1] Capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Motion or in the Stalking Horse Purchase Agreement, as applicable.

filed, or all objections having been overruled, as the case may be; and it appearing that no other notice need be given; and after due deliberation and sufficient cause therefore, it is hereby:

FOUND AND DETERMINED THAT:[2]

A. This Court has jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334. The Motion is a core proceeding pursuant to 28 U.S.C. § 157. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. Under the circumstances, due, proper, requisite and sufficient notice of the Motion was provided, and no other or further notice need be provided, except as set forth herein.

C. A reasonable opportunity to be heard regarding the relief provided herein has been afforded to all interested parties.

D. The Bidding Procedures substantially in the form annexed hereto are fair, reasonable, and appropriate and are designed to maximize the value of the Debtors' estates.

E. The Assumption and Assignment Procedures set forth herein are fair, reasonable, and appropriate and are designed to maximize the value of the Debtors' estates.

F. The notices to be provided in accordance with this Bidding Procedures Order are sufficient and no further notice with respect to the Motion, the Bidding Procedures, Assumption and Assignment Procedures, Auction, Sale Hearing or Sale is required.

[2] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings constitute conclusions of law, they are adopted as such. To the extent that any of the following conclusions of law constitute findings of fact, they are adopted as such.

G. The Debtors have demonstrated a compelling and sound business justification for approving the payment of the Bidder Protections under the circumstances and timing set forth in the Motion and Stalking Horse Purchase Agreement.

H. The Debtors' granting of Bidder Protections to the Stalking Horse Bidder is (a) an actual and necessary cost and expense of preserving the Debtors' estates, within the meaning of section 503(b) of the Bankruptcy Code, (b) of substantial benefit to the Debtors' estates, (c) fair, reasonable and appropriate, in light of, among other things, (i) the size and nature of the proposed Sale of the Assets, (ii) the substantial efforts that have been expended by the Stalking Horse Bidder, and (iii) the benefits the Stalking Horse Bidder has provided to the Debtors' estates and creditors and all parties-in-interest herein.

I. The Debtors have (a) articulated good and sufficient reasons to this Court to grant the relief requested in the Motion and (b) demonstrated sound business justifications to support such relief.

J. Entry of this Bidding Procedures Order is in the best interests of the Debtors and their respective estates and creditors, and all other parties-in-interest.

IT IS THEREFORE, ORDERED, ADJUDGED AND DECREED THAT:

1. The Bidding Procedures and the Assumption and Assignment Procedures are hereby APPROVED and fully incorporated into this Bidding Procedures Order, and shall apply with respect to the proposed Sale of the Assets. The failure to specifically include or reference any particular provision section or article of the Bidding Procedures in this Bidding

Procedures Order shall not diminish or impair the effectiveness of such procedures, it being the intent of the Court that the Bidding Procedures be authorized and approved in their entirety. The Debtors are authorized to take any and all actions necessary or appropriate to implement the Bidding Procedures and the Assumption and Assignment Procedures.

2. All objections to the relief requested in the Motion with respect to the Bidding Procedures or the Assumption and Assignment Procedures that have not been withdrawn, waived or settled as announced at the Bidding Procedures Hearing, or resolved by stipulation signed by the Debtors and filed with this Court, are overruled on their merits.

AUCTION AND BIDDING PROCEDURES

3. If the Debtors receive competing Qualified Bids on or before April 15, 2014, at 5:00 p.m. (prevailing Eastern Time), the Debtors shall conduct the Auction with respect to all or some of the Assets. The Auction, if any, shall be conducted at the offices of Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, or at such other place, date and time as may be designated in writing by the Debtors (the "Auction Site") at 10:00 a.m. (prevailing Eastern Time) on April 17, 2014 (the "Auction Date"), or at such other place and time or later date as determined by the Debtors after consultation with (x) Salus Capital Partners, LLC, in its capacity as administrative agent and collateral agent (in such capacities, the "DIP Agent") for various lenders (the "DIP Lenders") under that certain Debtor-in-Possession Credit Agreement, dated as of March 10, 2014 (the "DIP Credit Agreement") and (y) the official committee appointed in these chapter 11 cases (the "Committee"). The Debtors shall notify all

Qualified Bidders who have submitted Qualified Bids and expressed their intent to participate in the Auction as set forth in the Bidding Procedures of any alternative place and time for the Auction. The Debtors are authorized, subject to the terms of this Bidding Procedures Order, to take all actions necessary, in the discretion of the Debtors, to conduct and implement such Auction.

4. The Debtors, following consultation with the DIP Agent and the Committee may (i) select in their business judgment, pursuant to the Bidding Procedures the highest or otherwise best offer(s) and the Prevailing Bidder or Bidders, and (ii) reject any bid that, in the Debtors' business judgment, is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules or the Bidding Procedures, or (c) contrary to the best interests of the Debtors and their estates, creditors, interest holders or parties-in-interest.

5. The failure to specifically include or reference any particular provision, section or article of the Bidding Procedures in this Bidding Procedures Order shall not diminish or impair the effectiveness of such procedures, it being the intent of this Court that the Bidding Procedures be authorized and approved in their entirety.

6. The Stalking Horse Bidder is deemed a Qualified Bidder, and the Stalking Horse Bidder's bid for the Assets is deemed a Qualified Bid. In the event there are no other Qualified Bids, the Debtors shall accept the Stalking Horse Bid and the Stalking Horse Bidder shall be the Successful Bidder.

THE BIDDING PROTECTIONS

7. The bid protections set forth in the Bidding Procedures including the Break-Up Fee, the Expense Reimbursement, and the minimum overbid are a reasonable inducement for the Stalking Horse Bidder's offer to purchase the Assets on the terms set forth in the Stalking Horse Purchase Agreement and compensation for the risks and lost opportunity costs incurred by the Stalking Horse Bidder. Solely for the purposes of determining a Prevailing Bid, any overbid submitted by the Stalking Horse Bidder shall include a credit for the full amount of the Break-Up Fee and Expense Reimbursement potentially payable by the Debtors.

8. The payment to the Stalking Horse Bidder of the Break-Up Fee and Expense Reimbursement if due to the Stalking Horse Bidder (i) is an actual and necessary cost and expense of preserving the Debtors' estates within the meaning of section 503(b) of the Bankruptcy Code entitled to superpriority status as an administrative expense, (ii) is of substantial benefit to the Debtors' estates, (iii) is reasonable and appropriate, including in light of the size and nature of the proposed Sale of the Assets and the efforts that have been and will be expended by the Stalking Horse Bidder, notwithstanding that the proposed Sale is subject to higher or better offers for the Assets, (iv) was negotiated on an arm's-length basis and in good faith, and (v) is necessary to ensure that Stalking Horse Bidder will continue to be bound to the offer contained in the Stalking Horse Purchase Agreement.

9. Pursuant to sections 105, 363, 503, and 507 of the Bankruptcy Code and Bankruptcy Rules 6004, 7062 and 9014, the Debtors are hereby authorized to pay, without

further order of this Court, the Break-Up Fee and Expense Reimbursement pursuant to the terms and conditions set forth in the Stalking Horse Purchase Agreement and the Bidding Procedures.

10. The Break-Up Fee and Expense Reimbursement, when payable under the Stalking Horse Purchase Agreement, shall be paid by wire transfer of immediately available funds to an account designated by Stalking Horse Bidder directly by the purchaser from the proceeds of any Third-Party Sale free and clear of all Encumbrances of any kind at the consummation of such Third-Party Sale (the "Termination Payment Date"); *provided* that with respect to the (i) portion the Expense Reimbursement for which (a) the Objection Period (as defined below) has not run or (b) the Objection Period has run and an objection has been received and (ii) that portion of the Break-Up Fee that is calculated on the basis of Cure Payments actually paid by or on behalf of the Debtors after the Termination Payment Date, the applicable amount of the Expense Reimbursement and the maximum amount of the Break-Up Fee attributable to Cure Payments up to the Cure Payment Cap shall be paid directly by the purchaser from the purchase price of such Third-Party Sale to an escrow account jointly designated by, and on terms mutually acceptable to, the Debtors and the Stalking Horse Bidder (the "Escrow Account"), and, on a monthly basis commencing one month after the Termination Payment Date, the Stalking Horse Bidder shall be paid directly from the Escrow Account that portion of the Break-Up Fee that relates to Cure Payments actually paid by or on behalf of the Debtors during the immediately prior month.

11. The Stalking Horse Bidder shall file documentation supporting the amount of its proposed Expense Reimbursement on the docket of the Bankruptcy Court and provide notice to the Debtors, the DIP Agent, the U.S. Trustee and the Committee (the "Expense Notice Parties"). The Expense Notice Parties and any other parties in interest shall have not more than fifteen (15) days to object to such amount (the "Objection Period"). At the end of the Objection Period, if no objection has been received, the Expense Reimbursement shall be paid by wire transfer of immediately available funds to an account designated by Stalking Horse Bidder by the purchaser directly from the proceeds of the applicable Third-Party Sale or the Escrow Account, as applicable. If an objection to the Expense Reimbursement is lodged during the Objection Period, any undisputed portion of the Expense Reimbursement shall be promptly paid by wire transfer of immediately available funds to an account designated by Stalking Horse Bidder by the purchaser directly from the proceeds of the applicable Third-Party Sale or the Escrow Account, as applicable. The disputed portion of the Expense Reimbursement, if not already funded into the Escrow Account, shall be promptly paid by wire transfer into the Escrow Account directly from the proceeds of the applicable Third-Party Sale and shall be released to the Stalking Horse Bidder upon agreement of the parties or a final order of the Bankruptcy Court. For the avoidance of doubt, the funds used to pay the Break-Up Fee and Expense Reimbursement shall be free and clear of all Encumbrances other than the interest of the Stalking Horse Bidder and shall at no time be property of the Debtors' estates. In the event a Debtor comes into possession of the proceeds of a Third-Party Sale which are payable to the Stalking Horse Bidder in respect of the

Expense Reimbursement or the Break-Up Fee, such Debtor shall hold such funds in trust for the Stalking Horse Bidder and shall promptly remit them to the Stalking Horse Bidder as provided in the Stalking Horse Purchase Agreement. Notwithstanding the foregoing, any funds remaining in the Escrow Account after the payment in full of the Break-Up Fee and Expense Reimbursement shall be turned over to the Debtors.

12. No Third-Party Sale shall close unless (and it shall be an express condition to closing such sale that) the maximum amounts of the Break-Up Fee and Expense Reimbursement have either been paid to the Stalking Horse Bidder or deposited into the Escrow Account.

13. The receipt of the Break-Up Fee and the Expense Reimbursement shall be the sole remedy of the Stalking Horse Bidder if the Stalking Horse Purchase Agreement is terminated.

ADDITIONAL NOTICE PROVISIONS

14. The Sale Notice is approved.

15. The Publication Notice is approved.

16. Within three (3) business days after the entry of this Bidding Procedures Order, but in no event later than April 7, 2014 (the "Mailing Date"), the Debtors (or their agents) shall (i) file and serve the Sale Notice, including the Cure Schedule (as defined in and included with the Sale Notice) and a copy of this Bidding Procedures Order by first-class mail, postage prepaid, upon (a) the United States Trustee, (b) proposed counsel to the Committee, (c) counsel

to the Debtors' pre-petition lenders, (d) counsel to the DIP Agent, (e) all taxing authorities having jurisdiction over any of the Assets, including the Internal Revenue Service, (f) all parties that have requested special notice pursuant to Bankruptcy Rule 2002, (g) all persons known or reasonably believed to have asserted a lien on any of the Assets, (h) the counterparties to each of the Debtors' executory contracts and unexpired leases, (i) all current employees of the Debtors, (j) all persons known or reasonably believed to have expressed an interest in purchasing the Assets, and (k) the Attorney Generals in the States where the Assets are located, and (ii) publish the Publication Notice in Women's Wear Daily and USA Today.

ASSUMPTION AND ASSIGNMENT PROCEDURES

17. The Cure Schedule will include (i) the title of the Contract or Lease to be assumed, (ii) the name of the counterparty to the Contract or Lease, and (iii) any applicable cure amounts.

18. Within two (2) business days' of a written request (which may be made by email to cgiglio@curtis.com) from counterparties to contracts or leases that may be assumed and assigned in connection with the Sale, the Debtors shall provide to such counterparties the Stalking Horse Bidder's Adequate Assurance Information (as defined in the Bidding Procedures); provided, however that any written requests for such information shall include confirmation that (a) the Adequate Assurance Information will be used solely to evaluate whether the Stalking Horse Bidder can satisfy its obligation to provide adequate assurance of future performance within the meaning of 11 U.S.C. § 365(b)(3), and (b) the Adequate

Assurance Information will be treated as confidential information that will not be disclosed to any third party except for such counterparty's counsel or financial advisor. Adequate Assurance Information for any other Qualified Bidder shall be provided pursuant to the Bidding Procedures.

19. Any objections to the assumption and/or assignment of any Contract or Lease identified on the Cure Schedule, including the cure amount set forth on such schedule, must be in writing, setting forth the bases therefor, filed with the Court, and be actually received by the following "Cure Objection Parties": (a) Ashley Stewart Holdings, Inc., 100 Metro Way, Secaucus, NJ 07094, Attn.: James C. Rhee, (b) counsel to the Debtors, Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn.: Steven J. Reisman, Esq. and Cindi M. Giglio, Esq., (c) Cole, Schotz, Meisel, Forman & Leonard P.A., Court Plaza North, 25 Main Street, Hackensack, NJ 07601, Attn.: Michael D. Sirota, Esq. and Ilana Volkov, Esq., (d) counsel to the Stalking Horse Bidder, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, CA 90071, Attn.: Steve Warren, Esq. and Jennifer Taylor, Esq., (e) proposed counsel to the Committee, Pachulski Stang Ziehl & Jones LLP, 780 Third Avenue, New York, NY 10017, Attn.: Robert J. Feinstein, Esq. and Bradford J. Sandler, Esq.; and (f) counsel to the DIP Agent, Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110, Attn.: John F. Ventola,. Esq. and Sean M. Monahan, Esq., and Troutman Sanders LLP, The Chrysler Building, 405 Lexington Avenue, New York, NY 10174-0700, Attn.: Jeffrey M. Rosenthal, Esq. no later than April 14, 2014 at 5:00 p.m. (prevailing Eastern Time) (the "Cure Objection Deadline").

20. If the non-debtor counterparty to a Contract or Lease set forth in the Cure

Schedule does not object to the cure amount applicable thereto by the Cure Objection Deadline, then such non-debtor counterparty is deemed to have consented to the Cure Amount set forth in the Cure Schedule, which shall be binding upon such non-debtor counterparty with respect to cure amounts due from the pre-petition period through and including the proposed assumption date, or if the assumption date is not fixed in the Cure Schedule, then through and including the Cure Objection Deadline, subject to the rights of a counterparty to file a supplemental cure objection to assert any additional due and owing that may have accrued after the filing and serving of the Cure Schedule as of a later proposed assumption date.

21. Subject to Court approval and in accordance with the Purchase Agreement, a bidder may include as part of its bid the Debtors' transfer of certain "designation rights" with respect to executory contracts, which may be exercised for a period of time post-Closing. The Sale Hearing shall include the Court's consideration of same and approval or denial of any proposed transfer of "designation rights." In the event that the Successful Bidder has included the transfer of post-Closing designation rights as part of its bid, but the Court does not approve the continuation of such designation rights post-Closing, refusal by the Court to authorize post-Closing designation rights shall not invalidate the bid. In such case, the Prevailing Bidder will work with the Debtors to make final determinations on the assumption and assignment or rejection of all Contracts and Leases prior to Closing.

22. Any objection to the Sale based upon the Stalking Horse Bidder's ability, but not any designee of the Stalking Horse Bidder, to provide adequate assurance of future

performance under a Contract or Lease must be filed and served on the Cure Objection Parties by the Cure Objection Deadline. Any objection to the Sale based upon any other Qualified Bidder's ability, but not a designee of any Qualified Bidder, to provide adequate assurance of future performance under a Contract or Lease must be filed and served on the Cure Objection Parties by April 21, 2014 at noon (prevailing Eastern Time). If a party fails to timely object to assumption and assignment of a Lease or Contract, the party shall be deemed to have consented to the assumption and assignment of such Lease or Contract.

23. If the designation rights are approved, no less than ten (10) days prior to a proposed assumption and/or assignment of a Contract or Lease, the Debtors shall file and serve on the applicable non-debtor contractual counterparty a notice setting forth (i) the title of the Contract or Lease to be assumed, (ii) the name of the counterparty to the Contract or Lease, and (iii) any applicable cure amounts that may have accrued from the time between the filing of the Cure Schedule through and including the proposed assumption date (an "Assumption Notice"). The Debtors shall also provide either (i) a certification that any adequate assurance information previously provided to the non-debtor contractual counterparty by the proposed assignee/designee has not changed, (ii) updated Adequate Assurance Information for the proposed assignee/designee, or (iii) Adequate Assurance Information for any designee who has not previously provided such information pursuant to the Bidding Procedures. If a party receiving such Assumption Notice fails to object within ten (10) days of service, such party shall be deemed to consent to such assumption and assignment and the assumption and assignment

may be effectuated without further order of the Court.

24. The Debtors shall perform their obligations under section 365(d)(3) unless and until the Leases are assumed and assigned or rejected.

25. If a timely objection to any proposed assumption and/or assignment is received and such objection cannot otherwise be resolved by the parties, the Court may hear such objection at the Sale Hearing or such later date that the Court may establish. The pendency of a dispute relating to cure amounts will not prevent or delay the assumption and assignment of any Contract or Lease. If an objection is filed only with respect to the cure amount listed on the Cure Schedule or an Assumption Notice, the Debtors may assume or assign such Contract or Lease and the dispute with respect to the cure amount will be resolved consensually, if possible, or, if the parties are unable to resolve their dispute, by the Court, in which case the Debtors shall cause to be paid the undisputed cure amount and escrow any reasonably disputed cure amount pending agreement of the parties or further order of the Court, provided, however, that any assignment is contingent on the payment in full of the cure amount determined on consent of the parties or by a final order of the Court.

ADDITIONAL PROVISIONS

26. The Debtors are authorized and empowered to take such actions as may be necessary to implement and effect the terms and requirements established under this Bidding Procedures Order.

27. A Sale Hearing to approve the Sale of substantially all of the Assets to any

Prevailing Bidder and authorizing the assumption and assignment of certain executory contracts and unexpired leases shall be held on **April 22, 2014 at 1:00 p.m. (prevailing Eastern Time)**, unless otherwise continued upon request by the Debtors or otherwise ordered by the Court.

28. Except as otherwise provided herein or in the Bidding Procedures, objections, if any, to any Sale (i) as contemplated by the Stalking Horse Purchase Agreement must be filed by **April 14, 2014 at 5:00 p.m. (prevailing Eastern Time)** or (ii) as contemplated by a Prevailing Bidder other than the Stalking Horse Bidder must be filed by **April 21, 2014 at 12:00 p.m. (prevailing Eastern Time)** and served on (a) counsel to the Debtors, Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn.: Steven J. Reisman, Esq. and Cindi M. Giglio, Esq., (b) Cole, Schotz, Meisel, Forman & Leonard P.A., Court Plaza North, 25 Main Street, Hackensack, NJ 07601, Attn.: Michael D. Sirota, Esq. and Ilana Volkov, Esq., (c) counsel to the Stalking Horse Bidder, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, CA 90071, Attn.: Steve Warren, Esq. and Jennifer Taylor, Esq., (d) proposed counsel to the Committee, Pachulski Stang Ziehl & Jones LLP, 780 Third Avenue, New York, NY 10017, Attn.: Robert J. Feinstein, Esq. and Bradford J. Sandler, Esq.; (e) counsel to the DIP Agent, Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110, Attn.: John F. Ventola,. Esq. and Sean M. Monahan, Esq., Troutman Sanders LLP, The Chrysler Building, 405 Lexington Avenue, New York, NY 10174-0700, Attn.: Jeffrey M. Rosenthal, Esq., and (f) the United States Trustee.

29. At the Sale Hearing, the Debtors will seek entry of an Order authorizing

and directing the payment in full in cash of all obligations owed under the DIP Credit Agreement and the Prepetition Senior Credit Agreement, subject to the terms and conditions of the final DIP financing order, and the Break-Up Fee and Expense Reimbursement, as applicable, in each case, paid directly from the proceeds of the proposed Sale, with the remainder of the sale proceeds to be retained and held by the Debtors subject to any valid liens that attach thereto.

30. This Bidding Procedures Order shall constitute the findings of fact and conclusions of law and shall take immediate effect upon execution hereof.

31. To the extent this Bidding Procedures Order is inconsistent with any prior order or pleading with respect to the Motion in these cases, the terms of this Bidding Procedures Order shall govern. Notwithstanding the foregoing or any other provision of this Order, nothing in this Order shall modify, abridge, impair or otherwise alter any of the rights of the DIP Agent and the DIP Lenders under the DIP Credit Agreement and the orders of this Court entered in connection therewith.

32. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 6006(d), 7062, 9014, or otherwise, this Court, for good cause shown, orders that the terms and conditions of this Bidding Procedures Order shall be immediately effective and enforceable upon its entry.

33. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Bidding Procedures Order, including, but not limited to, any matter, claim or dispute arising from or relating to the Break-Up Fee, the

Stalking Horse Purchase Agreement, the Bidding Procedures and the implementation of this Bidding Procedures Order.

Exhibit 1 to Bidding Procedures Order

Bidding Procedures

Bidding Procedures[1]

On March 10, 2014 Ashley Stewart Holdings, Inc., a Delaware corporation and its subsidiaries (collectively, the "Debtors") filed voluntary petitions under chapter 11 of the United States Code in the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court"). The Debtors' cases are jointly administered for procedural purposes under Case No. 14-14383 (MBK).

Set forth below are the bidding procedures (the "Bidding Procedures") to be employed in connection with an auction (the "Auction") for the sale of all or some of the assets (the "Assets") of the Debtors as a going-concern, including, without limitation, the grant of the Designation Rights as provided in the Purchase Agreement (defined below) (the "Sale"). At a hearing following the Auction (the "Sale Hearing"), the Debtors will seek entry of an order (the "Sale Order") from the Bankruptcy Court authorizing and approving the Sale to the Qualified Bidder(s) (as defined below) that the Debtors determine to have made the highest or otherwise best bid(s) for the Assets (the "Prevailing Bidder(s)") and authorizing and directing the payment in full of all amounts owed to the DIP Agent and the DIP Lenders and the Prepetition Senior Agent and the Prepetition Senior Lenders from the proceeds of the Sale.

The Debtors have entered into an Asset Purchase Agreement dated as of March 28, 2014 (the "Purchase Agreement") with an affiliate of Clearlake Capital Group (the "Stalking Horse Bidder") to establish a minimum bidding price for the Debtors' Assets.

On March 28, 2014, the Debtors filed the *Motion of Debtors and Debtors-in-Possession for (I) an Order (A) Establishing Bidding Procedures, Including, Without Limitation, Break-Up Fee Provisions and Other Bid Protections (B) Approving Form and Manner of Notice of Sale and Treatment of Executory Contracts and Unexpired Leases and (C) Scheduling Sale Hearing Date to Consider Final Approval of Sale and Treatment of Executory Contracts and Unexpired Leases; (II) An Order Approving (A) the Sale, Free and Clear of Liens, Claims, Interests, and Encumbrances and (B) Treatment of Executory Contracts and Unexpired Leases and (III) Related Relief* (the "Bidding Procedures and Sale Motion"). On April __, 2014, the Bankruptcy Court entered an order approving the Bidding Procedures set forth herein (the "Bidding Procedures Order"). The Bidding Procedures Order also set April 22, 2014 as the date the Bankruptcy Court will conduct the Sale Hearing. At the Sale Hearing, the Debtors shall seek entry of an order from the Bankruptcy Court authorizing and approving the Sale of the Assets of the Debtors to the Stalking Horse Bidder or one or more Prevailing Bidders.

Assets to be Sold

The Debtors are offering for sale the Assets. The Debtors shall retain all rights to the Assets that are not subject to a bid accepted by the Debtors and approved by the Bankruptcy Court at the Sale Hearing.

[1] Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Bidding Procedures and Sale Motion.

Communication with the Debtors

Any party desiring to obtain a copy of the Bidding Procedures Order approving these Bidding Procedures may do so by contacting the Debtors' counsel, in writing or by e-mail, at Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178 Attn.: Steven J. Reisman, Esq. (sreisman@curtis.com) and Cindi M. Giglio, Esq. (cgiglio@curtis.com). The Bidding Procedures Order is also available on the website of the Debtors' claims and noticing agent, www.cases.primeclerk.com/ashleystewart.

Requests for additional information and due diligence access from Potential Bidders (as defined below) should be addressed to PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017, Attn.: Perry M. Mandarino, email: perry.mandarino@us.pwc.com.

Upon execution of a confidentiality agreement in form and substance reasonably satisfactory to the Debtors (the "Confidentiality Agreement"), any party that wishes to conduct due diligence on the Assets may be granted access to certain material and/or confidential information at the Debtors' sole discretion. The Debtors may, in the exercise of their reasonable business judgment, schedule and make management presentations to parties that have signed a Confidentiality Agreement.

The Bidding Process

The Debtors and their advisors, after consultation with the Official Committee of Unsecured Creditors appointed in the Debtors' chapter 11 cases (the "Committee") and the DIP Agent, shall (i) coordinate the efforts of Potential Bidders in conducting their due diligence investigations and receive offers from Potential Bidders, and (ii) negotiate and evaluate any offers made to purchase the Assets (collectively, the "Bidding Process"). The Debtors, after consultation with the Committee and the DIP Agent, shall have the right, in the exercise of their fiduciary duties, to adopt such other rules for the Bidding Process (including rules that may depart from those set forth herein) that will better promote the goals of the Bidding Process.

Participation and Qualified Bid Requirements and Bid Deadline

Any person that wishes to participate in the Bidding Process (a "Potential Bidder") must become (a "Qualified Bidder"). As a prerequisite to becoming a Qualified Bidder, a Potential Bidder must deliver (unless previously delivered) to (a) Ashley Stewart Holdings, Inc., 100 Metro Way, Secaucus, NJ 07094, Attn.: James C. Rhee (jrhee@ashleystewart.com), (b) Pricewaterhouse Coopers LLP, 300 Madison Avenue, New York, NY 10017, Attn.: Perry M. Mandarino (perry.mandarino@us.pwc.com) (c) counsel to the Debtors, Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn.: Steven J. Reisman, Esq. (sreisman@curtis.com) and Cindi M. Giglio, Esq. (cgiglio@curtis.com) (d) co-counsel to the Debtors, Cole, Schotz, Meisel, Forman & Leonard P.A., Court Plaza North, 25 Main Street, Hackensack, NJ 07601, Attn.: Michael D. Sirota, Esq. (msirota@coleschotz.com); and Ilana Volkov, Esq.(ivolkov@coleschotz.com), (e) counsel to the DIP Agent, Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110, Attn.: John Ventola, Esq. (jventola@choate.com) and Sean M. Monahan, Esq. (smonahan@choate.com); (f) counsel to the

lender under the DIP Credit Agreement, Lowenstein & Sandler LLP, 65 Livingston Avenue, Roseland, NJ 07068, Attn.: Kenneth A. Rosen, Esq. (krosen@lowenstein.com) and Bruce Buechler, Esq. (bbuechler@lowenstein.com) and (g) proposed counsel to the Committee, Pachulski Stang Ziehl & Jones LLP, 780 Third Avenue, New York, NY 10017, Attn.: Robert J. Feinstein, Esq. (rfeinstein@pszjlaw.com) and Bradford J. Sandler, Esq. (bsandler@pszjlaw.com) so as to be received by no later than 5:00 p.m. (prevailing Eastern time) on April 15, 2014 (the "Bid Deadline") its written offer or group of offers and the following information and documents (the "Required Bid Materials"):

i. Identification of Potential Bidder: Identification of the Potential Bidder and any equity holders, in the case of a Potential Bidder which is an entity specially formed for the purpose of effectuating the contemplated transaction, and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated transaction.

ii. Marked Agreements: An executed copy of a purchase agreement and a redline of a Potential Bidder's proposed purchase agreement reflecting variations from the Purchase Agreement (the "Marked Agreement"). All Qualified Bids must provide (a) for terms and conditions no less favorable, taken as a whole, to the Debtors than the terms and conditions of the Stalking Horse Purchase Agreement; (b) a commitment to close immediately upon the entry of the Sale Order; and (c) the identity of and contact information for the bidder and full disclosure of any affiliates and any debt or equity financing sources involved in such bid.

iii. Financing Sources: Sufficient information, as may be requested by the Debtors to allow the Debtors, after consultation with the Committee and the DIP Agent, to determine that the bidder has the financial wherewithal to close a sale of the Assets, including but not limited to:

(a) a signed commitment for any debt or equity financing;

(b) a bank account statement showing the ability of a Potential Bidder to pay cash for the Assets;

(c) contact names and numbers for verification of financing sources; and

(d) current audited financial statements (or such other form of financial disclosure and credit-quality support or enhancement acceptable to the Debtors ,after consultation with the Committee and the DIP Agent) of the Potential Bidder or those entities that will guarantee in full the payment obligations of the Potential Bidder.

iv. Adequate Assurance Information: Sufficient information for landlords to determine that the bidder can provide adequate assurance of future

performance within the meaning of 11 U.S.C. § 365(b)(3) as a proposed assignee of the Debtors' real property leases, which may include, but is not limited to:

(a) the Potential Bidder's and/or any guarantor's audited financial statements (or un-audited, if audited financials are not available) and any supplemental schedules for the calendar or fiscal years ending 2011, 2012, and 2013;

(b) all documents regarding the Potential Bidder's experience in operating clothing, accessory, and shoe retailers;

(c) the number of stores the Potential Bidder operates and all trade names that the Potential Bidder uses;

(d) a statement setting forth the Potential Bidder's intended use of the leased premises;

(e) the Potential Bidder's 2014 business plan, including sales and cash flow projections; and

(f) any financial projections, calculations, and/or financial pro-formas prepared in contemplation of purchasing the leases (collectively, the "Adequate Assurance Information").

Upon written request (which may be made by email to cgiglio@curtis.com) from counterparties to leases that may be assumed and assigned in connection with the Sale, the Debtors shall provide the Adequate Assurance Information to the affected landlords (a) of the Stalking Horse Bidder (as provided in the Bidding Procedures Order) or (b) of a Potential Bidder within twenty-four (24) hours of the Debtors' receipt from a Potential Bidder, provided however that any written request includes confirmation that (a) the Potential Bidder's Adequate Assurance Information will be used solely to evaluate whether the Potential Bidder can satisfy its obligation to provide adequate assurance of future performance, and (b) the Adequate Assurance Information will be treated as confidential information that will not be disclosed to any third party except for the landlord's counsel or financial advisor.

v. Minimum Bid Amount: Total consideration with a value equal to or greater than $18,000,000, plus assumption of the Assumed Liabilities (as defined in the Purchase Agreement) on terms, taken as a whole, no less favorable, taken as a whole, than those set forth in the Stalking Horse Purchase Agreement, plus the maximum Break-Up Fee, plus the maximum Expense Reimbursement, plus the initial overbid in the amount of $200,000 (the "Minimum Bid Amount"); provided that in no event shall such bid be for an amount that is less than the amount necessary to (1) pay in cash the amounts outstanding under the DIP Credit Facility, (2) pay in

cash the amounts outstanding (if any) under the senior pre-petition credit facility, and (3) pay the Break Up Fee and the Expense Reimbursement.

vi. Irrevocability of Bid: A letter stating that the bidder's offer is irrevocable until the first business day after the Assets for which the Potential Bidder is submitting a bid have been sold pursuant to the closing of the sale or sales approved by the Bankruptcy Court.

vii. Bid Deposit: A cash deposit in the amount of 10% of the total consideration offered in the bid in the form of a wire transfer, certified check or such other form acceptable to the Debtors (the "Bid Deposit") which shall be placed into escrow with a mutually acceptable escrow agent (in such capacity, the "Escrow Agent"). If such Potential Bidder is not the Prevailing Bidder at the Auction, then its Bid Deposit shall be returned to it as set forth herein (subject to the other provisions of these Bid Procedures and the terms of its asset purchase agreement with the Debtors).

viii. Identification of Executory Contracts and Unexpired Real Property Leases: If practicable, the bid shall identify with particularity the Debtors' executory contracts and unexpired leases with respect to which the bidder seeks to receive an assignment and any designation rights it seeks.

ix. Bidder Protections: The bid shall not request or entitle the bidder to any transaction or break-up fee, expense reimbursement, termination or similar type of fee or payment and shall include an acknowledgement and representation of the bidder that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Assets, the financial performance of the Assets or the physical condition of the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or the Stalking Horse Asset Purchase Agreement. A Potential Bidder shall be deemed to waive the right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code related in any way to the submission of its bid or the Bidding Procedures, provided, however, that the foregoing shall not apply to any claim of the Stalking Horse Bidder for its Break-Up Fee and Expense Reimbursement.

x. No Financing or Diligence Contingencies: The bid shall not contain any due diligence, financing or regulatory contingencies of any kind, though the bid may be subject to the satisfaction of specific conditions in all material respects at Closing.

xi. Consent to Jurisdiction: The bid shall state that the bidder consents to the jurisdiction of the Bankruptcy Court.

xii. Corporate Authority: The bid shall include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the submitted purchase agreement of the bidder.

A "Qualified Bidder" is a Potential Bidder that delivers the Required Bid Materials described in subparagraphs i. – xii. above, and that the Debtors, in consultation with the Committee and the DIP Agent, determine is reasonably likely (based on financial information submitted by the Potential Bidder, the availability of financing, experience and other consideration deemed relevant by the Debtors), to be able to consummate a sale if selected as the Successful Bidder (as defined below). Not later than one (1) business day after a Potential Bidder delivers all of the Required Bid Materials required by subparagraphs i. – xii. above, the Debtors shall determine, in consultation with the Committee and the DIP Agent, and shall notify the Potential Bidder, if such Potential Bidder is a Qualified Bidder. A bid from a Qualified Bidder is a "Qualified Bid". For the avoidance of doubt, any setoff or credit bid shall not be considered to be a cash bid and shall not be taken into consideration in determining whether a bid constitutes a Qualified Bid or satisfies the Minimum Bid Amount or Overbid Amount; provided that the DIP Agent shall be entitled to credit bid the outstanding amount of the DIP Obligations and the agent under the prepetition senior secured credit facility, Salus Capital Partners, LLC, shall be entitled to credit bid the amounts outstanding, if any, thereunder. The Debtors will provide copies of all Qualified Bids to the Stalking Horse Bidder.

All bids, other than the Stalking Horse Bid, must include the Required Bid Materials (unless such requirement is waived by the Debtors after consultation with the Committee and DIP Agent).

The Debtors, in consultation with the Committee and the DIP Agent, reserve the right to determine the value of any Qualified Bid, and which Qualified Bid constitutes the highest or best offer. Notwithstanding the bid requirements detailed above, the Stalking Horse Bid shall be deemed a Qualified Bid. Notwithstanding the foregoing, if the Stalking Horse Bidder submits a bid at the Auction in excess of the bid set forth in the Stalking Horse Purchase Agreement, the Stalking Horse Bidder must first deliver to the Debtors a limited guaranty from Clearlake Capital Partners III (Master), LP in form and substance reasonably acceptable to the Debtors pursuant to which Clearlake Capital Partners III (Master), LP has guaranteed the payment obligations of the Stalking Horse Bidder in any such bid and subsequent bids. The Debtors shall notify the Stalking Horse Bidder as soon as practicable if one or more Qualified Bids are received.

Access to Due Diligence Materials

Only Potential Bidders who have executed the Confidentiality Agreement are eligible to receive due diligence access or additional non-public information. If the Debtors determine that a Potential Bidder that has executed the Confidentiality Agreement does not constitute a Qualified Bidder, then such Potential Bidder's right to receive due diligence access

or additional non-public information shall terminate. The Debtors shall not be obligated to furnish any due diligence information after the Bid Deadline. Neither the Debtors nor any of their employees, officers, directors, affiliates, subsidiaries, representatives, agents advisors or professionals are responsible for, and shall bear no liability with respect to, any information obtained by Potential Bidders in connection with the sale of the Assets.

Each Qualified Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets that are the subject of the Auction prior to making any such bids; that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets in making its bid; and that it did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise regarding the Assets, or the completeness of any information provided in connection therewith, except as expressly stated in these Bidding Procedures or, as to the Prevailing Bidder or the Purchase Agreement.

Any access or information made available to any Potential Bidders or Qualified Bidders not previously made available to Stalking Horse Bidders shall be promptly provided to Stalking Horse Bidders.

Due Diligence From Bidders

Each Potential Bidder and Qualified Bidder (collectively, a "Bidder") shall comply with all reasonable requests for additional information and due diligence access by the Debtors or their advisors regarding each such Bidder and its contemplated transaction. Failure by a Potential Bidder to comply with the requests for additional information and due diligence access shall be a basis for the Debtors to determine that such Potential Bidder is not a Qualified Bidder. Failure by a Potential or Qualified Bidder to comply with requests for additional information and due diligence access shall be a basis for the Debtors to determine that a Bid made by such Potential or Qualified Bidder is not a Qualified Bid.

"As Is, With All Faults"

The sale of the Assets shall be on an "as is" and "with all faults" basis and without representations, warranties, or guarantees, express, implied or statutory, written or oral, of any kind, nature, or description by the Debtors, their agents, their representatives or their estates, except as otherwise provided in a definitive purchase agreement with the Debtors and the transaction documents related thereto. By submitting a bid, each Potential Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Assets prior to making its offer, that it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Assets in making its bid, and that it did not rely upon any written or oral statements, representations, warranties, or guarantees, express, implied, statutory or otherwise, regarding the Assets, the financial performance of the Assets or the physical condition of the Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or as set forth in a definitive purchase agreement with the Debtors.

Free of Any and All Interests

Except as otherwise provided in the Stalking Horse Asset Purchase Agreement or another Prevailing Bidder's purchase agreement, or as may otherwise be provided in any order approving a sale of the Assets, all of the Debtors' right, title and interest in and to the Assets subject thereto shall be sold free and clear of any pledges, liens (statutory or otherwise), security interests, encumbrances, claims, charges, mortgages, leases, hypothecations, options, rights of use, rights of first offer, rights of first refusal, easements, servitudes, restrictive covenants, encroachments, licenses, and other restrictions and interests (collectively, the "Encumbrances") to the maximum extent permitted by section 363 of the Bankruptcy Code and other applicable law, with such interests to attach to the net proceeds of the sale of the Assets with the same validity and priority as such interests applied against the Assets, subject to the prior payment of all amounts owed to the DIP Agent and the DIP Lenders and the Prepetition Senior Agent and the Prepetition Senior Lenders from the proceeds of the sale of the Assets.

The Auction and Auction Procedures

If a Qualified Bid, other than that submitted by the Stalking Horse Bidder, has been received by the Debtors, the Debtors may conduct an auction (the "Auction") with respect to all or some of the Assets. The Auction shall be conducted at the offices of Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178 (the "Auction Site") at 10:00 a.m. (prevailing Eastern time) on April 17, 2014 (the "Auction Date"), or such other place and time as the Debtors , after consultation with the Committee and the DIP Agent, shall notify all Qualified Bidders who have submitted Qualified Bids and expressed their intent to participate in the Auction as set forth above. The Auction may be attended be any parties in interest that provide notice of their intent to attend to the Debtors. If the Auction Date or Auction Site changes, the Debtors will inform all parties that have requested notice in the Chapter 11 Cases of such change. The change will also be posted on the website of the Debtors' claims and noticing agent, https://cases.primeclerk.com/ashleystewart. The Auction will be documented by a court reporter. Additionally, each Qualified Bidder shall be required to confirm that it has not engaged in any bad faith or collusion with respect to the bidding or the sale.

Except as otherwise provided herein, based upon the terms of the Qualified Bids received, the number of Qualified Bidders participating in the Auction, and such other information as the Debtors determine is relevant, the Debtors, in consultation with the Committee and the DIP Agent, may conduct the Auction in any manner that they determine will achieve the maximum value for the Assets. Only the Stalking Horse Bidder and the Qualified Bidders shall be entitled to submit any bids at the Auction. Bidding at the Auction shall be transcribed or videotaped. Bidding shall commence at the amount of the highest and/or best Qualified Bid submitted prior to the Auction. The Debtors thereafter, in consultation with the Committee and the DIP Agent, may offer the Assets in such successive rounds as the Debtors, in consultation with the Committee and the DIP Agent, determine to be appropriate so as to obtain the highest or otherwise best bid or combination of bids for the Assets. The Debtors, in consultation with the Committee and the DIP Agent, also may set opening bid amounts in each round of bidding as the Debtors determine to be appropriate. The Auction shall continue until there is an offer that the Debtors, after consultation with the Committee and the DIP Agent, determine to be the highest and best offer (s) submitted at the Auction from among the Qualified

Bidders.

If Qualified Bidders submit Qualified Bids, then the Debtors, in consultation with the Committee and the DIP Agent, shall (i) promptly following the Bid Deadline, review each Qualified Bid on the basis of the financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the Sale, and (ii) as soon as practicable after the conclusion of the Auction, identify the highest or otherwise best offer for the Assets (to the extent any such bid is acceptable to the Debtors, in consultation with the Committee and the DIP Agent, a "Prevailing Bid"). At the Sale Hearing, the Debtors, after consultation with the Committee and the DIP Agent, may present the Prevailing Bid to the Bankruptcy Court for approval. The Debtors reserve all rights not to submit any bid which is not acceptable to the Debtors for approval by the Bankruptcy Court. The Debtors acknowledge that the Stalking Horse Bid is acceptable to the Debtors and constitutes a Qualified Bid and shall be submitted to the Bankruptcy Court for approval in the event that there are no other Prevailing Bids. Except as otherwise provided herein or as restricted by the Purchase Agreement, the Debtors, in the exercise of their fiduciary duties, may adopt rules for bidding at the Auction that, in their business judgment, will better promote the goals of the bidding process, the Bankruptcy Code or any order of the Bankruptcy Court entered in connection herewith.

If no Qualified Bid is submitted by the Bid Deadline or all Qualified Bids that have been submitted have been withdrawn prior to the Bid Deadline or the Auction Date, then the Debtors shall cancel the Auction and accept the Stalking Horse Bid (in which case, the Prevailing Bid shall be the Stalking Horse Bid, and the Prevailing Bidder shall be the Stalking Horse Bidder).

Break-Up Fee

To provide an incentive and to compensate the Stalking Horse Bidder for performing the substantial due diligence and incurring the expenses necessary and entering into the Purchase Agreement with the knowledge and risk that arises from participating in the sale and subsequent bidding process, the Debtors have agreed to pay the Stalking Horse Bidder, under the conditions outlined in the Purchase Agreement, an Expense Reimbursement and Break-Up Fee.

Overbid Amount; Minimum Bid Increment

There shall be an overbid amount that a Qualified Bidder must bid to exceed the Stalking Horse Bid ("Overbid Amount"), and that amount shall have total consideration with a value equal to or greater than amount of $18,000,000 plus assumption of the Assumed Liabilities (as defined in the Purchase Agreement) on terms no less favorable, taken as a whole, than those set forth in the Purchase Agreement, plus the maximum Break-Up Fee, plus the maximum Expense Reimbursement, plus the initial overbid in the amount of $200,000 for all bids made by Qualified Bidders; provided that in no event shall such bid be for an amount that is less than the amount necessary to (1) pay in cash the amounts outstanding under the DIP Credit Facility, (2) pay in cash the amounts outstanding (if any) under the senior pre-petition credit facility, and (3) pay the Break Up Fee and the Expense Reimbursement. Subsequent bids shall not be less than $100,000 in total consideration in excess of the preceding bid subject to the Debtors' ability to adjust the bidding increments in accordance with the Bidding Procedures.

An overbid must comply with the conditions for a Qualified Bid as set forth above except that the Bid Deadline shall not apply. An overbid must remain open and binding on the Bidder unless and until the Debtors accept a higher overbid. To the extent not previously provided (as determined by the Debtors), a Qualified Bidder submitting an overbid (other than the Stalking Horse Bidder) must submit, as part of its overbid, evidence reasonably acceptable to the Debtors demonstrating such Qualified Bidder's ability to close all proposed transactions contemplated in and proposed by such overbid.

The Debtors shall announce at the Auction the material terms of each overbid, the basis for calculating the total consideration offered in each such overbid, and the resulting benefit to the Debtors' estates.

Acceptance of Qualified Bids

The Debtors shall sell the Assets to any Prevailing Bidder only upon the approval of a Prevailing Bid by the Bankruptcy Court after the Sale Hearing. The Debtors' presentation of a particular Qualified Bid to the Bankruptcy Court for approval does not constitute the Debtors' acceptance of the bid. The Debtors will be deemed to have accepted a bid only when the bid has been approved by the Bankruptcy Court at the Sale Hearing.

Return of Bid Deposit

The Bid Deposit of the Prevailing Bidder shall be applied to the Purchase Price. The Bid Deposit of the Back-up Bidder shall be held in an interest-bearing account until two (2) business days after the Closing of the transaction contemplated by the Prevailing Bid, and thereafter returned to the Back-up Bidder. Bid Deposits of all other Qualified Bidders shall be held in an interest-bearing escrow account until no later than two (2) business days after the Sale Hearing, and thereafter returned to the respective bidders.

Sale Hearing

A Sale Hearing is scheduled for April 22, 2014 (prevailing Eastern Time) in the Bankruptcy Court. Following the approval of the Sale of all or substantially all of the Assets to

any Prevailing Bidder at the Sale Hearing, if the Prevailing Bidder fails to consummate an approved Sale, the Debtors shall be authorized, but not required, to deem the next highest or otherwise best Qualified Bid (the "Back-Up Bid" and the party submitting the Back-Up Bid, the "Back-Up Bidder"), as disclosed at the Sale Hearing, the Prevailing Bid and the Debtors in consultation with the Committee and the DIP Agent shall be authorized, but not required, to consummate the sale with the Back-Up Bidder submitting such bid without further order of the Bankruptcy Court. The Back-Up Bid shall remain open until the first business day following the consummation of a Sale of the Assets to the Prevailing Bidder. Notwithstanding the foregoing, the Stalking Horse Bidder shall only be the Back-Up Bidder if: (i) the Stalking Horse Bidder submits a bid at the Auction in excess of the bid represented by the Purchase Agreement; and (ii) such bid is the next highest bid at the Auction. In such circumstance, the Stalking Horse Bidder shall be the Back-Up Bidder until the earlier of (A) 5:00 p.m. (prevailing Eastern time) on the date that is three (3) Business Days after the conclusion of the Auction or (B) the date of the consummation of a sale of all or substantially all of the Assets to a third party. If the Back-Up Bidder becomes the Prevailing Bidder, counterparties to Contracts and Leases shall have three (3) days from the announcement of Back-Up Bidder as the Prevailing Bidder to object to assumption and assignment of such Contracts and Leases by the Back-Up Bidder.

The Debtors, in the exercise of their business judgment, in consultation with the DIP Agent and the Committee, reserve their right to change the date of the Sale Hearing in order to achieve the maximum value for the Assets.

Modifications

The Debtors, in consultation with the Committee and the DIP Agent, may (a) determine which Qualified Bid, if any, is the highest or otherwise best offer; and (b) reject at any time before entry of an order of the Bankruptcy Court approving a Qualified Bid, any bid that is (i) inadequate or insufficient, (ii) not in conformity with the requirements of the Bankruptcy Code, the Bidding Procedures, or the terms and conditions of sale, or (iii) contrary to the best interests of the Debtors, their estates and creditors.

Miscellaneous

The Auction and Bid Procedures are solely for the benefit of the Debtors, the Debtors' estates, and the Stalking Horse Bidder and nothing contained in the Bidding Procedures Order or Bid Procedures shall create any rights in any other person or bidder (including without limitation rights as third party beneficiaries or otherwise) other than the rights expressly granted to a Prevailing Bidder under the Bidding Procedures Order.

Except as provided in the Bidding Procedures Order and Bidding Procedures, the Bankruptcy Court shall retain jurisdiction to hear and determine all matters arising from or relating to the implementation of the Bidding Procedures Order.

Exhibit 2 to Bidding Procedures Order

Stalking Horse Asset Purchase Agreement

EXECUTION COPY

ASSET PURCHASE AGREEMENT

BY AND AMONG

ASHLEY STEWART HOLDINGS, INC.

EACH OF THE SUBSIDIARIES OF ASHLEY STEWART HOLDINGS, INC.

LISTED ON SCHEDULE I

AND

BUTTERFLY ACQUISITION CO., INC.

DATED AS OF MARCH 28, 2014

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SCHEDULES

EXHIBITS

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is made and entered into as of March 28, 2014, by and among Ashley Stewart Holdings, Inc., a Delaware corporation (the "Seller") and each of the subsidiaries of Seller listed on Schedule I (together with Seller, the "Selling Entities"), and Butterfly Acquisition Co., Inc., a Delaware corporation (the "Buyer"). Each of the Selling Entities and Buyer are referred to herein as a "Party" and together as the "Parties."

RECITALS

WHEREAS, Buyer desires to purchase from the Selling Entities, directly and/or in Buyer's sole discretion, through one or more Buyer Designees, and the Selling Entities desire to sell to Buyer and/or such Buyer Designees, substantially all of the Selling Entities' assets, and Buyer desires to assume from the Selling Entities, directly and/or in Buyer's sole discretion, through one or more Buyer Designees, certain specified liabilities, in each case pursuant to the terms and subject to the conditions set forth herein, and further subject to any Final Orders in the Bankruptcy Case (each as defined herein);

WHEREAS, concurrently with the execution of this Agreement, and as a condition to the willingness of the Selling Entities to enter into this Agreement, Clearlake Capital Partners III (Master), LP, a Delaware limited partnership (the "Guarantor"), has entered into a Limited Guaranty (the "Limited Guaranty") in favor of the Selling Entities pursuant to which the Guarantor has guaranteed the payment obligations of Buyer under this Agreement in respect of the Deposit (as defined herein); and

WHEREAS, the terms of this Agreement will be subject to approval by the Bankruptcy Court and the Selling Entities will not be bound to consummate the transactions contemplated hereby until such approval is obtained.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1 Definitions. A defined term has its defined meaning throughout this Agreement and in each Exhibit and Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined. As used in this Agreement, the following terms have the meanings specified below:

"Accountant" has the meaning given to such term in Section 3.2(c)(iv).

"Accounts Receivable" means any and all (i) accounts receivable, notes receivable and other amounts receivable owed, or that may become owed, to the Selling Entities (whether current or non-current), including all Credit Card Receivables, together with all security or

collateral therefor and any interest or unpaid financing charges accrued thereon, including all Actions pertaining to the collection of amounts payable, or that may become payable, to the Selling Entities with respect to products sold or services performed on or prior to the Closing Date, (ii) construction allowances and other amounts due from landlords (including in respect of prior overcharges), (iii) rebate receivables from suppliers, (iv) insurance claims receivables (other than claims receivable under the Excluded Insurance Policies), (v) other amounts due to the Selling Entities which the Selling Entities have historically classified as accounts receivable in the consolidated balance sheet of Seller, and (vi) any claim, remedy or other right of the Selling Entities related to any of the foregoing.

"Acquired Assets" has the meaning given to such term in Section 2.1.

"Action" means any claim, as defined in the Bankruptcy Code, action, complaint, suit, litigation, arbitration, appeal, petition, inquiry, hearing, Legal Proceeding, investigation or other legal dispute, whether civil, criminal, administrative or otherwise, at law or in equity, by or before any Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, such specified Person. For purposes of this definition, "control" (and any similar term) means the power of one or more Persons to direct, or cause the direction of, the affairs of another Person by reason of ownership of voting stock or by contract or otherwise.

"Agreement" has the meaning given to such term in the Preamble hereto.

"Allocation" has the meaning given to such term in Section 2.7.

"Assumed Contracts" has the meaning given to such term in Section 2.1(e).

"Assumed Liabilities" has the meaning given to such term in Section 2.3.

"Assumed Real Property Leases" has the meaning given to such term in Section 2.1(f).

"Assumption Agreement" means one or more Assumption and Assignment Agreements, in a form reasonably acceptable to Buyer, and to be executed and delivered by Buyer or one or more Buyer Designees, and the Selling Entities at the Closing.

"Auction" has the meaning given to such term in Section 7.10(a).

"Back-up Bidder" has the meaning given to such term in Section 7.10(b)(iii).

"Bankruptcy Case" means the cases commenced by the Selling Entities under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court, presently jointly administered as *In re Ashley Stewart Holdings, Inc., et al.*, Case No. 14-14383 (MBK).

"Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of New Jersey or such other court having competent jurisdiction over the Bankruptcy Case.

"Bidding Procedures Order" means the order of the Bankruptcy Court, in a form acceptable to Buyer in all respects and in a form reasonably acceptable to the DIP Agent, approving, among other matters, (i) implementation in all material respects of the bidding procedures attached as Exhibit A, and (ii) payment of the Termination Fee in accordance in all material respects with Section 7.11.

"Bill of Sale" means one or more Bill of Sale and Assignment Agreements, in a form reasonably acceptable to Buyer, and to be executed and delivered by the Selling Entities to Buyer or one or more Buyer Designees at the Closing.

"Business" means the business conducted by Seller and the other Selling Entities prior to the date of this Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banks are required or authorized by Law to be closed in New York, New York.

"Buyer" has the meaning given to such term in the Preamble.

"Buyer Default Termination" has the meaning given to such term in Section 3.3(b).

"Buyer Designee" means one or more Affiliates of Buyer designated by Buyer in writing to Seller prior to the Closing; *provided*, *however*, that with respect to the designation of Real Property Leases, such Buyer Designee may be a non-Affiliate of Buyer.

"Cash" means cash and cash equivalents and restricted cash of the Selling Entities, including all petty cash, register cash, undeposited checks, cash in transit and marketable securities, as determined in accordance with GAAP.

"Claim" shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

"Closing" has the meaning given to such term in Section 4.1.

"Closing Date" has the meaning given to such term in Section 4.1.

"Closing Date Accounts Receivable Amount" has the meaning given to such term in Section 3.2(b).

"Closing Date Cost Value of the Inventory" has the meaning given to such term in Section 3.2(b).

"Closing Date Store-Level Cash Amount" has the meaning given to such term in Section 3.2(b).

"Closing Payment" has the meaning given to such term in Section 3.1(b).

"COBRA" means the federal Consolidated Omnibus Budget Reconciliation Act of 1985, and similar state, local and foreign laws related to group health plan continuation coverage for an individual who might otherwise lose coverage under a group health plan.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Official Committee of Unsecured Creditors appointed in the Bankruptcy Case.

"Confidentiality Agreement" means that certain Confidentiality and Non-Disclosure Agreement, dated as of January 14, 2014, by and between Duff & Phelps Securities, LLC, acting on behalf of Seller, and Clearlake Capital Group, LP.

"Consent" means any approval, consent, ratification, permission, waiver or authorization, or an order of the Bankruptcy Court that deems, or renders unnecessary, the same.

"Consumer Liabilities" means all Liabilities of the Selling Entities to the extent directly attributable to the returns of goods or merchandise, store or customer credits, gift cards and certificates, customer prepayments, layaway, customer loyalty programs, coupons, and customer refunds, in each case to the extent incurred in the ordinary course of business consistent with the customary policies and past practice of the Selling Entities, but shall not include any other liability to or in respect of customers, including, without limitation, any personal injury and tort and product liability.

"Continuing Facility" means a Store, warehouse, distribution center, corporate office, e-commerce-related facility or other facility of the Selling Entities that is located at the property that is the subject of an Assumed Real Property Lease (and that, for the avoidance of doubt, is not located on a property that is the subject of a Real Property Lease assigned to a Designated Purchaser in accordance with Section 2.6).

"Contract" means any lease, contract, deed, mortgage, license or other legally enforceable agreement or instrument.

"Cost Factor" means the inverse of the Initial Mark-up ("IMU") calculated based on the ending inventory in the seasonal stock ledger as of the Closing.

"Cost Factor Adjustment Amount" has the meaning given to such term in Section 3.2(a).

"Credit Card Deposits" means all deposits and holdbacks to secure chargebacks, offsets or otherwise, and all Cash and other property on deposit at the credit card processors to the Selling Entities.

"Credit Card Receivables" means all accounts receivables and other amounts owed to any of the Selling Entities (whether current or non-current) in connection with any customer purchases, returns or exchanges from any of the Selling Entities or Stores operated thereby that are made with credit cards or any other amounts owing (including all Credit Card Deposits) from the credit card processors to the Selling Entities, in each case which are not subject to offset,

chargeback or other reduction, and any claim, remedy or other right of the Selling Entities related to any of the foregoing.

"Cure Notice" has the meaning given to such term in Section 7.9(c).

"Cure Payments" has the meaning given to such term in Section 2.5(g).

"Cure Payments Cap" has the meaning given to such term in Section 2.3(a).

"Current Employees" means all employees of the Selling Entities employed as of immediately prior to the Closing, whether active or not (including those on short-term disability, leave of absence, paid or unpaid, or long-term disability).

"Damage or Destruction Loss" has the meaning given to such term in Section 7.14.

"Deposit" has the meaning given to such term in Section 3.3(a).

"Deposit Account" means the account, established under the Escrow Agreement, into which the Deposit shall be deposited by Buyer on or prior to the date hereof and disbursements from which shall be made by the Escrow Agent pursuant to this Agreement and the Escrow Agreement.

"Designated Purchaser" has the meaning given to such term in Section 2.6(a).

"Designated Purchaser Notice" has the meaning given to such term in Section 2.6(a).

"Designation Rights" has the meaning given to such term in Section 2.6(a).

"DIP Agent" means the "Agent" as such term is defined in the DIP Credit Agreement.

"DIP Credit Facility" means the Selling Entities' debtor-in-possession credit facility governed by that certain Debtor-in-Possession Credit Agreement, dated as of March 10, 2014 (the "DIP Credit Agreement"), among New Ashley Stewart, Inc., as the Lead Borrower, the Borrowers named therein, the Guarantors named there, Salus Capital Partners, LLC, as Administrative Agent and Collateral Agent, and the other Lenders party thereto (as amended, modified or supplemented).

"Dispute Notice" has the meaning given to such term in Section 3.2(c)(ii).

"Documentary Materials" has the meaning given to such term in Section 2.1(j).

"Encumbrances" means any charge, lien (statutory or otherwise), mortgage, lease, hypothecation, encumbrance, pledge, security interest, option, right of use, first offer or first refusal, easement, servitude, restrictive covenant, encroachment or similar restriction.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means any Person that, together with Seller or any of its Subsidiaries, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

"Escrow Agent" has the meaning given to such term in Section 3.3(a).

"Escrow Agreement" means an Escrow Agreement, in form and substance reasonably acceptable to Buyer, the Selling Entities, the DIP Agent and the Escrow Agent, which Escrow Agreement shall govern the Deposit Account.

"Estimated Accounts Receivable Adjustment Amount" has the meaning given to such term in Section 3.2(a).

"Estimated Closing Date Accounts Receivable Amount" has the meaning given to such term in Section 3.2(a).

"Estimated Closing Date Cost Factor" has the meaning given to such term in Section 3.2(a).

"Estimated Closing Date Cost Value of the Inventory" has the meaning given to such term in Section 3.2(a).

"Estimated Closing Date Store-Level Cash Amount" has the meaning given to such term in Section 3.2(a).

"Estimated Inventory Adjustment Amount" has the meaning given to such term in Section 3.2(a).

"Estimated Store-Level Cash Adjustment Amount" has the meaning given to such term in Section 3.2(a).

"Excluded Assets" has the meaning given to such term in Section 2.2.

"Excluded Claims" has the meaning given to such term in Section 2.2(k).

"Excluded Employees" has the meaning given to such term in Section 7.7(b).

"Excluded Insurance Policies" means those insurance policies of the Selling Entities listed on Schedule 1.1(b), all director and officer, fiduciary, employment practices and similar insurance policies maintained by or on behalf of any Selling Entity, all insurance policies to the extent sponsored, maintained by, contributed to or required to be contributed to as a Seller Benefit Plan by any Selling Entity, any Subsidiary of any Selling Entity or any of its or their ERISA Affiliates, and any other insurance policies of the Selling Entities that are not designated as Assumed Contracts pursuant to Section 2.5.

"Excluded Liabilities" has the meaning given to such term in Section 2.4.

"Existing Store Closing Sales" means (i) those Store Closing Sales and closings identified in Exhibit A to the Store Closing Sale Motion filed with the Bankruptcy Court by the Selling Entities on March 10, 2014 and (ii) those Store Closing Sales and closings identified in Annex 2 to the Notice of Amendment to Consulting Agreement to Conduct Store Closing Sales

at Additional Store Locations and Reject Leases Related Thereto filed with the Bankruptcy Court by the Selling Entities on March 21, 2014.

"Factor Deposits" means all Cash and other property of the Selling Entities on deposit with factoring agents for Inventory.

"Final Calculations" has the meaning given to such term in Section 3.2(c)(iv).

"Final Order" means the final unappealable Bankruptcy Order and all other final unappealable Orders and approvals of the Bankruptcy Court necessary or advisable for (i) the performance of this Agreement and (ii) the consummation of the transactions contemplated hereby, that, in each case, have been finally entered or given, as applicable, and with respect to which, the applicable periods for the filing of a notice of appeal therefrom or motion to amend, modify, or reconsider has passed without the timely filing of such a notice or motion, or such appeal or motion has been finally resolved.

"Former Employees" means all individuals who have been employed by the Selling Entities (or any of their predecessors) who are not Current Employees.

"GAAP" means generally accepted accounting principles currently in effect in the United States.

"Governmental Authority" means any federal, municipal, state, provincial, local or foreign governmental, administrative or regulatory authority, department, agency, commission or body (including any court or similar tribunal).

"Governmental Authorization" means any permit, license, certificate, approval, consent, permission, clearance, designation, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law.

"Guarantor" has the meaning given to such term in the Recitals.

"Indebtedness" of any Person means, without duplication, (i) the principal of and premium (if any) in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable, (ii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable for goods and services and other accrued current liabilities arising in the ordinary course of business), (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP, (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (v) the liquidation value of all redeemable preferred stock of such Person, (vi) all obligations of the type referred to in clauses (i) through (v) of any Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations, and (vii) all obligations of the type referred to in clauses (i)

through (vi) of other Persons secured by any lien on any property or asset of such Person (whether or not such obligation is assumed by such Person).

"Intellectual Property" means all rights, title and interest in or relating to intellectual property of any type, which may exist or be created under the Laws of any jurisdiction in the world, including: (i) rights associated with works of authorship, including exclusive exploitation rights, mask work rights, copyrights, database and design rights, whether or not registered or published, all registrations and recordations thereof and applications in connection therewith, along with all extensions and renewals thereof, (ii) trademarks, service marks, trade names, service names, brand names, including the name "Ashley Stewart", trade dress rights, logos, corporate names, trade styles, logos and other source or business identifiers and general intangibles of a like nature, along with applications, registrations, renewals and extensions thereof, (iii) trade secrets, (iv) patents and applications therefore, including all continuations, divisionals, and continuations-in-part thereof and patents issuing thereon, along with all reissues, reexaminations and extensions thereof, (v) all internet domain names, and (vi) all other intellectual property rights arising from or relating to Technology.

"Inventory" means all inventory (including raw materials, products in-process and finished products) owned by any of the Selling Entities, whether in transit to or from the Selling Entities and whether in the possession or under the control of any of the Selling Entities or any third party bailees, including, without limitation, all Merchandise.

"IP Assignment Agreement" means one or more Intellectual Property Assignment Agreements, in a form reasonably acceptable to Buyer, and to be executed and delivered by Seller to Buyer or one or more Buyer Designees at the Closing.

"Knowledge" means, as to a particular matter, the actual knowledge, after due inquiry, of (a) with respect to Buyer, Steve Chang, and (b) with respect to any Selling Entity, James C. Rhee, Interim President and Interim Chief Financial Officer of Seller, Michael Abate, Vice President Finance and Treasurer of Seller, David Nguyen, Director of Planning of Seller, and Kristen Gaskins, Chief Merchandising Officer of Seller, Sabir Semerkant, Vice President E-commerce, and George Hristodoulou, Director Financial Planning, Construction, RE & Store Operations.

"Law" means any federal, state, provincial, local, municipal, foreign or other law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, edict, decree, proclamation, treaty, convention, rule, regulation, ruling, directive, pronouncement, requirement, determination, decision or opinion of any Governmental Authority.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits or legal proceedings (public or private) by or before a Governmental Authority.

"Liability" means any debt, obligation or liability of any nature, whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due.

"Licensed Intellectual Property" means all Intellectual Property and Technology licensed to the Selling Entities by third parties pursuant to the Assumed Contracts.

"Limited Guaranty" has the meaning given to such term in the Recitals hereto.

"Material Adverse Effect" means any event, occurrence, fact, condition or change that is or, with the passage of time, could reasonably be expected to be, materially adverse to (a) the business, results of operations, condition or assets of the Selling Entities, (b) the value of the Acquired Assets, taken as a whole, or (c) the ability of the Selling Entities to consummate the transactions contemplated hereby; *provided*, *however*, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) Existing Store Closing Sales; (ii) matters provided for in the Approved Budget (as defined in the DIP Credit Agreement), which is attached hereto as Exhibit A; (iii) the filing of the Petitions or any event, occurrence, fact, condition or change arising solely out of or attributable to the filing or the continuation of the filing of the Petitions; (iv) general economic or business conditions; (v) conditions generally affecting the industries in which the Selling Entities operate; (vi) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (vii) any changes in applicable Laws or accounting rules (including GAAP) or the enforcement or implementation thereof; (viii) any natural or man-made disaster or acts of God; or (ix) any failure by the Selling Entities to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded) (in the case of each of clauses (iv)-(ix), other than to the extent any such change or event had or has or, with the passage of time, could reasonably be expected to have a disproportionate effect on the Selling Entities or the Acquired Assets, taken as a whole, relative to other industry participants).

"Merchandise" means Inventory that is salable in the ordinary course of business.

"Minimum Aggregate Amount of Accounts Receivable" means a minimum aggregate value of all Accounts Receivable of the Selling Entities of $600,000 on the Closing Date.

"Minimum Aggregate Cost Value of the Inventory" means a minimum aggregate cost value (as defined as Seller's perpetual inventory at cost and in-transit inventory) of Merchandise of $11,116,054.83 on the Closing Date.

"Minimum Cost Factor Amount" means a Cost Factor of 34.50% on the Closing Date.

"Modified APA" has the meaning given to such term in Section 7.10(b)(i)(B).

"Motions" has the meaning given to such term in Section 7.9(a).

"Necessary Consent" has the meaning given to such term in Section 2.8.

"Non-Real Property Contracts" means the Contracts to which any Selling Entity is a party other than the Real Property Leases.

"Offeree" has the meaning given to such term in Section 7.7(a).

"Operational Expenses" means to the extent incurred in the ordinary course of business, the following operating costs and expenses of the Selling Entities: occupancy expenses,

employee wage and salary expenses and Liabilities arising under Seller Benefit Plans (subject to Section 7.7(d)), costs and expenses associated with any Real Property Lease, including, but not limited to, rent, ground lease rent, common area maintenance, utilities, real estate taxes, insurance, security, and other actual out-of-pocket costs.

"Option Notice" has the meaning given to such term in Section 2.5(d).

"Option Period" has the meaning given to such term in Section 2.5(b).

"Option Rights" has the meaning given to such term in Section 2.5(b).

"Order" means any order, writ, judgment, injunction, decree, rule, ruling, directive, determination or award made, issued or entered by or with any Governmental Authority, whether preliminary, interlocutory or final, including any Order entered by the Bankruptcy Court in the Bankruptcy Case (including the Sale Order).

"Outside Back-up Date" has the meaning given to such term in Section 7.10(b)(iii).

"Outside Date" has the meaning given to such term in Section 9.1(g).

"Party" or "Parties" has the meaning given to such term in the Preamble hereto.

"PBGC" has the meaning given to such term in Section 5.8(c).

"Permits" means all franchises, permits, certificates, clearances, approvals, exceptions, variances and authorizations of or with any Governmental Authority held, used by, or made by any of the Selling Entities in connection with the ownership, operation and/or management of the Acquired Assets, and all pending applications therefor.

"Permitted Encumbrances" means: (i) statutory liens for Taxes not yet due and payable, (ii) immaterial statutory liens and rights of set-off of carriers, warehousemen, mechanics, repairmen, workmen, customs brokers or agencies, suppliers and materialmen, in each case, incurred in the ordinary course of business, (iii) easements, rights of way, zoning ordinances and other similar Encumbrances affecting real property which, individually or in the aggregate, do not materially impair the current use by the Selling Entities of the real property subject thereto, or the value thereof, (iv) immaterial statutory liens creating a security interest in favor of landlords with respect to property of the Selling Entities, (v) Encumbrances set forth in the Assumed Contracts or the Assumed Real Property Leases, (vi) Encumbrances solely affecting the landlords' or ground lessors' underlying interest in any of the Real Property Leases and/or the underlying interests in land from time to time which, individually or in the aggregate, do not materially impair the current use by the Selling Entities thereof, or the value thereof and (vii) Encumbrances described on Schedule 1.1(c) to the extent such Encumbrances relate to Acquired Assets that are the subject of Assumed Contracts.

"Person" means any individual, corporation, partnership, limited partnership, limited liability company, syndicate, group, trust, association or other organization or entity or Governmental Authority. References to any Person include such Person's successors and permitted assigns.

"Petitions" means the voluntary petition or petitions under Chapter 11 of the Bankruptcy Code that were filed by the Selling Entities with the Bankruptcy Court.

"Petition Date" means the date on which the Selling Entities first filed the Petitions.

"Pre-Closing Rejection Notice" has the meaning given to such term in Section 2.5(a).

"Pre-Petition Credit Facility" means the Selling Entities' credit facility governed by the Pre-Petition Credit Agreement (as defined in the DIP Credit Agreement).

"Professional Services" has the meaning given to such term in Section 2.4(b).

"Purchase Price" has the meaning given to such term in Section 3.1(a).

"Qualified Bidder" has the meaning given to such term in Section 7.10(b)(i).

"Real Property Leases" means all leases, subleases and other occupancy Contracts with respect to real property to which any Selling Entity is a party, and which is described on Schedule 1.1(d).

"Registered IP" means all Seller IP that, as of the date of this Agreement, is registered, filed or issued under the authority of, with or by any Governmental Authority, including all patents, registered copyrights, registered mask works and registered trademarks and all applications for any of the foregoing.

"Rejected Real Property Leases" has the meaning given to such term in Section 2.5(a).

"Rejected Store" has the meaning given to such term in Section 2.5(a).

"Rejection Effective Date" means, with respect to each rejected Real Property Lease, the date designated by the Bankruptcy Court as the effective date for the rejection of such Real Property Lease.

"Rejection Procedures Motion" means the Selling Entities' Motion for Entry of an Order Approving Procedures for the Rejection of Executory Contracts and Unexpired Leases and the Abandonment of Related Personal Property [Docket No. 98].

"Representatives" means, with respect to a particular Person, any director, officer, employee or other authorized representative of such Person or its Subsidiaries, including such Person's attorneys, accountants, financial advisors and restructuring advisors.

"Review Period" has the meaning given to such term in Section 3.2(c)(ii).

"Sale Motion" means one or more motions and notices that may be filed by the Selling Entities and served on creditors and parties in interest, in accordance with the Bidding Procedures Order, other orders of the Bankruptcy Court, the Federal Rules of Bankruptcy Procedures and Local Rules, which motion(s) would seek authority from the Bankruptcy Court for the Selling Entities to enter into this Agreement and consummate the transactions

contemplated by this Agreement, which shall be acceptable to the Buyer in all respects and reasonably acceptable to the DIP Agent.

"Sale Order" has the meaning given to such term in Section 8.1(b).

"Seller" has the meaning given to such term in the Preamble hereto.

"Seller Benefit Plan" means any employment, consulting, severance, termination, retirement, profit sharing, bonus, incentive or deferred compensation, retention or change in control agreement, equity or equity-based compensation, stock purchase, severance pay, defined benefit pension, defined contribution pension, savings, retirement, individual account-based savings, supplemental executive retirement, sick or other leave, life, health, salary continuation, disability, hospitalization, accident, medical, insurance, vacation, paid time off, long term care, or other employee compensation or benefit plan, program, arrangement, policy, agreement, fund or commitment (including any "employee benefit plan" as defined in Section 3(3) of ERISA), sponsored, entered into, maintained by, contributed to or required to be contributed to by Seller, any Subsidiary of Seller or any of its or their ERISA Affiliates, or with respect to which Seller, any Subsidiary of Seller or any of its or their ERISA Affiliates has or may in the future have any liability (contingent or otherwise).

"Seller Credit Facilities" means the Pre-Petition Credit Facility, to the extent outstanding as of the Closing Date, and the DIP Credit Facility.

"Seller Credit Facilities Amount" has the meaning given to such term in Section 4.2(g).

"Seller Disclosure Schedule" means the disclosure schedule delivered by Seller to Buyer concurrently with the execution and delivery of this Agreement.

"Seller Financial Statements" has the meaning given to such term in Section 5.7(a).

"Seller IP" means all rights, title and interest in and to the Intellectual Property and the Technology owned by or licensed to any Selling Entity in connection with the ownership, operation and/or management of the Business and any and all corresponding rights that, now or hereafter, may be secured throughout the world.

"Seller Properties" has the meaning given to such term in Section 5.13(b).

"Selling Entities" has the meaning given to such term in the Preamble hereto.

"Store" means a store operated by the Selling Entities.

"Store Closing Sales" means any "going out of business", "store closing" or similar theme sales conducted at any Stores or other facilities of the Selling Entities, pursuant to which any Selling Entity or its designated agents may sell all or any portion of the Inventory.

"Store-Level Cash" means all cash located at the Stores as of the Closing, other than at the Rejected Stores, which shall be on average $800 per Store.

"Subsidiary" means, with respect to any Person, (a) any corporation or similar entity of which at least 50% of the securities or interests having, by their terms, ordinary voting power to elect members of the board of directors, or other persons performing similar functions with respect to such corporation or similar entity, is held, directly or indirectly by such Person, and (b) any partnership, limited liability company or similar entity of which (i) such Person is a general partner or managing member or (ii) such Person possesses a 50% or greater interest in the total capitalization or total income of such partnership, limited liability company or similar entity.

"Subsequent Closing" has the meaning given to such term in Section 2.5(e).

"Successful Bid" has the meaning given to such term in Section 7.10(b)(ii)(G).

"Successful Bidder" has the meaning given to such term in Section 7.10(b)(ii)(G).

"Supplemental Sales Orders" has the meaning given to such term in Section 2.5(e).

"Tax" means all federal, state, provincial, local or foreign taxes (including any income tax, franchise tax, service tax, capital gains tax, capital tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, profits tax, inventory tax, capital stock tax, license tax, withholding tax, payroll tax, employment tax, social security tax, unemployment tax, employer health tax, severance tax or occupation tax), escheat and abandoned property tax, levies, assessments, tariffs, duties (including any customs duties), deficiencies or fees (including any fine, addition, penalty or interest), imposed, assessed or collected by or under the authority of any Governmental Authority, including any liability for the foregoing as a transferee or successor under applicable Law.

"Tax Reimbursement" has the meaning given to such term in Section 7.8(b).

"Tax Return" means any return, report, information return or other document (including any related or supporting information) supplied or required to be supplied to any Governmental Authority with respect to Taxes.

"Technology" means, collectively, all algorithms, APIs, designs, net lists, data, databases, data collections, diagrams, inventions (whether or not patentable), know-how, methods, processes, proprietary information, protocols, schematics, specifications, tools, systems, servers, hardware, computers, point of sale equipment, inventory management equipment, software, software code (in any form, including source code and executable or object code), subroutines, techniques, user interfaces, URLs, web sites, works of authorship and other similar materials, including all documentation related to any of the foregoing, including instruction manuals, laboratory notebooks, prototypes, samples, studies and summaries, whether or not embodied in any tangible form and whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in, displayed by or relate to, or are used in connection with the foregoing.

"Termination Payment" has the meaning given to such term in Section 7.11(a).

"Termination Payment Date" has the meaning given to such term in Section 7.11(a).

"Third Party" has the meaning given to such term in Section 7.11(a).

"Third-Party Sale" has the meaning given to such term in Section 7.11(a).

"Third-Party Sale Escrow Account" has the meaning given to such term in Section 7.11(a).

"Transaction Documents" means this Agreement (including the Seller Disclosure Schedules delivered herewith), the Assumption Agreement, the Bill of Sale and Assignment Agreement, the Limited Guaranty, the Escrow Agreement and any other Contract to be entered into by the Parties and/or one or more Buyer Designees, as applicable, in connection with the Closing.

"Transfer Taxes" has the meaning given to such term in Section 7.8(a).

"Transferred Employees" has the meaning given to such term in Section 7.7(a).

"Transition Period" has the meaning given to such term in Section 7.23.

"Transition Services Agreement" has the meaning given to such term in Section 7.23.

"Undesignated Asset" has the meaning given to such term in Section 2.5(c)(v).

"WARN Act" means the federal Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101, *et seq*. (1988) and any similar Laws, including Laws of any state, country or other locality that is applicable to a termination of employees.

Section 1.2 Construction. The terms "hereby," "hereto," "hereunder" and any similar terms as used in this Agreement refer to this Agreement in its entirety and not only to the particular portion of this Agreement where the term is used. The terms "including," "includes" or similar terms when used herein shall mean "including, without limitation." The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms, and the masculine gender shall include the feminine and neuter genders, and vice versa, as the context shall require. Any reference to any federal, state, provincial, local or foreign statute or Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Unless otherwise indicated, references to (a) Articles, Sections, Schedules and Exhibits refer to Articles, Sections, Schedules and Exhibits of and to this Agreement and (b) references to $ (dollars) are to United States Dollars.

ARTICLE 2
PURCHASE AND SALE

Section 2.1 Purchase and Sale of Assets. Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, at the Closing, the Selling Entities shall sell, assign, convey, transfer and deliver to Buyer and/or one or more Buyer Designees, and Buyer and/or such Buyer Designees shall, by Buyer's and/or such Buyer Designees' payment of the Purchase Price, purchase and acquire from the Selling Entities, all of the Selling Entities' right, title and interest, free and clear of all Encumbrances (other than Permitted Encumbrances),

in and to all of the properties, rights, interests and other tangible and intangible assets of the Selling Entities (wherever located and whether or not required to be reflected on a balance sheet prepared in accordance with GAAP), including any assets acquired by the Selling Entities after the date hereof but prior to the Closing (collectively, the "Acquired Assets"); *provided, however,* that the Acquired Assets shall not include any Excluded Assets. Without limiting the generality of the foregoing, the Acquired Assets shall include the following (except to the extent listed or otherwise included as an Excluded Asset):

(a) all Store-Level Cash of the Selling Entities as of the Closing;

(b) all Accounts Receivable of the Selling Entities as of the Closing;

(c) all Inventory, supplies and materials of the Selling Entities as of the Closing, including all rights of the Selling Entities to receive such Inventory, supplies and materials which are on order as of the Closing;

(d) without duplication of the above, all restricted cash deposits of the Selling Entities held by any party and relating to the Acquired Assets (other than Factor Deposits, except as provided in Section 7.18(c)), all Credit Card Deposits, all royalties, advances, prepaid assets (excluding prepaid income Taxes or Taxes that Seller is responsible for hereunder), security and other deposits, prepayments and other current assets of the Selling Entities as of the Closing relating to the Acquired Assets (but excluding all interests in the Excluded Insurance Policies and all of the foregoing relating to the Excluded Assets, including Contracts that are not Assumed Contracts or Assumed Real Property Leases), including but not limited to (i) prepaid expenses and deposits attributable to any open purchase orders and Inventory (other than Factor Deposits, except as provided in Section 7.18(c)), (ii) prepaid charges and deposits in respect of telephone, electricity, water and sewer and other utilities provided to the real property leased under the Assumed Real Property Leases, (iii) prepaid common area maintenance expenses relating to the real property leased under the Assumed Real Property Leases, to the extent in respect of periods on or after the Closing Date, and (iv) ordinary holdbacks (including ordinary credit card holdback payments or protection reserves);

(e) the Non-Real Property Contracts to be assumed and assigned to Buyer and/or one or more Buyer Designees pursuant to Section 2.5 (the "Assumed Contracts"); provided that with respect to insurance policies of the Selling Entities, such insurance policies may only be Assumed Contracts to the fullest extent permitted by Law;

(f) the Real Property Leases to be assumed and assigned to Buyer and/or one or more Buyer Designees pursuant to Section 2.5 (the "Assumed Real Property Leases");

(g) all Seller IP, including, without limitation, that listed on Schedule 2.1(g);

(h) all purchase orders entered into in the ordinary course of business consistent with past practice with suppliers that are open as of the Closing Date and that are for the purchase of Inventory;

(i) all items of machinery, equipment, supplies, furniture, fixtures, leasehold improvements (to the extent of the Selling Entities' rights to any leasehold improvements under

the Assumed Real Property Leases) and other tangible personal property and fixed assets owned by the Selling Entities as of the Closing, together with all rights of the Selling Entities under warranties and licenses received in connection therewith;

(j) all books, records, information, files, data and plans (whether written, electronic or in any other medium), advertising and promotional materials and similar items of the Selling Entities as of the Closing (except as otherwise described in Section 2.2), including customer and supplier lists, mailing lists, sales and promotional literature, other sales-related materials related to the Acquired Assets, and, to the extent not prohibited under applicable Law, all files and data related to the Transferred Employees (collectively, the "Documentary Materials"), in each case subject to Section 7.8(c);

(k) all claims (including claims for past infringement or misappropriation of Seller IP) and causes of action (other than, in each case, to the extent related solely to the Excluded Assets) of the Selling Entities as of the Closing (regardless of whether or not such claims and causes of action have been asserted by the Selling Entities), including all claims and causes of action that any of the Selling Entities may have under Chapter 5 of the Bankruptcy Code; *provided*, *however*, that with respect to claims and causes of action arising under Section 547 of the Bankruptcy Code, Buyer and Buyer Designees agree that they shall not prosecute or assert any such claim or cause of action against such Person for any reason whatsoever, other than to respond to or in defense of claims against Buyer, or sell, transfer or convey any such claim or cause of action to any other Person;

(l) all goodwill associated with the Business or the Acquired Assets, including all goodwill associated with Seller IP and all rights under any confidentiality agreements executed by any third party for the benefit of any of the Selling Entities to the extent relating to the Acquired Assets;

(m) all rights of the Selling Entities under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with Current Employees, Former Employees or current or former directors, consultants, independent contractors and agents of any of the Selling Entities or any of their Affiliates or with third parties to the extent primarily relating to the Acquired Assets (or any portion thereof);

(n) all of the Permits related to the Acquired Assets, to the extent such Permits may be assigned to Buyer;

(o) the amount of, and all rights to any, insurance claims made, or insurance proceeds received, by or on behalf of any of the Selling Entities in respect of (i) the loss, destruction or condemnation of any Acquired Assets or (ii) any Assumed Liabilities;

(p) any rights, demands, claims, credits, allowances, rebates (including any vendor or supplier rebates), and rights of setoff (other than against the Selling Entities) arising out of or relating to any of the Acquired Assets as of the Closing (but excluding all interests in the Excluded Insurance Policies);

(q) all prepaid and deferred items (including prepaid real property Tax but excluding prepaid income Taxes) that relate to the Acquired Assets as of the Closing, including

all prepaid rentals and unbilled charges, fees and deposits (but excluding all interests in the Excluded Insurance Policies and Factor Deposits, except as provided in Section 7.18(c));

(r) all rights of the Selling Entities' in and to (i) the company headquarters location located at the address of the Selling Entities provided in Section 11.3(a) and (ii) all warehouse and distribution facilities of the Selling Entities; and

(s) all other assets to which the Selling Entities have any right, title or interest that are used in connection with or are necessary for the ownership, operation and/or management of the Acquired Assets, the Business and the Stores governed under the Assumed Real Property Leases.

Section 2.2 Excluded Assets. Notwithstanding any provision herein to the contrary, the Acquired Assets shall not include the following (collectively, the "Excluded Assets"):

(a) all Cash other than Store-Level Cash and Cash that is included within Credit Card Deposits;

(b) all Excluded Insurance Policies and all interests therein and all deposits, prepayments, advances and security relating solely thereto, and all rights and benefits of any of the Selling Entities of any nature with respect solely thereto, including all interests in any bonds maintained under Section 412 of ERISA and in any insurance policies relating to Seller Benefit Plans, and all royalties, advances, prepaid assets, security and other deposits, prepayments and other current assets of the Selling Entities as of the Closing relating solely to Contracts that are not Assumed Contracts or Assumed Real Property Leases;

(c) all intercompany obligations and other amounts receivable of any Selling Entity owed to it by any other Selling Entity;

(d) any confidential records, documents or other information relating to Excluded Employees, and any materials containing information about any Excluded Employee or Transferred Employee, to the extent disclosure of which to Buyer would violate applicable Law;

(e) the Selling Entities' (i) minute books and other corporate books and records relating to their organization and existence, including the Selling Entities' stock records and corporate seal, and the Selling Entities' books and records relating to Taxes of the Selling Entities, including Tax Returns filed by or with respect to the Selling Entities, (ii) records which any of the Selling Entities' are required to retain by applicable Law, and (iii) books, records, information, files, data and plans (whether written, electronic or in any other medium), advertising and promotional materials and similar items relating to any Excluded Assets or Excluded Liabilities; *provided, however,* that Buyer shall have the right to make copies of any portions of such books and records related to the Acquired Assets in accordance with Section 7.2(b);

(f) the Selling Entities' rights under this Agreement and the other Transaction Documents, and all consideration payable or deliverable to the Selling Entities pursuant to the terms and provisions hereof;

(g) any Contracts of any Selling Entities (including employment Contracts), other than the Assumed Contracts and the Assumed Real Property Leases, together with all prepaid assets relating solely to Contracts other than the Assumed Contracts and the Assumed Real Property Leases;

(h) any shares of capital stock or other equity interests of any of the Selling Entities, or any securities convertible into, exchangeable or exercisable for shares of capital stock or other equity interests of any of the Selling Entities;

(i) any prepaid income Tax, Tax receivable, Tax refund or Tax rebate of a Selling Entity with respect to any period ending on or prior to the Closing, other than those relating to any Acquired Asset;

(j) any Seller Benefit Plan or any right, title or interest in any assets of or relating thereto, or any assets relating to Excluded Liabilities described in Section 2.4(c) through (e);

(k) all rights, claims and causes of action, including rights of indemnity, warranty rights, rights of contribution, rights to refunds, rights of reimbursement and other rights of recovery, including rights to insurance proceeds, of the Selling Entities (regardless of whether such rights are currently exercisable), to the extent solely related to the Excluded Assets or Excluded Liabilities (collectively, the "Excluded Claims");

(l) subject to Section 7.18(c), all Factor Deposits; and

(m) all bank and deposit accounts, other than those included in the Acquired Assets.

Section 2.3 Assumed Liabilities. At the Closing, Buyer and/or one or more Buyer Designees shall execute and deliver to the Selling Entities the Assumption Agreement pursuant to which Buyer and/or such Buyer Designees shall assume and agree to pay, perform and discharge when due the Assumed Liabilities. For purposes of this Agreement, "Assumed Liabilities" means only the following Liabilities (to the extent not paid prior to the Closing):

(a) all Cure Payments, up to an aggregate amount not to exceed three million dollars ($3,000,000) (the "Cure Payments Cap"), required to be paid in respect of the Assumed Contracts and the Assumed Real Property Leases;

(b) the Liabilities arising solely and directly under the Assumed Contracts and the Assumed Real Property Leases from and after the Closing Date and, subject to the other terms and conditions of this Agreement, Buyer shall, or shall cause any applicable Buyer Designee to, from and after the Closing Date, satisfy and perform all such Liabilities when the same are due thereunder;

(c) the Liabilities of the Selling Entities under purchase orders entered into in the ordinary course of business consistent with past practice with suppliers that are open as of the Closing Date and that are for the purchase of Inventory;

(d) the Liabilities solely to the extent expressly assumed by Buyer pursuant to Section 7.7;

(e) all Taxes to the extent expressly payable by Buyer pursuant to Section 7.8;

(f) all Consumer Liabilities, other than Liabilities arising under any escheatment, abandoned property or similar Law; and

(g) those Liabilities expressly set forth on Schedule 2.3(h).

Section 2.4 Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, the parties expressly acknowledge and agree that neither Buyer nor any Buyer Designee shall assume, be obligated to pay, perform or otherwise discharge or in any other manner be liable or responsible for any Liabilities of the Selling Entities, whether existing on the Closing Date or arising thereafter as a result of any act, omission or circumstances taking place prior to the Closing, other than the Assumed Liabilities (all such Liabilities that neither Buyer or any Buyer Designee is expressly assuming under Section 2.3 being referred to collectively as the "Excluded Liabilities"). Without limiting the foregoing, Buyer shall not be obligated to assume, does not assume, and hereby disclaims all the Excluded Liabilities, including the following Liabilities of any of the Selling Entities or of any predecessor of any of the Selling Entities, whether incurred or accrued before or after the Petition Date or the Closing:

(a) all Taxes of the Selling Entities, including Taxes imposed on the Selling Entities under Treasury Regulations Section 1.1502-6 and similar provisions of state, local or foreign Tax Law, including all sales Taxes collected by the Selling Entities in connection with the pre-Closing operation of the Business, other than Transfer Taxes and other Taxes payable by Buyer pursuant to Section 7.8(b);

(b) all Liabilities of the Selling Entities relating to legal services, accounting services, financial advisory services, investment banking services or any other professional services ("Professional Services") performed in connection with this Agreement and any of the transactions contemplated, hereby, and any pre-Petition or post-Petition Claims for such Professional Services;

(c) except to the extent expressly assumed by Buyer pursuant to Section 7.7, all Liabilities arising out of, relating to, or with respect to any Seller Benefit Plan, subject to ERISA or otherwise (including any Liabilities related to any Seller Benefit Plan which is an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is subject to Section 302 or Title IV of ERISA or Code Section 412), irrespective of whether such Liabilities are incurred, recognized, paid or made, as applicable, on, before or after Closing;

(d) except to the extent expressly assumed by Buyer pursuant to Section 7.7, all Liabilities or claims arising out of, relating to or with respect to (i) the employment or performance of services for, or termination of employment or services for, or potential employment or engagement for the performance of services for, any of the Selling Entities (or any predecessor) of any individual Person (including the Transferred Employees) or any Person acting as a professional employer organization, employee leasing company or providing similar services on or prior to the Closing (including as a result of the transactions contemplated by this

Agreement), including Liabilities or claims for workers' compensation, overtime, severance (including statutory severance), separation, termination, or notice pay or benefits (including under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended and Section 4980B of the Code), Liabilities of the Selling Entities pursuant to the WARN Act (and Seller shall cause to be filed and delivered all notices in respect thereof) as a result of any transaction contemplated by this Agreement, or any form of accrued or contingent compensation (including leave entitlements), or (ii) any Seller Benefit Plan, irrespective in each case of whether such Liabilities or claims are incurred, recognized, paid or made, as applicable, on, before or after Closing;

(e) all Liabilities with respect to any Excluded Employee or Former Employee with respect to any period;

(f) all Liabilities relating to Excluded Assets;

(g) all accounts payable and other amounts payable of any Selling Entity owed by it to any other Selling Entity;

(h) all Liabilities of the Selling Entities in respect of the Business or the Acquired Assets arising as a result of any Action initiated at any time, to the extent in any way related to matters or circumstances occurring or existing prior to the Closing;

(i) all Liabilities of the Selling Entities in respect of Indebtedness;

(j) all Liabilities arising in connection with any violation of any applicable Law or Order relating to the period prior to the Closing by any of the Selling Entities;

(k) any Liabilities arising under any escheatment, abandoned property or similar Law with respect to the Assumed Liabilities or which otherwise remain with any Selling Entity;

(l) all Cure Payments in excess of the Cure Payments Cap in respect of any Assumed Contract or Assumed Real Property Lease, and all Cure Payments in respect of any other Contract or Real Property Lease;

(m) all Liabilities of the Selling Entities pursuant to the WARN Act (and the Selling Entities shall cause to be filed and delivered notices in respect thereof), or in connection with any pre-Closing non-compliance of the Selling Entities or the Business with (and claims that have been or may be made thereagainst under any pending Action in connection with) any Laws relating to wages, hours, pay equity, employment equity, conditions of employment, employment standards, human rights, employee privacy, collective bargaining, discrimination, civil rights, safety and health, workers' compensation and the collection and payment of withholding Taxes and/or social security Taxes and contributions and any similar Tax or contribution; and

(n) any other Liability of the Selling Entities that is not expressly included among the Assumed Liabilities.

Section 2.5 Pre-Closing Rejection; Option Rights; Exclusion of Certain Acquired Assets.

(a) Not later than five (5) Business Days prior to the Closing Date, and subject to the limitation set forth in the last sentence of Section 2.5(b) below, Buyer may deliver to Seller a written notice (the "Pre-Closing Rejection Notice") identifying certain Real Property Leases (the "Rejected Real Property Leases") that will not become Assumed Real Property Leases. Each Rejected Real Property Lease shall automatically become an Excluded Asset and thereby be excluded from the Acquired Assets. With respect to each Store located at the property that is the subject of a Rejected Real Property Lease (each, a "Rejected Store"), the Selling Entities shall, at their sole cost and expense and at their risk of loss, within two (2) Business Days following the Closing Date, transfer all Merchandise located at each Rejected Store to, at Buyer's election, (i) the closest Store to such Rejected Store or (ii) such other Store at may be designated by Buyer. The Selling Entities shall be responsible for all costs and expenses under each Rejected Real Property Lease, including all Operational Expenses related to the operation of any Store or other facility of the Selling Entities operating at the location that is the subject of such Rejected Real Property Lease, pending rejection thereof by the Selling Entities pursuant to Section 365 of the Bankruptcy Code.

(b) With respect to any Real Property Lease not identified in the Pre-Closing Rejection Notice, and with respect to any Non-Real Property Contract, Buyer shall have the right (the "Option Rights"), in its discretion, for a period of up to six (6) months from the Closing Date (the "Option Period"), to specifically include or exclude any such Non-Real Property Contracts and Real Property Leases to be assigned to it or a Buyer Designee as it shall specify in an Option Notice to the Selling Entities, whereupon such Non-Real Property Contracts and Real Property Leases shall, to the extent included, become Acquired Assets, Assumed Contracts and Assumed Real Property Leases, and to the extent excluded, shall continue to be Excluded Assets and thereby be excluded from the Acquired Assets; *provided* that such inclusions or exclusions shall not result in a Purchase Price adjustment; *provided*, *further*, that the Option Period shall be subject to the time limitations under section 365(d)(4) of the Bankruptcy Code, subject to such extension(s) as may be granted by the Bankruptcy Court. Buyer shall use commercially reasonable efforts to inform the Selling Entities of its plans to assume or reject any Non-Real Property Contracts and Real Property Leases during the Option Period. Notwithstanding anything herein to the contrary, in delivering the Pre-Closing Rejection Notice under Section 2.5(a) and in exercising its Option Rights hereunder, Buyer shall elect that no fewer than sixty (60) Real Property Leases are assigned to and assumed by Buyer or a Buyer Designee or a Designated Purchaser by the conclusion of the Option Period.

(c) Consequently, and with respect to those Real Property Leases not identified in the Pre-Closing Rejection Notice and the Non-Real Property Contracts:

(i) within five (5) Business Days prior to the Closing Date, Buyer shall deliver to the Selling Entities a list of all such Non-Real Property Contracts and Real Property Leases that are to be assumed by Buyer or a Buyer Designee at the Closing, and all such Non-Real Property Contracts and Real Property Leases shall become Acquired Assets, Assumed Contracts and Assumed Real Property Leases and

shall be assigned to and assumed by Buyer or a Buyer Designee at the Closing, and title thereto shall pass to Buyer or a Buyer Designee at the Closing;

(ii) during the Option Period, each such Non-Real Property Contract and Real Property Lease (other than those Non-Real Property Contracts and Real Property Leases assumed by Buyer or a Buyer Designee at the Closing pursuant to Section 2.5(c)(i) above) shall not be assigned to and assumed by Buyer or a Buyer Designee, unless, at any time prior to the expiration of the Option Period, Buyer or a Buyer Designee provides an Option Notice to the Selling Entities that Buyer or a Buyer Designee is exercising its Option Rights to assume such Non-Real Property Contract or Real Property Lease, in which case such Non-Real Property Contract or Real Property Lease shall be, subject to the provisions of this Section 2.5, an Assumed Contract or Assumed Real Property Lease, as applicable;

(iii) during the Option Period, each such Non-Real Property Contract and Real Property Lease (other than those Non-Real Property Contracts and Real Property Leases assumed by Buyer or a Buyer Designee at the Closing pursuant to Section 2.5(c)(i) above) shall not be assumed by Buyer or a Buyer Designee if at any time prior to the expiration of the Option Period, Buyer provides an Option Notice to the Selling Entities that Buyer is exercising its Option Rights to exclude such Non-Real Property Contract or Real Property Lease, and such Non-Real Property Contract or Real Property Leases shall be, subject to the provisions of this Section 2.5, an Excluded Asset;

(iv) during the Option Period, the Selling Entities shall not reject any such Non-Real Property Contracts or Real Property Leases pursuant to Section 365 of the Bankruptcy Code other than Real Property Leases identified in the Pre-Closing Rejection Notice, those Non-Real Property Contracts and Real Property Leases that Buyer rejects pursuant to Section 2.5(c), or those Non-Real Property Contracts and Real Property Leases set forth on Schedule 2.5(c)(iv);

(v) if Buyer fails to deliver an Option Notice prior to the expiration of the Option Period with respect to any such Non-Real Property Contract or Real Property Lease (any such Non-Real Property Contract or Real Property Lease sometimes being referred to as an "Undesignated Asset"), such Undesignated Assets shall not be assigned to and assumed by Buyer and shall be deemed Excluded Assets for purposes of this Agreement; and

(vi) With respect to those Real Property Leases not identified in the Pre-Closing Rejection Notice, Buyer shall be liable for and shall pay, or cause to be paid, all costs and expenses under each such Real Property Lease, including all Operational Expenses of the Selling Entities related to the operation of any Store or other facility of the Selling Entities operating at the location that is the subject of such Real Property Lease (provided that employee wage and salary expenses and Liabilities under Seller Benefit Plans shall be processed by the Selling Entities and Buyer shall be liable for and shall pay the Selling Entities in respect thereof when due) during the period from the Closing until the earlier of (A) fourteen (14) days (or such shorter period as may be approved by the Bankruptcy Court, including pursuant to the Rejection Procedures

Motion) following the date upon which Buyer provides an Option Notice to the Selling Entities that Buyer is exercising its Option Rights to exclude such Real Property Lease (or the Rejection Effective Date for such Real Property Lease, if occurring prior to the end of such fourteen (14) day period (or such shorter period as may be approved by the Bankruptcy Court, including pursuant to the Rejection Procedures Motion), and with respect to which the Selling Entities shall use their commercially reasonable efforts to cause such Rejection Effective Date to occur prior to the end of such period), and (B) seven (7) days following the expiration of the Option Period, with all such Operational Expenses constituting employee Liabilities being treated as set forth in Section 7.7(d); *provided, however*, that Buyer shall perform, or shall cause to be performed, in all material respects any and all obligations of the Selling Entities arising under any such Real Property Lease during such period. Any amounts required to be paid, or obligations satisfied, by Buyer hereunder, including any amounts to be paid or obligations satisfied under Section 7.7(d), shall be timely paid or satisfied, as applicable, when such amounts or obligations become due, and shall be paid or satisfied by Buyer on behalf of the Selling Entities; *provided, however*, that, for the avoidance of doubt and notwithstanding anything to the contrary in this Agreement, Buyer shall have no liability of any kind to the Selling Entities for any costs or expenses that they may incur under any Real Property Lease identified in the Pre-Closing Rejection Notice or in respect of any Operational Expenses relating to any Store or other facility of the Selling Entities operating at the location that is the subject of such Real Property Lease, irrespective of the Rejection Effective Date applicable thereto.

(d) For purposes of this Agreement, an "Option Notice" shall be one or more written notices delivered by Buyer to the Selling Entities specifying or otherwise providing (i) Buyer's exercise of its Option Rights to either assume one or more of the Non-Real Property Contracts or Real Property Leases or exclude one or more of the Non-Real Property Contracts or Real Property Leases, as the case may be, (ii) a description, in reasonably sufficient detail, of the Non-Real Property Contracts or Real Property Leases to be assumed or excluded, as the case may be, and (iii) the expected timing of the consummation of such assumption or exclusion, as the case may be, which in no event shall be later than the expiration of the Option Period. Buyer shall deliver Option Notices (on one or more occasions) notifying the Selling Entities of Buyer's determination to assume or reject any Non-Real Property Contract or Real Property Lease, as the case may be, as soon as reasonably practicable after Buyer has made any such determination; *provided*, that in no event shall an Option Notice be delivered later than the 15th day immediately preceding the expiration of the Option Period. The Selling Entities shall be responsible for all costs to file, duly serve and prosecute motions in the Bankruptcy Court with respect to all Option Notices.

(e) As soon as practicable after receipt of an Option Notice that Buyer or a Buyer Designee is exercising its Option Rights to assume and retain all or a portion of the Non-Real Property Contracts and Real Property Leases, but in no case more than three (3) Business Days thereafter, the Selling Entities shall file, duly serve and diligently prosecute, on an expedited basis to the extent practicable, a motion (the form of which shall be approved in advance and in all respects by Buyer) in the Bankruptcy Court seeking authorization, as necessary, to assume and assign any specified Non-Real Property Contracts or Real Property Leases to Buyer or a Buyer Designee (any orders, approving the matters set forth in such motion

referred to herein as the "Supplemental Sales Orders"); *provided*, that the Selling Entities' obligations in this Section 2.5(e) shall be subject to the limitations set forth in Section 2.5(d). Upon receipt of any approval, if necessary, of the Bankruptcy Court, the Parties shall use commercially reasonable efforts to consummate such assumption (each such consummation, a "Subsequent Closing") by no later than the earlier of (i) three (3) Business Days after entry of any such Supplemental Sales Order and (ii) the end of the expiration of the Option Period, and the Selling Entities shall execute and deliver such documents and instruments of conveyance and transfer as Buyer or a Buyer Designee may reasonably request in order to consummate the assumption of the specified Non-Real Property Contracts and Real Property Leases.

(f) The Selling Entities shall promptly after receipt of an Option Notice announcing Buyer's election to reject one or more of the Non-Real Property Contracts and Real Property Leases to file, duly serve and diligently prosecute, on an expedited basis to the extent practicable, a motion in the Bankruptcy Court seeking authorization, as necessary, to reject such specified Non-Real Property Contracts and Real Property Leases. Effective upon the earlier of the Rejection Effective Date or fourteen (14) days (or such shorter period as may be approved by the Bankruptcy Court, including pursuant to the Rejection Procedures Motion) following the date upon which Buyer provides an Option Notice to the Selling Entities that Buyer is exercising its Option Rights to exclude such Real Property Lease, all personal property and fixtures housed, stored or otherwise located on or within such real property shall be deemed to be irrevocably transferred to the Selling Entities (if and to the extent such assets constituted Acquired Assets hereunder), and Buyer shall not be liable for any costs thereafter associated with the applicable rejected Real Property Lease, including Claims with respect to such personal property or fixtures as of such date. In addition, upon receipt of any such Option Notice to exclude one or more of the Non-Real Property Contracts or Real Property Leases, or promptly after the expiration of the Option Period with respect to an Undesignated Asset, the Selling Entities and Buyer shall use commercially reasonable efforts to consummate such exclusion by no later than the end of the expiration of the Option Period and Buyer shall execute and deliver such documents, if necessary, as the Selling Entities may reasonably request in order to effectuate the exclusion of any such Non-Real Property Contracts or Real Property Leases.

(g) In connection with the assumption and assignment to Buyer or a Buyer Designee of any Assumed Contract or Assumed Real Property Lease pursuant to this Section 2.5 or to a Designated Purchaser pursuant to Section 2.6, the cure amounts, as determined by the Bankruptcy Court, if any (such amounts, the "Cure Payments"), necessary to cure all defaults, if any, and to pay all actual or pecuniary losses that have resulted from such defaults under the Assumed Real Property Leases and the Assumed Contracts, including any amounts payable to any landlord under any Assumed Real Property Lease that relates to the period prior to the date of the applicable Supplemental Sales Order, shall be paid (i) first by Buyer, up to but not in excess of an aggregate amount in respect of all Cure Payments equal to the Cure Payments Cap and, (ii) thereafter, by the Selling Entities for all Cure Payments in excess of the Cure Payments Cap, in each case on or before the date of the applicable Supplemental Sales Order or the applicable Order of the Bankruptcy Court to assign the Assumed Contracts.

(h) Buyer shall provide adequate assurance as required under the Bankruptcy Code of the future performance by Buyer or any applicable Buyer Designee of each Assumed Contract and each Assumed Real Property Lease. Buyer agrees that it shall, and shall cause its

Affiliates to, promptly take all actions reasonably required to assist in obtaining a Bankruptcy Court finding that there has been an adequate demonstration of adequate assurance of future performance under the Assumed Contracts and the Assumed Real Property Leases, such as furnishing affidavits, non-confidential financial information and other documents or information for filing with the Bankruptcy Court and making Buyer's Representatives reasonably available to testify before the Bankruptcy Court.

(i) Buyer shall indemnify and hold each of the Selling Entities and each of their respective officers, directors and employees harmless from and against all third party claims, demands, penalties, losses, liability or damages actually incurred or suffered thereby arising from or relating to the operation by Buyer of any of the Stores or other facility of the Selling Entities located at any of the locations associated with the Real Property Leases after the Closing Date and, if applicable, until the Rejection Effective Date of such Real Property Lease, including, without limitation, reasonable attorneys' fees and expenses, to the extent directly asserted against, resulting from, or related to: (i) any unlawful, tortious or otherwise actionable treatment of any customers, employees of any of the Selling Entities or Buyer or agents by Buyer or any of its Representatives; (ii) any claims by any party engaged by Buyer as an employee or independent contractor arising out of such employment; (iii) the gross negligence (including omissions) or willful misconduct of Buyer, its officers, directors, employees, agents or representatives; and (iv) violations of Law by Buyer, its officers, directors, employees, agents or representatives; *provided, however*, that, for the avoidance of doubt and notwithstanding anything to the contrary in this Agreement, Buyer shall have no liability of any kind to the Selling Entities under this Section 2.5(i) in respect any Real Property Lease identified in the Pre-Closing Rejection Notice, or in respect of any Store or other facility of the Selling Entities operating at the location that is the subject of such Real Property Lease, irrespective of the Rejection Effective Date applicable thereto.

Section 2.6 Designation Rights; Assignment and Transfer of Real Property Leases.

(a) Buyer shall have the right (the "Designation Rights") to assign its rights and obligations hereunder with respect to any Real Property Leases to one or more third parties designated by Buyer (each, a "Designated Purchaser") so long as Buyer complied with Section 2.5 with respect thereto and causes each Designated Purchaser to comply with the provisions in this Section 2.6. Buyer may, by one or more notices (each, a "Designated Purchaser Notice") to the Selling Entities, designate one or more Designated Purchasers and the Real Property Leases to be transferred to each such Designated Purchaser. The Designated Purchaser Notice shall (i) state the identity of the applicable Designated Purchaser, (ii) state the proposed use of the applicable Real Property Lease by such Designated Purchaser, (iii) provide documentation or other information from such Designated Purchaser relating to "adequate assurance of future performance" by such Designated Purchaser as required under Section 365 of the Bankruptcy Code. Any Designated Purchaser Notice in respect of a Real Property Lease shall be delivered by Buyer to Seller contemporaneously with the delivery of an Option Notice in respect of such Real Property Lease.

(b) As soon as practicable after the receipt of each Designated Purchaser Notice, the Selling Entities shall, at Buyer's expense, file, duly serve and diligently prosecute, on an expedited basis to the extent practicable, a motion (the form of which shall be approved in

advance and in all respects by Buyer) in the Bankruptcy Court seeking authorization, as necessary, to assume and assign the relevant Real Property Lease(s) to the applicable Designated Purchaser.

(c) Buyer may exercise its Designation Rights to designate Designated Purchasers pre-Closing who will assume Real Property Leases directly from the Selling Entities concurrently with the Closing, but only to the extent such transactions with the Designated Purchasers are able to close and do close concurrently with the Closing.

Section 2.7 Allocation. Buyer shall, promptly following the final determination of the Purchase Price in accordance with Section 3.2, deliver to the Selling Entities an allocation of the Purchase Price (and the Assumed Liabilities, to the extent properly taken into account under the Code) among the Acquired Assets and the covenants contained in Section 7.14 (the "Allocation") in accordance with Section 1060 of the Code and the Treasury regulations promulgated thereunder, which Allocation shall be reasonably acceptable to Seller. The Selling Entities agree to file all Tax Returns (including the filing of Form 8594 with their United States federal income Tax Return for the taxable year that includes the date of the Closing) consistent with the Allocation unless otherwise required by applicable Law. In administering the Bankruptcy Case, the Bankruptcy Court shall not be required to apply the Allocation in determining the manner in which the Purchase Price should be allocated as between the Selling Entities and their respective estates.

Section 2.8 Non-Assignment of Acquired Assets. Notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not constitute an agreement to assign or transfer and shall not affect the assignment or transfer of any Acquired Asset if (a) an attempted assignment thereof, without the approval, authorization or consent of, or granting or issuance of any license or permit by, any party thereto other than any Selling Entity (each such action, a "Necessary Consent"), would constitute a breach thereof (after giving effect to any elimination of such approval, authorization or consent requirement by operation of the Sale Order) or in any way adversely affect the rights or obligations of Buyer thereunder and such Necessary Consent is not obtained and (b) the Bankruptcy Court shall not have entered an Order providing that such Necessary Consent is not required. In such event, the Selling Entities and Buyer will use their commercially reasonable efforts to obtain the Necessary Consents with respect to any such Acquired Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may reasonably request, at Buyer's sole cost and expense (up to an amount not to exceed $50,000 (provided that Buyer and the Selling Entities must have approved in advance any payment in respect of a Necessary Consent for which Buyer is responsible hereunder)); *provided*, *however*, that the Selling Entities shall use their commercially reasonable efforts to request that the Sale Order indicates that to the fullest extent permitted under applicable law, no Necessary Consents will be required from any party in connection with the transactions contemplated hereby or by any of the other Transaction Documents. If such Necessary Consent is not obtained, or if such Acquired Asset or an attempted assignment thereof would otherwise be ineffective or would adversely affect the rights of any Selling Entity thereunder so that Buyer would not in fact receive all such rights, the Selling Entities and Buyer will cooperate in a mutually agreeable and commercially reasonable arrangement under which Buyer would obtain the benefits and assume the obligations (to the extent otherwise constituting Assumed Liabilities hereunder) thereunder in accordance with this Agreement, including

subcontracting, sublicensing or subleasing to Buyer, or under which one or more Selling Entities would enforce for the benefit of, and at the direction of, Buyer, with Buyer assuming the Selling Entities' obligations (to the extent not otherwise constituting Assumed Liabilities hereunder), any and all rights of the Selling Entities thereunder, at Buyer's sole cost and expense (subject to the foregoing proviso in this Section 2.8). Nothing in this Section 2.8 shall prohibit any Selling Entity from ceasing operations or winding up its affairs following the Closing.

Section 2.9 Further Conveyances and Assumptions. The Selling Entities shall deliver to Buyer at the Closing such employee and personnel files and records as is reasonably necessary for Buyer to transition the Transferred Employees into Buyer's records, as well as all other books, records and files included in the Acquired Assets.

ARTICLE 3
PURCHASE PRICE; DEPOSIT

Section 3.1 Purchase Price; Closing Payment.

(a) In consideration for the Acquired Assets, and subject to the terms and conditions of this Agreement and the entry and effectiveness of the Sale Order, at the Closing, Buyer and/or one or more Buyer Designees shall assume the Assumed Liabilities by executing the Assumption Agreement and Buyer shall pay, in accordance with Sections 3.1 and 3.2, an aggregate amount equal to eighteen million dollars ($18,000,000) (as finally adjusted in accordance with Section 3.2) (the "Purchase Price").

(b) Subject to the terms and conditions of this Agreement and the entry and effectiveness of the Sale Order, at the Closing, Buyer shall pay or cause to be paid in respect of the Purchase Price, an amount in cash equal to (i) eighteen million dollars ($18,000,000); (ii) *minus* the Deposit, (iii) *plus or minus,* as applicable, the Estimated Inventory Adjustment Amount, (iv) *plus or minus,* as applicable, the Estimated Accounts Receivable Adjustment Amount, (v) *plus or minus,* as applicable, the Estimated Store-Level Cash Adjustment Amount; (vi) *minus* the Cost Factor Adjustment Amount, and (vii) *plus* the Tax Reimbursement (such amounts, collectively, the "Closing Payment"). In accordance with the Sale Order, the Closing Payment shall be paid as follows: (x) first, an amount from the Closing Payment sufficient to satisfy the amounts outstanding under the DIP Credit Facility shall be paid to the DIP Agent by wire transfer of immediately available funds to an account designated in writing by the DIP Agent, up to the total amount of the Closing Payment, (y) second, an amount from the Closing Payment sufficient to satisfy the amounts outstanding (if any) under the Pre-Petition Credit Facility shall be paid to the agent under the Pre-Petition Credit Facility by wire transfer of immediately available funds to an account designated in writing by such agent, up to the total amount of the Closing Payment, and (z) the balance of the Closing Payment shall be paid to the Selling Entities by wire transfer of immediately available funds to an account designated in writing by the Selling Entities.

Section 3.2 Purchase Price Adjustment.

(a) Estimated Closing Adjustments. Not less than two (2) Business Days prior to the Closing Date, Seller shall (i) estimate the aggregate cost value of Merchandise as of

the Closing Date (the "Estimated Closing Date Cost Value of the Inventory"), as maintained in the Selling Entities' inventory ledger in accordance with past practice (and excluding, for the avoidance of doubt, all merchandise credits), (ii) estimate the aggregate amount of Accounts Receivable of the Selling Entities as of the Closing Date (the "Estimated Closing Date Accounts Receivable Amount"), (iii) estimate the Cost Factor as of the Closing Date (the "Estimated Closing Date Cost Factor") and (iv) estimate the total aggregate amount of all Store-Level Cash as of the Closing Date (the "Estimated Closing Date Store-Level Cash Amount"). If the Estimated Closing Date Cost Value of the Inventory differs from the Minimum Aggregate Cost Value of the Inventory, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference (such adjusted amount, the "Estimated Inventory Adjustment Amount"). If the Estimated Closing Date Accounts Receivable Amount differs from the Minimum Aggregate Amount of Accounts Receivable, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference (such adjusted amount, the "Estimated Accounts Receivable Adjustment Amount"). If the Estimated Closing Date Cost Factor differs from the Minimum Cost Factor, the Purchase Price shall be adjusted in accordance with Schedule 3.2(a) (such adjusted amount, the "Cost Factor Adjustment Amount"). If the Estimated Closing Date Store-Level Cash Amount differs from the total aggregate minimum amount of Store-Level Cash required under the definition of Store-Level Cash, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference (such adjusted amount, the "Estimated Store-Level Cash Adjustment Amount"). All estimates prepared by Seller under this Section 3.2(a) shall be made in good faith, calculated in accordance with past practice and prepared on the same basis as the accounting methods, policies and practices used in the preparation of the Seller Financial Statements. As promptly as possible but in any case five (5) Business Days prior to the Closing, the Selling Entities will deliver to Buyer a notice of the Estimated Closing Date Cost Value of the Inventory, the Estimated Closing Date Accounts Receivable Amount, the Estimated Closing Date Cost Factor and the Estimated Closing Date Store-Level Cash Amount, together with such information and data as the Selling Entities used to support the calculations of such estimates and which are reasonably necessary for Buyer's analysis of such calculations.

(b) Post-Closing Adjustments. As promptly as practicable, but in no event later than sixty (60) days following the Closing Date, Buyer shall (i) cause to be determined the aggregate cost value of Merchandise as of the Closing Date (the "Closing Date Cost Value of the Inventory") calculated in accordance with past practice of the Selling Entities (and excluding, for the avoidance of doubt, all merchandise credits), by retaining an independent inventory taking service provider mutually selected by Buyer and the Selling Entities on or before the Closing Date to perform such calculation, (ii) determine the aggregate amount of Accounts Receivable of the Selling Entities as of the Closing Date (the "Closing Date Accounts Receivable Amount") and (iii) determine the total aggregate amount of all Store-Level Cash as of the Closing Date (the "Closing Date Store-Level Cash Amount"). If the Closing Date Cost Value of the Inventory differs from the Estimated Inventory Adjustment Amount, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference. If the Closing Date Accounts Receivable Amount differs from the Estimated Closing Date Accounts Receivable Amount, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference. If the Closing Date Store-Level Cash Amount differs from the Estimated Store-Level Cash Amount, the Purchase Price shall be adjusted on a dollar for dollar basis by the amount of such difference. Subject to the foregoing sentence, any adjustments to the Purchase Price made

pursuant to this Section 3.2(b) shall be made within ninety (90) days of the Closing Date, or if a party exercises its rights under Section 3.2(c), within thirty (30) days of receipt of the Final Calculations. If the adjustment contemplated hereby requires payment to be made by the Selling Entities to Buyer, such payment shall be made by wire transfer of immediately available funds to an account designated in advance in writing by Buyer, or if the adjustment requires a payment to be made by Buyer to the Selling Entities, such payment shall be made by wire transfer of immediately available funds to an account designated in advance in writing by the Selling Entities. The cost of the inventory taking shall be borne equally by Buyer and Seller.

(c) Review; Disputes.

(i) Buyer and the Selling Entities shall, and shall cause their respective Representatives to, cooperate and assist in the calculation of the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, and in the conduct of the review referred to in this Section 3.2. Without limiting the foregoing, from and after the Closing until the end of the Review Period, Buyer shall provide the Selling Entities and their Representatives with such access to the books, records and employees of Buyer and its Subsidiaries, including any applicable Documentary Materials and any related work papers of Representatives of Buyer, upon reasonable notice and during regular business hours to the extent necessary to enable the Selling Entities and their Representatives to calculate, and to review the calculation of, the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, subject, in the case of any of the Selling Entities' Representatives entry into customary and appropriate confidentiality arrangements in favor of Buyer and its Affiliates with respect to the materials so provided.

(ii) If the Selling Entities dispute the calculation of the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount or the Closing Date Store-Level Cash Amount, then the Selling Entities shall deliver a written notice setting forth the Selling Entities' disagreement with the calculation of the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount or the Closing Date Store-Level Cash Amount, as applicable (a "Dispute Notice") to Buyer at any time during the thirty (30) day period commencing upon receipt by Seller of the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount (with such thirty (30) day period subject to extension for any material failure by Buyer to provide access to Seller and its Representatives as described in, and in accordance with, Section 3.2(c)(i), the "Review Period"). The Dispute Notice shall set forth in reasonable detail the basis for the dispute of any relating calculation.

(iii) If the Selling Entities do not deliver a Dispute Notice to Buyer prior to the expiration of the Review Period, disputing Buyer's calculation, as provided by Buyer, of the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, shall be deemed final and binding on the Selling Entities and Buyer for all purposes, except to the extent otherwise agreed in writing by the Selling Entities and Buyer.

(iv) If the Selling Entities properly deliver a Dispute Notice to Buyer prior to the expiration of the Review Period, then the Selling Entities and Buyer shall use commercially reasonable efforts to reach agreement on the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, to the extent such amounts are disputed in a Dispute Notice; *provided, however*, that any such amounts that are not expressly disputed in a Dispute Notice properly delivered to Buyer prior to the expiration of the Review Period shall be deemed final and binding on the Selling Entities and Buyer for all purposes, except to the extent otherwise agreed in writing by the Selling Entities and Buyer. If the Selling Entities and Buyer are unable to reach agreement on the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, to the extent such amounts are disputed in a Dispute Notice, within fifteen (15) days after the end of the delivery of the Dispute Notice, the Selling Entities and Buyer shall refer such unresolved dispute to a nationally recognized accounting firm that is mutually and reasonably acceptable to Buyer and the Selling Entities (the "Accountant") for resolution and (A) each of Buyer and the Selling Entities shall have a reasonable opportunity to meet with the Accountant to provide their views as to any disputed issues with respect to the calculation of any of disputed and unresolved amounts, (B) the Accountant shall determine the final the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, as applicable, solely to the extent such amounts were properly referred to the Accountant for final determination, in accordance with the terms of this Agreement within thirty (30) days of such referral, and promptly upon reaching such determination shall deliver a copy of its calculations thereof (the "Final Calculations") to Buyer and the Selling Entities, and (C) the determination made by the Accountant of Final Calculations shall be final and binding on the Selling Entities and Buyer for all purposes of this Agreement, except to the extent otherwise agreed in writing by the Selling Entities and Buyer. In calculating the Final Calculations, the Accountant (x) shall be limited to addressing only those particular disputes referred to in the Dispute Notice and (y) any such calculation of the final the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount, as applicable, shall, with respect to any disputed item, be no greater than the higher amount calculated by the Selling Entities or Buyer, and no less than the lower amount calculated by the Selling Entities or Buyer, as the case may be. The Final Calculations shall reflect in detail the differences, if any, from the Final Calculations and the Closing Date Cost Value of the Inventory, the Closing Date Accounts Receivable Amount and the Closing Date Store-Level Cash Amount provided to the Selling Entities by Buyer. The cost of the Accountant's review and report shall be borne by the losing Party, as determined by the Accountant on the basis of the Final Calculations. For example, should the disputed portions total in amount to $1,000 and the Accountant awards $600 in favor of the Selling Entities' position, all of the costs of its review and report would be borne by Buyer.

Section 3.3 Deposit Escrow.

(a) On the date of entry of the Bidding Procedures Order, Buyer shall deposit into escrow with Wilmington Trust, N.A. (in such capacity, the "Escrow Agent") an amount

equal to ten percent (10.0%) of the Purchase Price (such amount, together with any interest accrued thereon prior to the Closing Date, the "Deposit") by wire transfer of immediately available funds. The Deposit shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of any of the Selling Entities or Buyer.

(b) The Deposit shall become payable to the Selling Entities upon the termination of this Agreement pursuant to Section 9.1(d) (a "Buyer Default Termination"). In the event of a Buyer Default Termination, Buyer and the Selling Entities shall jointly and promptly (but in any event within five (5) Business Days thereof) instruct the Escrow Agent to, and the Escrow Agent shall, within two (2) Business Days after such instruction, deliver the Deposit to an account designated by the DIP Agent by wire transfer of immediately available funds to be applied by the DIP Agent to the amounts outstanding under the DIP Credit Facility.

(c) If this Agreement or the transactions contemplated herein are terminated or abandoned other than for a termination which constitutes a Buyer Default Termination, Buyer and the Selling Entities shall jointly and promptly (but in any event within five (5) Business Days thereof) instruct the Escrow Agent to, and the Escrow Agent shall, within two (2) Business Days after such instruction, return to Buyer the Deposit by wire transfer of immediately available funds to an account designated by Buyer. Subject to the following proviso of this sentence, Buyer and the Selling Entities each acknowledge and agree that receipt or return of the Deposit in the event that this Agreement or the transactions contemplated herein are terminated or abandoned by any Party shall not limit any other rights or remedies available to the Party in receipt of the Deposit, and all rights and remedies provided in this Agreement for the benefit of such receiving Party are cumulative and not exclusive, and the exercise by such Party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available to such Party at law, in equity, by statute, in any other agreement among the Parties or otherwise, in respect of such termination or abandonment; *provided, however,* that (i) payment of the Deposit to the Selling Entities in connection with a Buyer Default Termination pursuant to this Section 3.3, plus (ii) reimbursement of the reasonable legal fees of the Selling Entities, if any, pursuant to Section 3.3(d), shall, collectively, be the sole and exclusive remedy of the Selling Entities with respect to any and all claims relating to this Agreement or the transactions contemplated hereby in respect of such Buyer Default Termination, and neither Buyer nor any of its Affiliates, including the guarantor under and in respect of the Limited Guaranty, shall have any liability of any kind to any of the Selling Entities or any other Person in respect of such Buyer Default Termination, other than for claims of, or causes of action arising from, fraud; *provided*, *further*, that if Buyer submits a bid at the Auction in excess of the bid represented by this Agreement, and if Buyer is then the Successful Bidder, the foregoing proviso shall not apply and the sole and exclusive remedy of the Selling Entities with respect to any and all claims relating to this Agreement or the transactions contemplated hereby in respect of such Buyer Default Termination shall be an amount equal to the cash portion of such bid submitted by Buyer at the Auction.

(d) In the event of litigation relating to the Selling Entities' determination that a Buyer Default Termination has occurred and that the Deposit should be released to the Selling Entities, the prevailing party in such litigation shall be entitled to recover from the non-prevailing party its reasonable legal fees incurred therein or in the enforcement or collection of any judgment or award rendered therein.

Section 3.4 Limited Guaranty. On the date hereof, Buyer shall have delivered to the Selling Entities a true, complete and correct signed copy of the Limited Guaranty, pursuant to which the Guarantor has guaranteed the payment obligations of Buyer under this Agreement in respect of the Deposit, subject to the terms and limitations set forth therein. The Limited Guaranty, in the form delivered, is in full force and effect and is a legal, valid and binding obligation of the Guarantor.

ARTICLE 4
THE CLOSING

Section 4.1 Time and Place of the Closing. Upon the terms and subject to the satisfaction of the conditions contained in Article 8 of this Agreement, the closing of the sale of the Acquired Assets and the assumption of the Assumed Liabilities contemplated by this Agreement (the "Closing") shall take place at the offices of Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, 35th Floor, New York, New York 10178 at 10:00 a.m. (Eastern time) no later than the second (2nd) Business Day following the date on which the conditions set forth in Article 8 have been satisfied or, to the extent permitted, waived by the applicable Party in writing (other than conditions which by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted, waiver of such conditions at or prior to the Closing), or at such other place and time as Buyer and Seller may mutually agree in writing, and the Parties shall each use their commercially reasonable efforts to cause the Closing to occur on a day of the week selected by Buyer. The date on which the Closing actually occurs is herein referred to as the "Closing Date" and the Closing shall be deemed to be effective as of 12:01 a.m. (Eastern time) on the Closing Date.

Section 4.2 Deliveries by Seller. At or prior to the Closing, Seller shall deliver the following to Buyer:

(a) the Bill of Sale, duly executed by the Selling Entities;

(b) the Assumption Agreement, duly executed by the Selling Entities;

(c) the IP Assignment Agreement, duly executed by the applicable Selling Entities;

(d) such other instruments of assignment, assumption, conveyance and transfer of any and all of the Acquired Assets and Assumed Liabilities, duly executed by the applicable Selling Entities, together with any transfer tax declarations or other filings, in form and substance reasonably acceptable to Buyer, as shall be necessary or advisable to transfer good and marketable title to the Acquired Assets to Buyer in accordance with this Agreement;

(e) a copy of the Sale Order as entered by the Bankruptcy Court;

(f) the certificate contemplated by Section 8.2(c);

(g) executed payoff letters, in form and substance reasonably satisfactory to Buyer, from each lender under the Selling Entities' Credit Facilities, in each case (i) that sets forth the amount to be paid by the Selling Entities on the Closing Date in satisfaction of its

obligations under the Seller Credit Facilities (the "Seller Credit Facilities Amount"), and (ii) acknowledging the payment of the Seller Credit Facilities Amount shall result in a complete release of all Liens against the Acquired Assets under the Seller Credit Facilities; and

(h) executed termination statements, in form and substance reasonably satisfactory to Buyer, on Form UCC-3 or such other appropriate form that, when filed or recorded, as the case may be, will be sufficient to release any and all Liens against the Acquired Assets under the Seller Credit Facilities.

Section 4.3 Deliveries by Buyer. At or prior to the Closing, Buyer shall deliver the following to Seller:

(a) the Closing Payment;

(b) certified copies of the resolutions duly adopted by Buyer's board of directors or equivalent governing body authorizing the execution, delivery and performance of this Agreement and each of the other transactions contemplated hereby to which Buyer is a party;

(c) the Assumption Agreement and the IP Assignment Agreement, duly executed by Buyer and, to the extent applicable, one or more Buyer Designees;

(d) such other instruments of assignment, assumption, conveyance and transfer of any and all of the Acquired Assets and Assumed Liabilities, duly executed by the applicable Selling Entities, together with any transfer tax declarations or other filings, in form and substance reasonably acceptable to Seller, as shall be necessary or advisable to transfer the Assumed Liabilities to Buyer in accordance with this Agreement; and

(e) the certificate contemplated by Section 8.3(c).

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF THE SELLING ENTITIES

The Selling Entities represent and warrant to Buyer as follows, it being understood that each such representation and warranty is subject to such exceptions as are disclosed in the part or subpart of the Seller Disclosure Schedule delivered by the Selling Entities to Buyer concurrently with the execution and delivery of this Agreement specifically corresponding to the particular Section, subsection or clause of this Article 5 in which such representation and warranty appears, and such other exceptions as are disclosed elsewhere in the Seller Disclosure Schedule to the extent that it is reasonably apparent on its face that such other exceptions are relevant to such representation and warranty):

Section 5.1 Organization, Standing and Corporate Power. Each Selling Entity is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, formation or organization. Subject to any necessary authority from the Bankruptcy Court, each Selling Entity has the requisite power and authority to conduct the Business as now being conducted. Each Selling Entity is duly qualified or licensed to do business in each jurisdiction in which the nature of its business or the ownership or leasing of

its properties makes such qualification or licensing necessary, other than in such jurisdictions where the failure to be so qualified or licensed would not reasonably be expected to result in a Material Adverse Effect.

Section 5.2 Subsidiaries. Section 5.2 of Seller Disclosure Schedule identifies each direct and indirect Subsidiary of Seller and its jurisdiction of formation. All of the outstanding capital stock of, or other ownership interests in, each Selling Entity (other than Seller) are owned beneficially and of record by Seller, directly or indirectly.

Section 5.3 Authority Relative to this Agreement. Subject to the applicable provisions of the Bankruptcy Code, each of the Selling Entities has all necessary corporate or similar authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and, upon entry and effectiveness of the Sale Order in accordance with the terms hereof, will have all necessary corporate or similar authority to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Documents to which any Selling Entity is party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by the board of directors or equivalent governing body of each Selling Entity, and no other corporate or similar proceeding on the part of such Selling Entity is necessary to authorize this Agreement or the other Transaction Documents to which it is party or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by each Selling Entity, and, upon their execution and delivery in accordance with the terms of this Agreement, each of the other Transaction Documents to which any Selling Entity is party will have been duly and validly executed and delivered by each Selling Entity, and assuming that this Agreement and the other Transaction Documents to which it is party constitute valid and binding agreements of Buyer and each applicable Buyer Designee to the extent that it is a party thereto, and, subject to the entry and effectiveness of the Sale Order, and the execution and delivery of such other Transaction Documents in accordance with the terms hereof, this Agreement and the other Transaction Documents constitute valid and binding agreements of each Selling Entity party thereto, enforceable against such Selling Entity in accordance with their terms.

Section 5.4 No Violation; Consents.

(a) Except as described in Section 5.4(a) of Seller Disclosure Schedule, except to the extent excused by or rendered unenforceable against Buyer or a Buyer Designee as a result of the Bankruptcy Case and except for the entry and effectiveness of the Sale Order, neither the execution and delivery of this Agreement nor the sale by any Selling Entity of any Acquired Assets pursuant to this Agreement will (with or without notice or lapse of time) (i) conflict with or result in any breach of any provision of any Selling Entity's Certificate of Incorporation or Bylaws (or similar organizational documents), (ii) conflict with or result in any material breach of any Law applicable to any Selling Entity, the Business, or the Acquired Assets, or (iii) materially violate, conflict with, result in any material breach of, constitute a material default (or event which with the giving of notice or lapse of time, or both, would become a material default) under, require any material consent under, or give to others any material rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any material note, bond, mortgage or indenture, Contract, agreement, lease, sublease, license,

Permit, franchise or other instrument or arrangement to which any of the Selling Entities, is a party as of the Closing, or result in the creation of any Encumbrance (other than a Permitted Encumbrance) as of the Closing on any of the assets of the Selling Entities, except to the extent that any such rights of termination, amendment, acceleration, suspension, revocation or cancellation as a result of such Encumbrance will not be enforceable against such Acquired Asset or Assumed Liability following the Closing in accordance with the Sale Order.

(b) No Consent of any Governmental Authority is required to be obtained by or with respect to any Selling Entity in connection with the execution and delivery of this Agreement, or the consummation by the Selling Entities of the transactions contemplated by this Agreement, except for (i) the Consents set forth in Section 5.4(b) of Seller Disclosure Schedule, (ii) the entry of the Sale Order by the Bankruptcy Court, (iii) Consents to the transfer or assignment of Permits that constitute Acquired Assets, and (iv) such other Consents where the failure to obtain such Consents would not reasonably be expected to materially affect the ownership, operation or management of the Business by the Buyer from and after the Closing or materially impair Buyer's rights in and to, or use of, the Acquired Assets from and after the Closing.

Section 5.5 Legal Proceedings and Orders. Except as described in Section 5.5 of Seller Disclosure Schedule, other than in connection with the Bankruptcy Case, there is no Legal Proceeding pending before any Governmental Authority and, to the Knowledge of Seller, no Person has threatened to commence any such Legal Proceeding, (a) that relates to any of the Acquired Assets or Assumed Liabilities, (b) that would reasonably be expected to have the effect of preventing, making illegal, delaying, frustrating or conditioning any of the transactions contemplated by this Agreement, or (c) that would reasonably be expected to materially affect the ownership, operation or management of the Business by the Buyer from and after the Closing or materially impair Buyer's rights in and to, or use of, the Acquired Assets from and after the Closing. As of the date of this Agreement and except as described in Section 5.5 of Seller Disclosure Schedule, there is no Order to which any of the Selling Entities are subject, other than Orders issued by the Bankruptcy Court in the Bankruptcy Case.

Section 5.6 Compliance with Law. Each of the Selling Entities (i) is in material compliance with all Laws, Orders and material Permits in their possession relating to the Acquired Assets (including the ownership, operation, management or use thereof), the Assumed Liabilities and the conduct of the Business as currently conducted, and (ii) has not received any written notice from, and has no Knowledge of any allegation or assertion made by, any Governmental Authority that any violation of any such Law, Order or material Permit exists, or that any audit, inquiry or investigation by any Governmental Authority in respect of any alleged violation of such Law, Order or material Permit is threatened or pending, in each case except as set forth in Section 5.6 of Seller Disclosure Schedule.

Section 5.7 Financial Statements.

(a) (i) The unaudited consolidated financial statements of the Selling Entities for the fiscal year ending February 1, 2014 (the "Seller Financial Statements") have been prepared in conformity with GAAP and the Seller's accounting principles consistently applied, present fairly, in all material respects, the consolidated financial position, results of operations of

the Selling Entities as of the date thereof and the consolidated statements of operations, stockholder's equity and cash flows of the Selling Entities for the period indicated therein (subject to normal and recurring year-end adjustments and the absence of notes), are based on and solely reflect bona fide performance of services or other bona fide business transactions and, with respect to receivables, represent valid, actual, bona fide obligations owing to one or more of the Selling Entities in the ordinary course of business consistent with past practice.

(b) The Selling Entities do not have any Indebtedness or other Liabilities that are not expressly disclosed or reserved against in Seller Financial Statements (including the notes thereto), except for indebtedness or other Liabilities (i) of an immaterial nature that were incurred after February 1, 2014, or in the ordinary course of business, consistent with past practice, (ii) that arise directly under this Agreement or in connection with the transactions contemplated hereby, (iii) that arose in connection with the DIP Credit Facility or the Selling Entities' failure to pay rent during the months of February and March 2014, (iv) for which there is an adequate reserve provided for in the Approved Budget (as defined in the DIP Credit Agreement), which is attached hereto as Exhibit A, (v) that are or will become Excluded Liabilities of the Selling Entities as debtors in the Bankruptcy Case and that will not result in any Encumbrance on the Acquired Assets following the entry of the Sale Order (other than Permitted Encumbrances that do not materially impair Buyer's rights therein and thereto, or use thereof, from and after the Closing), or (vi) are identified on Section 5.7(b) of the Seller Disclosure Schedule.

Section 5.8 Benefit Plans; Employees and Employment Practices.

(a) No plan currently or ever in the past maintained, sponsored, contributed to or required to be contributed to by the Seller, any of its Subsidiaries, or any of their respective current or former ERISA Affiliates is or ever in the past was (1) a "multiemployer plan" as defined in Section 3(37) of ERISA, (2) a plan described in Section 413 of the Code, (3) a plan subject to Title IV of ERISA, (4) a plan subject to the minimum funding standards of Section 412 of the Code or Section 302 of ERISA, or (5) a plan maintained in connection with any trust described in Section 501(c)(9) of the Code. No Seller Benefit Plan provides, or reflects or represents any liability to provide, benefits (including, without limitation, death or medical benefits), whether or not insured, with respect to any former or current employee, or any spouse or dependent of any such employee, beyond the employee's retirement or other termination of employment with Seller and its Subsidiaries other than (1) coverage mandated by Part 6 of Title I of ERISA or Section 4980B of the Code, (2) retirement or death benefits under any plan intended to be qualified under Section 401(a) of the Code, (3) disability benefits that have been fully provided for by insurance under a Seller Benefit Plan that constitutes an "employee welfare benefit plan" within the meaning of Section (3)(1) of ERISA, or (4) except as set forth in Section 5.8(a) of Seller Disclosure Schedule.

(b) Except as set forth in Section 5.8(b) of Seller Disclosure Schedule, and except for such exceptions that would not reasonably be expected to result in a Material Adverse Effect, (i) each Seller Benefit Plan has been maintained and administered in accordance with its terms and with all applicable provisions of ERISA, the Code and other applicable Laws, and (ii) there are no audits, inquiries or proceedings pending or, to the Knowledge of any of the Selling Entities, threatened by the U.S. Internal Revenue Service or any other Governmental Authority

with respect to any Seller Benefit Plan (other than routine claims for benefits in the ordinary course of business).

(c) To the Knowledge of any of the Selling Entities and except as set forth on Section 5.8(c) of Seller Disclosure Schedule, (i) the Pension Benefit Guaranty Corporation ("PBGC") has not initiated any proceeding, or asserted any rights, under Section 4041 or 4042 of ERISA and (ii) neither the Selling Entities nor any of their Affiliates have received an inquiry, whether written or oral, from the PBGC, under its so-called "Early Warning Program" or otherwise, regarding the funded status of any pension plan of the Selling Entities or any of their Affiliates.

(d) None of the Selling Entities is a party to, or otherwise bound by or subject to, any collective bargaining or other labor union contracts and, to the Knowledge of any of the Selling Entities, no Current Employees are represented by any labor organization, trade union, works council, employee representative, employee congress or other form of employee association or representative. No labor organization (or representative thereof) or Current Employee or group of Current Employees has made a pending demand for recognition, and there are no representation proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of any of the Selling Entities, threatened to be brought or filed, with the National Labor Relations Board or other labor relations tribunal, or provincial or foreign or other Governmental Authority. To the Knowledge of any of the Selling Entities, there is no organizing activity involving the Selling Entities or any of their Affiliates pending or threatened by any labor organization (or representative thereof) or employee or group of employees to organize Current Employees. There are no material lockouts, or strikes pending, or threatened between the Selling Entities or any of their Affiliates, on the one hand, and their respective Current Employees, on the other hand, and there have been no such material lockouts or strikes for the past three (3) years.

(e) As of the date of this Agreement and except as set forth in Section 5.8(e) of Seller Disclosure Schedule, each of the Selling Entities and their Affiliates is in material compliance with all Laws relating to the employment of labor, including all such Laws relating to wages, hours, pay equity, employment equity, conditions of employment, employment standards, human rights, employee privacy, the WARN Act, collective bargaining, discrimination, civil rights, safety and health, workers' compensation and the collection and payment of withholding Taxes and/or social security Taxes and contributions and any similar Tax or contribution. Except as set forth in Section 5.8(e) of Seller Disclosure Schedule, there has been no "mass layoff" or "plant closing" (as defined by the WARN Act), or "collective redundancy" or similar process, with respect to the Selling Entities or any of their Affiliates within the six (6) months prior to Closing.

(f) There are no notices of assessment, provisional assessment, reassessment, supplementary assessment, penalty assessment or increased assessment or any other communications related thereto which any Selling Entity has received from any workers' compensation or workplace safety and insurance board or similar authorities in any jurisdictions where the Business is carried on which are unpaid on the date hereof or which will be unpaid at the Closing Date, and to the Knowledge of any of the Selling Entities there are no facts or circumstances which may result in an increase in liability to any Buyer or any Buyer Designee

under any applicable workers' compensation or workplace safety and insurance Law after the Closing Date.

Section 5.9 Contracts.

(a) Complete and correct copies (including all material modifications and amendments) of all material Non-Real Property Contracts and all Real Property Leases have been provided or made available to Buyer, and each such Non-Real Property Contract and Real Property Lease is a valid and binding obligation of each Selling Entity party thereto, and to the Knowledge of Seller, the other parties thereto, enforceable against each of them in accordance with its terms, except, in each case, (i) as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar Laws affecting or relating to enforcement of creditors' rights generally or general principles of equity, or (ii) as set forth in Section 5.9(a) of the Seller Disclosure Schedule. Except as set forth on Section 5.9(a) of the Seller Disclosure Schedule, there is no Non-Real Property Contract or Real Property Lease that is material to or necessary for the ownership, management and operation of the Business as currently conducted, or the absence of which would reasonably be expected to result in a Material Adverse Effect.

(b) None of the Selling Entities, or, to Seller's Knowledge, the other parties thereto, (i) are in breach of any material Non-Real Property Contract, or any Real Property Lease, (ii) has commenced any Action against any of the parties to such Non-Real Property Contracts or Real Property Leases, or (iii) given or received any written notice of any material breach, default or violation under any such Non-Real Property Contract or Real Property Lease, except, in each case, (w) resulting from the Selling Entities' failure to pay rent during the months of February and March 2014, (x) solely by virtue of the Selling Entities' initiation of the Bankruptcy Case (including any resulting restriction on payment of pre-petition obligations), (y) as set forth in Section 5.9(b) of Seller Disclosure Schedule, or (z) in respect of any such material breach, default or violation thereunder, or any such Action in respect thereof, as will be cured or dismissed upon entry of the Sale Order and payment of the Cure Payments and, subject to Buyer's acquisition and assumption thereof, all Non-Real Property Contracts and Real Property Leases assumed and assigned to Buyer and/or one or more Buyer Designees as Assumed Contracts or Assumed Real Property Leases pursuant to Section 2.5 will be from and after Closing, valid, binding and in full force and effect against Buyer or one or more applicable Buyer Designees and the other parties thereto. No Real Property Leases are for more than one Store location.

Section 5.10 Intellectual Property.

(a) Section 5.10(a) of Seller Disclosure Schedule sets forth a complete and accurate list, as of the date hereof, of (i) each item of Registered IP in which any Selling Entity has an ownership interest of any nature (whether exclusively, jointly with another Person or otherwise), (ii) the jurisdiction in which each such item of Registered IP has been registered or filed and the applicable registration or serial number, (iii) any other Person that has an ownership interest in each such item of Registered IP and the nature of such ownership interest, (iv) all material Contracts pursuant to which any Selling Entity obtains the right to use any Intellectual Property, and (v) all material Contracts pursuant to which any Selling Entity grants to any other Person the right to use any Seller IP.

(b) To the Knowledge of Seller, none of the Selling Entities has infringed, misappropriated or otherwise violated, or is infringing, misappropriating or otherwise violating any Intellectual Property right of any other Person, except as set forth in Section 5.10(b) of Seller Disclosure Schedule. Except as set forth in Section 5.10(b) of Seller Disclosure Schedule, none of the Selling Entities has received any written claim or written notice from any Person alleging infringement, misappropriation or any other violation of Intellectual Property rights, offering a license to Intellectual Property Rights, or challenging the validity, enforceability, use or ownership of Seller IP or the Selling Entities' interest in Seller IP. To the Knowledge of Seller, no Person has infringed, misappropriated or otherwise violated, or is infringing, misappropriating or otherwise violating any Seller IP. Except as set forth in Section 5.10(b) of the Disclosure Schedule, there are no pending or threatened administrative or judicial proceedings or actions involving Seller IP or Seller's use of Intellectual Property rights.

(c) The Selling Entities have complied in all material respects with all applicable Laws relating to the privacy of, and the collection, use, storage and disclosure of personal information. To the Knowledge of Seller, there has been no material unauthorized access to, unauthorized disclosure of, or other misuse of any personal information collected by the Selling Entities. To the Knowledge of Seller, none of the Selling Entities has experienced any material breach of security or other material unauthorized access by third parties to personal information, and none of the Selling Entities has received any complaint regarding the collection, use or disclosure of personal information. The execution, delivery and performance of this Agreement will comply with all laws and regulations applicable to the Selling Entities relating to privacy and with the privacy policies of the Selling Entities.

Section 5.11 Taxes.

(a) Except as set forth on Section 5.11(a) of Seller Disclosure Schedule, all material Tax Returns required to be filed by or with respect to any Selling Entity have been timely filed (taking into account any extension of time within which to file) and all such Tax Returns are true, correct, and complete in all material respects.

(b) Except as set forth on Section 5.11(b) of Seller Disclosure Schedule, all material Taxes of the Selling Entities that are due and payable have been timely paid. No Tax Encumbrances are currently in effect against any of the Acquired Assets.

(c) No claims have been asserted in writing with respect to any Taxes with respect to the Selling Entities. Except as set forth in Section 5.11(c) of Seller Disclosure Schedule, no Tax Return of any Selling Entity is under audit or other administrative or court proceeding by any Governmental Authority relating to the payment of any amount of Taxes. Any past audits of any Selling Entity have been completed and fully resolved to the satisfaction of the applicable Governmental Authority conducting such audit and all Taxes determined by such audit to be due from such Selling Entity have been timely paid in full.

(d) All material Taxes that any Selling Entity is or was required by applicable Law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Authority or other Person.

(e) No written claim has been made by a Tax authority in a jurisdiction where any Selling Entity does not file Tax Returns that such Selling Entity is or may be subject to taxation by that jurisdiction.

(f) None of the Selling Entities is a party to or bound by any tax allocation or sharing agreement.

Section 5.12 Insurance. All casualty and property insurance policies of the Selling Entities or covering the Acquired Assets, the Assumed Liabilities, the Current Employees or the Business are identified on Section 5.12 of the Seller Disclosure Schedule and complete and correct copies thereof (including all material modifications, amendments, qualification and riders) have been provided or made available to Buyer. All such casualty and property insurance policies (a) are, to the Knowledge of Seller, in full force and effect and all premiums thereon have been paid, and the Selling Entities are otherwise in compliance in all material respects with the terms and provisions of such policies, (b) such policies provide insurance in such amounts and against such risks as is sufficient to comply with applicable Law and which reflect coverages and policy terms that are customary and adequate for the industry in which the Selling Entities operate, and (c) the Selling Entities are not in breach or default, and none of the Selling Entities has taken any action or failed to take any action which, with notice, the lapse of time or the happening of any other event or condition, would constitute such a breach or default, or permit termination or modification of, any of such insurance policies. There are no pending written notices of cancellation or nonrenewal of any insurance policy referred to in this Section 5.12, nor, to the Knowledge of Seller, has the termination of any such insurance policy been threatened and there exists no event, occurrence, condition or act (including the purchase of the Acquired Assets hereunder) that, with the giving of notice, the lapse of time or the happening of any other event or condition, could, to the Knowledge of Seller, entitle any insurer to terminate or cancel any such insurance policies.

Section 5.13 Title to Assets; Real Property.

(a) The Selling Entities have good and valid title to, or, in the case of leased assets have good and valid leasehold interests in, all tangible personal property that is used in or necessary for the operation of the Business as currently conducted (other than the Excluded Assets) and as anticipated to be conducted as of the Closing, free and clear of all Encumbrances (other than Permitted Encumbrances that do not materially impair Buyer's rights therein and thereto, or use thereof, from and after the Closing, or Encumbrances that will be released and discharged as of, and that will not be enforceable from and after, the Closing by virtue of the Sale Order, or Encumbrances solely affecting the Excluded Assets).

(b) A Selling Entity has valid leasehold interests in the Real Property Leases (such leasehold interests, the "Seller Properties"), free and clear, as of the Closing, of all Encumbrances (other than Permitted Encumbrances that do not materially impair Buyer's rights therein and thereto, or use or occupancy thereof, from and after the Closing, or Encumbrances that will be released and discharged as of, and that will not be enforceable from and after, the Closing by virtue of the Sale Order, or Encumbrances solely affecting Real Property Leases included among the Excluded Assets), assuming the entry of the Sale Order and timely discharge

of all Cure Payments and other obligations of the Selling Entities owing under or related to Seller Properties.

Section 5.14 Permits. Except as set forth in Section 5.14 of Seller Disclosure Schedule, the Selling Entities have obtained and possess all material Permits which are necessary for the lawful conduct of the Business as presently conducted and operated and as such is anticipated to be conducted and operated from and after the Closing, or which are necessary for the lawful ownership of their properties and assets or the operation of the Business as presently conducted and operated and as such is anticipated to be conducted and operated from and after the Closing. Each such Permit is valid and in full force and effect and none of such material Permits will be terminated or impaired or become terminable, in whole or in part, as a result of the occurrence of the transactions contemplated hereby.

Section 5.15 Inventory. The consolidated inventory of Seller set forth in Seller Financial Statements was stated therein in accordance with GAAP applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and presents fairly, in all material respects, the consolidated inventory of Seller as of the respective dates thereof. The consolidated Inventory of the Selling Entities (whether in transit to or from the Selling Entities or in the possession or under the control of any of the Selling Entities or any third party bailees) is in such quantities as are reasonable and appropriate consistent with the Selling Entities' past practices in the ordinary course of business and consists of items of a quality useable, saleable (in the case of finished goods) and merchantable in the ordinary course of business in all material respects.

Section 5.16 Accounts Receivable. All accounts and notes receivable of the Selling Entities, including the Accounts Receivable, have arisen in the ordinary course of business consistent with past practice and pursuant to the bona fide performance of services or other bona fide business transactions and represent valid, actual, bona fide obligations owing to one or more of the Selling Entities. The consolidated accounts receivable of Seller set forth in the Seller Financial Statements were stated therein in accordance with GAAP applied on a consistent basis throughout the periods indicated and presents fairly, in all material respects, the consolidated accounts receivable of Seller as of the respective dates thereof (subject, in the case of unaudited financial statements, to normal period end adjustments), and there has been no material and adverse change in respect of such consolidated accounts receivable of Seller since the respective dates of the Seller Financial Statements. There is no material contest, claim or right of set-off relating to the amount or validity of any Accounts Receivable of the Selling Entities, and no such Accounts Receivable are more than ninety (90) days past due.

Section 5.17 Banks. Section 5.17 of Seller Disclosure Schedule contains a complete and correct list of the names and locations of all banks in which any Selling Entity has accounts or safe deposit boxes and the names of all persons authorized to draw thereon or to have access thereto. Except as set forth in Section 5.17 of Seller Disclosure Schedule, no Person holds a power of attorney to act on behalf of any Selling Entity with respect to any such accounts or safe deposit boxes.

Section 5.18 Brokers. Except as set forth in Section 5.18 of Seller Disclosure Schedule, no Person is entitled to any brokerage, financial advisory, finder's or similar fee or commission

payable by any Selling Entity in connection with the transactions contemplated by this Agreement or the other Transaction Documents.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to the Selling Entities as follows:

Section 6.1 Organization and Good Standing. Buyer is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, formation or organization. Any Buyer Designee that executes and delivers any Transaction Document will be a corporation or other entity duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization as of the Closing Date.

Section 6.2 Authority Relative to this Agreement.

(a) Buyer has all necessary power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the other Transaction Documents to which Buyer is party and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by the board of directors or equivalent governing body of Buyer, and no other corporate proceedings on the part of Buyer are necessary to authorize this Agreement or the other Transaction Documents to which it is party or to consummate the transactions contemplated hereby or thereby. This Agreement has been duly and validly executed and delivered by Buyer, and, upon their execution and delivery in accordance with the terms of this Agreement, each of the other Transaction Documents to which Buyer is a party will have been duly and validly executed and delivered by Buyer, and, assuming that this Agreement and such other Transaction Documents constitute valid and binding agreements of the Selling Entities party thereto, constitute valid and binding agreements of Buyer, enforceable against Buyer in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar Laws affecting or relating to enforcement of creditors' rights generally or general principles of equity.

(b) Each Buyer Designee that executes and delivers a Transaction Document shall have, as of the Closing Date, all necessary corporate or other power and authority to execute and deliver the Transaction Documents to which it is party and to consummate the transactions contemplated thereby. The execution and delivery of each Transaction Documents to which any Buyer Designee is party and the consummation of the transactions contemplated thereby shall have been duly and validly authorized by the board of directors or equivalent governing body of each Buyer Designee that executes and delivers a Transaction Document prior to such execution and delivery, and no other corporate proceedings on the part of such Buyer Designee shall be necessary at the time of such execution and delivery to authorize the Transaction Documents to which it is party or to consummate the transactions contemplated thereby. The Transaction Documents to which a Buyer Designee is party shall have been duly and validly executed and delivered prior to the Closing by each Buyer Designee that executes and delivers a Transaction Document, and, assuming that the Transaction Documents constitute

valid and binding agreements of the Selling Entities party thereto, shall constitute valid and binding agreements of such Buyer Designee, enforceable against such Buyer Designee in accordance with their terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar Laws affecting or relating to enforcement of creditors' rights generally or general principles of equity.

Section 6.3 No Violation; Consents.

(a) Neither the execution and delivery of this Agreement by Buyer nor the purchase by Buyer and/or any applicable Buyer Designees of the Acquired Assets and the assumption by Buyer and/or such Buyer Designees of the Assumed Liabilities pursuant to this Agreement will (with or without notice or lapse of time) conflict with or result in any breach of (i) any provision of Buyer's or any such Buyer Designee's Certificate of Incorporation or Bylaws (or similar organizational documents) or (ii) subject to the matters referred to in Section 6.3(b), any Law applicable to Buyer or any such Buyer Designee or their respective properties or assets, except as would not prevent or materially delay the consummation of the transactions contemplated by this Agreement.

(b) No Consent of any Governmental Authority or any third party is required to be obtained by or with respect to Buyer and/or any applicable Buyer Designee in connection with the execution and delivery of this Agreement, or the consummation by Buyer or such Buyer Designee of the transactions contemplated by this Agreement, except for (i) the entry of the Sale Order by the Bankruptcy Court, and (ii) such other Consents where the failure to obtain such Consents would not prevent or materially delay the consummation of the transactions contemplated by this Agreement.

Section 6.4 Legal Proceedings and Orders. To the Knowledge of Buyer, there is no Legal Proceeding, and no Person has threatened in writing to commence any Legal Proceeding that would reasonably be expected to have the effect of preventing or making illegal any of the transactions contemplated by this Agreement, except for the Bankruptcy Case. There is no Order to which Buyer is subject that would reasonably be expected to have the effect of preventing or making illegal any of the transactions contemplated by this Agreement.

Section 6.5 Brokers. No Person is entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by Buyer or any of its Affiliates in connection with the transactions contemplated by this Agreement.

ARTICLE 7
COVENANTS OF THE PARTIES

Section 7.1 Conduct of Business of Selling Entities. Except (u) as set forth on Schedule 7.1, (v) as required by any Order of the Bankruptcy Court (it being understood that the Selling Entities shall refrain from seeking any authorization from the Bankruptcy Court to take any actions outside the ordinary course of business consistent with past practice or otherwise in noncompliance with this Section 7.1, without the prior consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed), (w) as required pursuant to the terms of the DIP Credit Facility and any Order of the Bankruptcy Court approving the DIP Credit Facility, (x) as

required by applicable Law, (y) as contemplated or required by the terms of any Transaction Document, or (z) as otherwise consented to in writing by Buyer (such consent not to be unreasonably withheld, conditioned or delayed), during the period commencing on the date of this Agreement and continuing through the Closing or the earlier termination of this Agreement in accordance with its terms:

(a) each of the Selling Entities shall use its commercially reasonable efforts to: (i) operate the Business in the ordinary course of business, including ordering and purchasing Inventory, making capital and sales and marketing expenditures each in the ordinary course of business and operating the Selling Entities' gift card program in the ordinary course of business, consistent with past practice, (ii) preserve in all material respects the Acquired Assets (excluding sales of Inventory in the ordinary course of business, Existing Store Closing Sales and Store Closing Sales permitted under clause (b)(ii) of this Section 7.1), and (iii) preserve its current relationships with the suppliers, vendors, customers, clients, contractors and others having business dealings with the Business; provided that each of clauses (i) through (iii) above shall take into account, in each case, the commencement of the Bankruptcy Case and the fact that the Business is operating while in bankruptcy; and

(b) without limiting the generality of Section 7.1(a), the Selling Entities shall not:

(i) sell, lease (as lessor), transfer or otherwise dispose of (or permit to become subject to any Encumbrance, other than Permitted Encumbrances, Encumbrances arising under any Bankruptcy Court orders relating to the use of cash collateral (as defined in the Bankruptcy Code), Encumbrances arising in connection with the DIP Credit Facility and Encumbrances that will be discharged and removed and not be enforceable against any Acquired Asset following the Closing in accordance with the Sale Order) any Acquired Assets, other than (A) the sale of Inventory in the ordinary course of business, (B) the collection of receivables, (C) Existing Store Closing Sales and Store Closing Sales permitted under clause (ii) below, (D) the use of prepaid assets and Documentary Materials in the conduct of the Business in the ordinary course of business and (E) making adequate protection payments required by the Bankruptcy Code and approved by the Bankruptcy Court;

(ii) initiate any Store Closing Sales or closures on or after the date hereof, other than the Existing Store Closing Sales, and, following the entry of the Bidding Procedures Order, in respect of which Buyer has given its consent and on terms satisfactory to Buyer, *provided, however,* that notwithstanding the foregoing, the Selling Entities may continue to conduct and conclude all Existing Store Closing Sales;

(iii) increase the compensation payable or benefits provided to any director of any Selling Entity or any of their Affiliates or to any Current Employee, or adopt, modify or amend any Seller Benefit Plan (which for purposes of this section shall include any non-competition or similar agreement), other than (A) as required by the terms of any Contract or Seller Benefit Plan in effect on the date of this Agreement, (B) as provided in any incentive or retention program or similar arrangement approved by the Bankruptcy Court with the written consent of Buyer, (C) increases for nonexecutive

management Current Employees that are not material in the aggregate, or (D) any termination of, or reduction in benefits payable under, a Seller Benefit Plan prior to the Closing with the written consent of Buyer;

(iv) solely with respect to any action which could have an adverse effect on Buyer or any of its Affiliates, or any their operation, management or ownership of the Business and the Acquired Assets following the Closing, make or rescind any material election relating to Taxes, settle or compromise any material claim, action, suit, litigation, Legal Proceeding, arbitration, investigation, audit or controversy relating to Taxes, or, except as required by applicable Law or GAAP, make any material change to any of its methods of Tax accounting, methods of reporting income or deductions for Tax or Tax accounting practice or policy from those employed in the preparation of its most recent Tax Returns;

(v) acquire any material assets or properties or make any other material investment in any such event outside the ordinary course of business, except as may otherwise be required under any Order entered by the Bankruptcy Court in the Bankruptcy Case;

(vi) enter into or agree to enter into any merger or consolidation with any corporation or other entity;

(vii) except in the ordinary course of business, cancel or compromise any material debt or claim or waive or release any material right, in each case, that is a debt, claim or right that is an Acquired Asset or Assumed Liability;

(viii) introduce any material change with respect to the operation of the Business, including any material change in the types, nature, composition or quality of products or services sold in the Business;

(ix) enter into, amend or terminate any Non-Real Property Contract or Real Property Lease that Buyer has the right hereunder to designate as an Assumed Contract or Assumed Real Property Lease;

(x) materially alter the Inventory allocation, quality and mix from that maintained by the Business in the ordinary course of business consistent with past practice prior to the commencement of the Bankruptcy Case; or

(xi) agree or commit to do any of the foregoing.

Section 7.2 Access to and Delivery of Information and Assets; Maintenance of Records.

(a) Between the date of this Agreement and the earlier of (x) the termination of this Agreement (other than as a result of the Closing) and (y) the final dissolution and liquidation of the Selling Entities and their estates, unless prohibited by applicable Law, the Selling Entities shall, during ordinary business hours and upon reasonable prior notice, and at Buyer's sole cost and expense (i) give Buyer and Buyer's Representatives reasonable access to

the Selling Entities accountants, counsel, financial advisors and other authorized outside Representatives, officers and senior management in their respective principal places of business, all books, records and other documents and data in the locations in which they are normally maintained or otherwise in the Selling Entities or the Seller's Representatives possession or control, and all offices and other facilities of the Selling Entities; *provided* that, in connection with such access, Buyer and Buyer's Representatives shall use their commercially reasonable efforts to minimize disruption to the Business, the Bankruptcy Case, and the Auction; *provided further* that in connection with Buyer's and/or Buyer's Representatives' access of such offices and other facilities, Buyer and/or Buyer's Representatives shall use their commercially reasonable efforts not to materially interfere with the ordinary course use and operation of such offices and other facilities, and shall comply with all posted, reasonable safety and security rules and regulations for such offices and other facilities, (ii) permit Buyer and Buyer's Representatives to make such reasonable inspections and copies of all books, records and other documents of the Selling Entities as Buyer may reasonably request, and (iii) furnish Buyer with such reasonably available financial and operating data and other information as Buyer and Buyer's Representatives may from time to time reasonably request. Notwithstanding anything to the contrary set forth in this Section 7.2(a), no access to, or examination of, any information or other investigation shall be permitted to the extent that it would require disclosure of information subject to attorney-client or other privilege prior to the entry by Buyer or the Buyer's Representatives (as applicable) Seller into a customary and mutually agreeable confidentiality, non-disclosure or joint defense agreement.

(b) Between the Closing Date and final dissolution and liquidation of the Selling Entities and their estates, the Selling Entities and Seller's Representatives shall, during ordinary business hours and upon reasonable prior notice, and at the Selling Entities' sole cost and expense, have reasonable access to all of the books and records of the Selling Entities delivered to Buyer or any Buyer Designee at Closing and which in Buyer's or its Representatives' possession or control, including all Documentary Materials and all other information pertaining to the Assumed Contracts and Assumed Real Property Leases to the extent that (i) such books, records and information relate to any period prior to the Closing Date and (ii) such access is reasonably required by the Selling Entities in connection with the Bankruptcy Case, the Excluded Liabilities, the Excluded Assets or similar matters relating to or affected by the operation of the Business for periods prior to the Closing. Such access shall be afforded by Buyer upon receipt of reasonable advance notice and during normal business hours, and Buyer shall permit the Selling Entities and Seller's Representatives to make such reasonable copies of such books, records and information as they may reasonably request and at the Selling Entities' sole cost and expense; *provided, however,* that the foregoing activities of the Selling Entities and Seller's Representatives shall be subject to restrictions and conditions commensurate with those restrictions and conditions set forth in Section 7.2(a).

(c) Between the Closing Date and final dissolution and liquidation of the Selling Entities and their estates, the Selling Entities and their Representative shall, during ordinary business hours and upon reasonable prior notice, and at the Selling Entities' sole cost and expense, have reasonable access to, and the reasonable assistance of, the employees of Buyer and Buyer Designees, including limited access to the systems of Buyer and Buyer Designees, in connection with the winding down of any remaining business and assets of the Selling Entities, the final dissolution and liquidation of the Selling Entities and their estates, and the performance

of the obligations of the Selling Entities hereunder and under the other Transaction Documents, and Buyer and Buyer Designees shall use their respective commercially reasonable efforts to cooperate, to the extent reasonably requested, therewith; *provided, however,* that the foregoing activities of the Selling Entities and Seller's Representatives shall be subject to restrictions and conditions commensurate with those restrictions and conditions set forth in Section 7.2(a).

(d) From and after the Closing Date, the Selling Entities shall provide or cause to be provided to Buyer and Buyer Designees full, complete and unfettered access to the Acquired Assets.

(e) All information obtained by Buyer or Buyer's Representatives pursuant to this Section 7.2 shall be subject to the terms of the Confidentiality Agreement.

Section 7.3 Expenses.

(a) All costs and expenses payable solely in connection with obtaining any Consents necessary to transfer, convey and assign to Buyer and/or a Buyer Designee (and not to any other Person) the Acquired Assets and the Assumed Liabilities shall be paid by Buyer (up to an amount not to exceed $50,000 (provided that Buyer and the Selling Entities must have approved in advance any payment in respect of a Consent for which Buyer is responsible hereunder)); *provided, however,* that the Selling Entities shall use their commercially reasonable efforts to request that the Sale Order indicates that to the fullest extent permitted under applicable law, no such Consents will be required from any party in connection with the transactions contemplated hereby or by any of the other Transaction Documents. Promptly following the date hereof, the Selling Entities shall use their commercially reasonable efforts to obtain, and Buyer shall reasonably cooperate in obtaining, prior to the Closing Date all Consents and Governmental Authorizations from Governmental Authorities and third parties necessary to transfer, convey and assign to Buyer and/or a Buyer Designee the Acquired Assets and the Assumed Liabilities to Buyer and/or a Buyer Designee, including making any applicable Cure Payments (other than those Cure Payments, up to but not in excess of the Cure Payments Cap, payable by Buyer pursuant to Section 2.5(g)); *provided*, that Buyer's reasonable cooperation shall not require Buyer and/or any Buyer Designee to consent to or approve any material changes to the Assumed Contracts and the Assumed Real Property Leases that are requested or required by any third party or Governmental Authority in connection with obtaining such Consents and Governmental Authorizations.

(b) Except to the extent otherwise specifically provided herein (including in Sections 7.7 and 7.11), whether or not the transactions contemplated hereby are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be borne by the Party incurring such costs and expenses.

Section 7.4 Further Assurances.

(a) Subject to the terms and conditions of this Agreement, at all times prior to the earlier of the Closing and the termination of this Agreement in accordance with its terms, each of the Parties shall use its commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable under

applicable Laws to consummate and make effective the transactions contemplated by this Agreement, including executing and delivering such documents and other papers as are reasonably required to carry out the provisions of this Agreement and consummate the transaction contemplated hereby as promptly as practicable.

(b) On and after the Closing until the final dissolution and liquidation of the Selling Entities and their estates, the Selling Entities and Buyer shall use their commercially reasonable efforts to take, or cause to be taken, all appropriate action, to do or cause to be done all things necessary, proper or advisable under applicable Law, and to execute and deliver such documents and other papers as may be required to carry out the provisions of this Agreement and consummate and make effective the transactions contemplated hereby as promptly as practicable, including in order to more effectively vest in Buyer all of the Selling Entities' right, title and interest to the Acquired Assets, free and clear of all Encumbrances (other than Permitted Encumbrances that do not materially impair Buyer's rights therein and thereto, or use thereof, from and after the Closing).

(c) Nothing in this Section 7.4 shall, except as otherwise set forth in this Agreement, (i) require the Selling Entities to make any expenditure or incur any obligation on behalf of Buyer or, following the Closing, on their own behalf, (ii) prohibit any Selling Entity from ceasing operations or winding up its affairs following the Closing, or (iii) prohibit the Selling Entities from taking such actions as are necessary to conduct the Auction, as are required by the Bankruptcy Court or as would otherwise be permitted under Section 7.1.

Section 7.5 Public Statements. Unless otherwise required by or reasonably necessary to comply with applicable Law or the rules or regulations of any applicable securities exchange, and except for disclosure of matters that become a matter of public record as a result of the Bankruptcy Case, and any filings or notices related thereto, Buyer, on the one hand, and the Selling Entities, on the other hand, shall consult with each other before issuing any press release or otherwise making any public statement with respect to this Agreement, the transactions contemplated hereby or the activities and operations of the other Parties and shall not issue any such release or make any such statement without providing the other Party the reasonable opportunity to review and comment in advance on any such proposed release or statement.

Section 7.6 Governmental Authority Approvals and Cooperation.

(a) As promptly as reasonably practicable after the date of this Agreement, each of the Selling Entities and Buyer shall (and shall cause their respective Affiliates to) use its commercially reasonable efforts to make any filings and notifications, and to obtain any Consents from Governmental Authorities (other than the Bankruptcy Court), required to be made and obtained under applicable Law in connection with the transactions contemplated by this Agreement as promptly as reasonably practicable.

(b) Each Party (i) shall cooperate with each other Party in connection with the filings and Consents contemplated by this Section 7.6, (ii) shall promptly inform each other Party of any material communication received by such Party from any Governmental Authority (other than the Bankruptcy Court) concerning this Agreement, the transactions contemplated hereby and any filing, notification or request for Consent related thereto, and (iii) shall permit each other

Party to review in advance any proposed written communication or information submitted to any such Governmental Authority (other than the Bankruptcy Court) in response thereto (in each case, excluding communications or information which are subject to preexisting confidentiality agreements or to the attorney-client privilege or work product doctrine or the disclosure of which of is prohibited under applicable Law or Order). In addition, none of the Selling Entities or Buyer shall (and shall ensure that their respective Affiliates do not) agree to participate in any meeting with any Governmental Authority (other than the Bankruptcy Court) in respect of any filings, investigation or other inquiry with respect to this Agreement, the transactions contemplated hereby or any such filing, notification or request for Consent related thereto unless, to the extent not prohibited under applicable Law or Order, it consults with the other Parties in advance and, to the extent permitted by any such Governmental Authority and applicable Law, gives the other Parties the opportunity to attend and participate thereat, in each case to the extent practicable. The Selling Entities and Buyer shall, and shall cause their respective Affiliates to, furnish Buyer or the Selling Entities (and Buyer's Representatives and Seller's Representatives, as applicable), as the case may be, copies of all material correspondence, filings and communications between it and its Affiliates (and Buyer's Representatives and Seller's Representatives, as applicable) on the one hand, and the Governmental Authority (other than the Bankruptcy Court) or members of its staff on the other hand, with respect to this Agreement, the transactions contemplated hereby or any such filing, notification or request for Consent related thereto (in each case, excluding filings, notifications or requests which are subject to preexisting confidentiality agreements or to the attorney-client privilege or work product doctrine or the disclosure of which of is prohibited under applicable Law or Order). Each of the Selling Entities and Buyer shall (and shall cause their respective Affiliates to) furnish each other Party with such necessary information and assistance as such other Party and its Affiliates may reasonably request in connection with its preparation of necessary filings, registrations or submissions of information to any Governmental Authority in connection with this Agreement, the transactions contemplated hereby and any such filing, notification or request for Consent related thereto (in each case, excluding such materials which are subject to preexisting confidentiality agreements or to the attorney-client privilege or work product doctrine or the disclosure of which of is prohibited under applicable Law or Order).

Section 7.7 Employee Matters.

(a) Prior to the Closing, Buyer shall offer, or cause a Buyer Designee to offer, to employ those Current Employees necessary or appropriate, in Buyer's sole and absolute discretion, to own, operate and manage the Business and those Continuing Facilities and other Acquired Assets that are identified and acquired by Buyer and/or any a Buyer Designee(s) as of the Closing, with employment commencing on the Closing Date. For purposes of this Agreement, each Current Employee who receives such an offer of employment shall be referred to as an "Offeree". At least five (5) Business Days prior to the Closing Date, Buyer will provide Seller with a schedule setting forth a list of the names of all Offerees. Each Offeree who accepts such offer prior to the Closing shall be referred to herein as a "Transferred Employee". Except to the extent the Selling Entities fail to comply in any material respects with Section 7.7(c)(i) and Section 7.7(c)(iii), Buyer hereby agrees that the offer to an Offeree shall include a level of base salary and wages that are substantially comparable in the aggregate to the base salary and wages provided to such Offeree by the Selling Entities as of the date hereof, as set forth on Section 7.7(a) of the Seller Disclosure Schedule. The Selling Entities shall not enforce against any

Transferred Employee any confidentiality, non-compete, non-solicit or similar contractual obligations, or otherwise assert with respect to any such Transferred Employee or Buyer or any of its Affiliates claims that would otherwise prohibit or place conditions on any such Transferred Employee's acceptance of an offer of employment by Buyer or any of its Affiliates, any such Transferred Employee's employment by Buyer or any of its Affiliates, or any actions taken by any such Transferred Employee as an employee of Buyer or any of its Affiliates. In furtherance of the foregoing, the Selling Entities shall terminate effective immediately prior to the Closing all employment agreements and other arrangements with all Transferred Employees.

(b) Each Current Employee of the Selling Entities or any of their Affiliates who is not a Transferred Employee shall be referred to herein as an "Excluded Employee"; *provided* that if such Excluded Employee accepts an offer of employment by Buyer during the Option Period, such Excluded Employee shall be deemed to be a Transferred Employee. Buyer agrees that, with respect to the Current Employees who are (i) based out of the company headquarters location located at the address of the Selling Entities provided in Section 11.3(a), (ii) regional managers, (iii) district managers, or (iv) loss prevention employees, Buyer shall not fail to offer employment pursuant to Section 7.7(a) above to fifty (50) or more of those Current Employees; it being understood however that, in the event that there are fewer than fifty (50) such Current Employees available to receive offers of employment by Buyer as of Closing (whether by virtue of voluntary severance or involuntary termination of employment or otherwise), such number shall be adjusted downward to equal the number of such Current Employees so available. Buyer shall, subject to any and all defenses that may be available in respect thereof, bear all Liabilities arising under the WARN Act solely as a result of Buyer's breach of the previous sentence.

(c) Following the date of this Agreement,

(i) the Selling Entities shall designate a member of management who shall coordinate with Buyer or any applicable Buyer Designee to arrange mutually agreed periods of time during which Buyer or any applicable Buyer Designee may meet with and interview the Current Employees who are members of management and other employees reasonably requested by Buyer or any applicable Buyer Designee; *provided, however,* that such access shall not unduly interfere with the operation of the Business prior to the Closing;

(ii) the Selling Entities shall not, nor shall any Selling Entity authorize or direct or give express permission to any Affiliate, officer, director or employee of any Selling Entity or any Affiliate to (A) interfere with Buyer's or any Buyer Designee's rights under Section 7.7(a) to make offers of employment to any Offeree, or (B) solicit or encourage any Offeree not to accept, or to reject, any such offer of employment; and

(iii) the Selling Entities shall provide reasonable cooperation and information to Buyer or the relevant Buyer Designee as reasonably requested by Buyer or such Buyer Designee with respect to its determination of appropriate terms and conditions of employment for any Offeree.

(d) Employee/Employment Related Liabilities. Notwithstanding anything in this Agreement to the contrary,

(i) the Selling Entities shall process the payroll and, except as provided in the proviso below, shall be liable for, and shall pay, or cause to be paid, all base wages and base salary and employee/employment related Liabilities that accrued prior to the Closing Date with respect to all employees of the Selling Entities; *provided* that Buyer shall be liable for, and shall pay the Selling Entities in respect thereof when due, ordinary course base wages and base salary of all Transferred Employees and all Current Employees, other than those Current Employees who work at Rejected Stores, in each case that accrued during the preceding bi-weekly payroll period immediately preceding, but which remain unpaid as of, the Closing Date;

(ii) with respect to those Real Property Leases not identified in the Pre-Closing Rejection Notice, from the Closing until the earlier of (A) fourteen (14) days (or such shorter period as may be approved by the Bankruptcy Court, including pursuant to the Rejection Procedures Motion) following the date upon which Buyer provides an Option Notice to the Selling Entities that Buyer is exercising its Option Rights to exclude such Real Property Lease (or the Rejection Effective Date for such Real Property Lease, if occurring prior to the end of such fourteen (14) day period (or such shorter period as may be approved by the Bankruptcy Court, including pursuant to the Rejection Procedures Motion), and with respect to which the Selling Entities shall use their commercially reasonable efforts to cause such Rejection Effective Date to occur prior to the end of such period), and (B) seven (7) days following the expiration of the Option Period, Buyer shall be liable for and shall pay, or cause to be paid, all Operational Expenses at the Stores that are located on the properties that are the subject of such Real Property Leases (including (x) the base wages and base salaries of employees thereat and (y) Liabilities arising under Seller Benefit Plans in respect of employees thereat, provided that the Selling Entities shall be responsible for processing such payments and Buyer shall be liable for and shall pay the Selling Entities in respect thereof when due and provided further that the Selling Entities agree that they shall not increase the wages or benefits of any such employees during such period)) that accrue during such period in connection with the employment of the employees of the Selling Entities working at the applicable Stores or other facilities of the Selling Entities operating at the locations that are the subject of such Real Property Leases;

(iii) the Selling Entities shall cause to be filed in a timely fashion all notices required under COBRA and the WARN Act in respect of all employees of the Selling Entities who work at Stores or other facilities of the Selling Entities that are located on Rejected Real Property Leases and shall be liable for all Liabilities and claims arising under or in connection therewith, whether or not incurred, recognized, paid or made on, prior to or after the Closing, and shall further retain and be responsible for all Liabilities in connection with any pre-Closing non-compliance of the Selling Entities or the Business with (and claims that have been or may be made thereagainst under any pending Action in connection with) any Laws relating to wages, hours, pay equity, employment equity, conditions of employment, employment standards, human rights, employee privacy, collective bargaining, discrimination, civil rights, safety and health,

workers' compensation and the collection and payment of withholding Taxes and/or social security Taxes and contributions and any similar Tax or contribution;

(iv) with respect to any Transferred Employees employed at any Continuing Facility on or after the Closing, Buyer shall process the payroll for and shall pay, or cause to be paid, the base wages and base salary that accrue in respect of such Transferred Employee from and after the later to occur of (x) the Closing Date, and (y) the effective date upon which such Person became a Transferred Employee. With respect to each Transferred Employee, Buyer shall withhold and remit all applicable payroll taxes as required by and in accordance with applicable Law in respect of such Transferred Employee from and after the later to occur of (x) the Closing Date, and (y) the effective date upon which such Person became a Transferred Employee; and

(v) the Selling Entities shall be liable for all Liabilities and claims arising under or in connection with any Seller Benefit Plans that arise out of or relate, directly or indirectly, to any set of facts or circumstances existing prior to the Closing Date (whether or not reported to or otherwise Known by the Selling Entities or any Representative thereof or incurred, recognized, paid or made on, prior to or after the Closing); *provided, however,* that Buyer shall be liable for and shall pay the Selling Entities when due for the employer-covered portion of any claims arising under or in connection with any standard employee medical insurance coverages that were incurred but not invoiced or paid prior to the Closing Date in respect of Transferred Employees and all Current Employees, other than those Current Employees who work at Rejected Stores.

(e) Buyer shall consider the unused and outstanding vacation, sick days, personal days or leave earned and/or accrued by each Transferred Employee through Closing pursuant to Seller Benefit Plans that are paid time off plans and policies.

(f) Each of Buyer and the Selling Entities agrees that it will not apply the alternative procedure contained in Section 5 of IRS Revenue Procedure 2004-53, 2004-2 C.B. 320. Accordingly, the Selling Entities acknowledge that they will be responsible for the furnishing of a Form W-2 to each Transferred Employee which discloses all wages and other compensation paid through the period ending on the Closing Date, and applicable taxes withheld thereon. Buyer acknowledges that it (or its Affiliates) will be responsible for the furnishing of a Form W-2 to each Transferred Employee which discloses all wages and other compensation paid for the period beginning on the day following the Closing Date and ending on December 31, 2014, or the last day of such other year in which the Closing Date occurs, and applicable taxes withheld thereon.

(g) Nothing contained herein shall be construed as requiring, and neither the Selling Entities nor any of their Affiliates shall take any affirmative action that would have the effect of requiring Buyer or any applicable Buyer Designee to continue any specific employee benefit plan or to continue the employment of any specific person. Nothing in this Agreement is intended to establish, create or amend, nor shall anything in this Agreement be construed as establishing, creating or amending, any employee benefit plan, practice or program of Buyer, any of its Affiliates or any Seller Benefit Plan, nor shall anything in this Agreement create or be

construed as creating any contract of employment or as conferring upon any Transferred Employee or upon any other person, other than the Parties to this Agreement in accordance with its terms, any rights to enforce any provisions of this Agreement under ERISA or otherwise. No provision of this Agreement shall create any third party beneficiary rights in any Transferred Employee, any beneficiary or dependents thereof, or any collective bargaining representative thereof, with respect to the compensation, terms and conditions of employment and benefits that may be provided to any Transferred Employee by Buyer or under any benefit plan which Buyer may maintain, or otherwise.

Section 7.8 Tax Matters.

(a) Any sales, use, value added, property transfer, documentary, stamp, registration, recording or similar Tax payable solely in connection with the sale or transfer of the Acquired Assets to, and the assumption of the Assumed Liabilities, by the Buyer or a Buyer Designee (and not to or by any other Person) ("Transfer Taxes") shall be borne by Buyer; *provided, however,* that the Selling Entities shall use their commercially reasonable efforts to request that the Sale Order indicates that to the fullest extent permitted under applicable law, no Transfer Taxes will be owed by any party in connection with the transactions contemplated hereby or by any of the other Transaction Documents. Buyer shall prepare and file all necessary Tax Returns or other documents with respect to all such Transfer Taxes to the extent permitted under applicable Tax Law.

(b) All real property, personal property, other ad valorem Taxes, and sales and use Taxes levied with respect to the Acquired Assets for any taxable period that includes the Closing Date and ends after the Closing Date, whether imposed or assessed before or after the Closing Date, shall be prorated between Selling Entities and Buyer as of 12:01 a.m. (Eastern Time) on the Closing Date. If the exact amount of any real property, personal property, other ad valorem Taxes, and sales and use Taxes is not known on the Closing Date, the apportionment shall be based upon a reasonable amount, without subsequent adjustment; it being understood that all sales Taxes collected by the Selling Entities in connection with the pre-Closing operation of the Business shall be the sole and exclusive responsibility of the Selling Entities. To the extent the amount of such Taxes for the period ending on Closing Date is greater than the amount of such Taxes previously paid by the Selling Entities, then the Selling Entities shall be responsible to the Buyer for such excess, and to the extent the amount of such Taxes for the period ending on the Closing Date is less than the amount of such Taxes previously paid by the Selling Entities then the Buyer shall be responsible to the Selling Entities for such excess. The excess between the amount paid and the amount owed as determined in the prior sentence, in each case, shall be referred to as the "Tax Reimbursement") and shall be taken into account pursuant to Section 3.1(b), in the case of an amount due by the Selling Entities as a negative number and in the case of an amount due by the Buyer as a positive number.

(c) Each of the Selling Entities, the Seller's Representatives and the Buyer shall reasonably cooperate, and shall cause their respective affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving all disputes and audits with respect to all taxable periods relating to Taxes. Such cooperation shall include providing reasonable access to all of the books and

records of the Selling Entities that are held by such party, and shall include providing reasonable access to, and the reasonable assistance of, the employees of the Selling Entities and Buyer and Buyer Designee and limited access to the systems of Buyer and Buyer Designees. Nothing in this Section 7.8(c) shall prohibit any Selling Entity from ceasing operations or winding up its affairs following the Closing.

Section 7.9 Submission for Bankruptcy Court Approval.

(a) No later than two (2) Business Days following the execution of this Agreement by the Parties hereto, the Selling Entities shall file with the Bankruptcy Court motions and supporting papers in form and substance acceptable to the Buyer and reasonably acceptable to the DIP Agent (the "Motions") seeking (A) the entry of the Bidding Procedures Order (including the scheduling of the Auction), (B) the Bankruptcy Court's approval of this Agreement, each Selling Entity's performance under this Agreement and the assumption and the assignment of the Assumed Contracts and the Assumed Real Property Leases pursuant to Section 365 of the Bankruptcy Code, and (C) the entry of the Sale Order, which shall provide that the Acquired Assets are sold to Buyer free and clear of any interest in such property of any other Person pursuant to Section 363(f) of the Bankruptcy Code and that Buyer and its Affiliates have acted in "good faith" (as such term is used Section 363(m) of the Bankruptcy Code) and are thereby entitled to the protections afforded by Bankruptcy Code Section 363(m), and the Selling Entities shall provide Buyer with a copy of such documents at least two (2) Business Days prior to the filing thereof. The Selling Entities shall use commercially reasonable efforts to (i) prosecute such Motions, (ii) ensure that the Bidding Procedures Order is entered not later than five (5) days after execution of this Agreement, (iii) ensure that the hearing before the Bankruptcy Court to consider the entry of the Sale Order is held no later than three (3) days after the Auction (and that such order is entered not later than five (5) days after the Auction), and (iv) ensure that the Sale Order becomes effective immediately and that the provisions of Federal Rules of Bankruptcy Procedure 6004(g) and 6006(d) be waived for cause.

(b) The Selling Entities shall give notice under the Bankruptcy Code of the request for the relief specified in the Motions to all Persons entitled to notice pursuant to the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the local rules of the Bankruptcy Court, and orders of the Bankruptcy Court, including all Persons that have asserted Encumbrances in the Acquired Assets, and all non-debtor parties to the Assumed Contracts and the Assumed Real Property Leases, and if directed by Buyer, to employees of the Selling Entities, and other appropriate notice, including such additional notice as the Bankruptcy Court shall direct or as the Buyer may reasonably request, and provide appropriate opportunity for hearing, to all parties entitled thereto, of all motions, orders, hearings, or other Legal Proceedings in the Bankruptcy Court relating to this Agreement or the transactions contemplated hereby.

(c) Following entry of the Bidding Procedures Order, the Selling Entities will serve a cure notice (the "Cure Notice") by first class mail on all non-debtor counterparties to Contracts and Real Property Leases. The Cure Notice will inform each recipient that its respective Contract or Real Property Lease may be designated by Buyer as either assumed or rejected, and the timing and procedures relating to such designation, and, to the extent applicable (i) the title of the Contract of Real Property Lease, (ii) the name of the counterparty to the Contract or Real Property Lease, (iii) the Selling Entities' good faith estimates of the cure

amounts required in connection with such Contract or Real Property Lease, (iv) the identity of Buyer (or its Buyer Designee or Designated Purchaser, as applicable to such Contract or Real Property Lease, if known), (v) the deadline by which any such Contract or Real Property Lease counterparty may file an objection to the proposed assumption and assignment and/or cure, and the procedures relating thereto, and (vi) that such Contract or Real Property Lease counterparty's failure to object timely to the proposed assumption or cure amount will be deemed to be consent to such assumption to cure amount.

(d) (i) Each Selling Entity and Buyer shall consult with one another regarding pleadings which any of them intends to file with the Bankruptcy Court in connection with, or which might reasonably affect the Bankruptcy Court's approval of, as applicable, the Bidding Procedures Order and the Sale Order, (ii) all such filings shall be in form and substance acceptable to the Buyer, and (iii) the Selling Entities shall provide Buyer with a copy of such documents at least two (2) Business Days prior to the filing thereof.

(e) If the Bidding Procedures Order, the Sale Order, or any other orders of the Bankruptcy Court relating to this Agreement or the transactions contemplated hereby shall be appealed by any Person (or if any petition for certiorari or motion for reconsideration, amendment, clarification, modification, vacation, stay, rehearing or reargument shall be filed with respect to the Bidding Procedures Order, the Sale Order, or other such order), subject to rights, otherwise arising from this Agreement, the Selling Entities shall use their commercially reasonable efforts to prosecute such appeal, petition or motion and obtain an expedited resolution of any such appeal, petition or motion.

Section 7.10 Overbid Procedures; Adequate Assurance.

(a) This Agreement and the sale of the Acquired Assets are subject to higher and better bids and Bankruptcy Court approval. In such event, the Selling Entities must take, subject to Section 7.10(c), reasonable steps to demonstrate that they have sought to obtain the highest or otherwise best price for the Acquired Assets, including giving notice thereof to the creditors of the Selling Entities and other interested parties, providing information about the Selling Entities' business to prospective bidders, entertaining higher and better offers from such prospective bidders, and, in the event that a Qualified Bidder desires to bid for the Acquired Assets, conducting an auction (the "Auction") in accordance with the Bidding Procedures Order.

(b) The Bidding Procedures to be employed with respect to this Agreement and any Auction shall be those reflected in the Bidding Procedures Order. Buyer agrees to be bound by and accept the terms and conditions of the Bidding Procedures as approved by the Bankruptcy Court. The Bidding Procedures must include the following provisions except as otherwise agreed by Buyer:

(i) Any potential bidder who wishes to participate in the Auction and bid on the Acquired Assets must demonstrate to the satisfaction of the Selling Entities, after consultation with the DIP Agent and the Committee, that such potential bidder is a "Qualified Bidder". A Qualified Bidder is a potential bidder other than Buyer who delivers to the Selling Entities a written and binding offer on or before the Bid Deadline (as defined in the Bidding Procedures) that:

(A) is a bid for the Acquired Assets in their entirety for a purchase price equal to not less than the Purchase Price plus the Termination Fee plus the Expense Reimbursement plus $200,000; *provided* that in no event shall such bid be for an amount that is less than the amount necessary to (1) pay in cash the amounts outstanding under the DIP Credit Facility, (2) pay in cash the amounts outstanding (if any) under the Pre-Petition Credit Facility, and (3) pay in full the Termination Fee and the Expense Reimbursement;

(B) states the bidder is prepared to enter into a legally binding purchase and sale agreement or similar agreement for the acquisition of the Acquired Assets on terms and conditions no less favorable to the Selling Entities than the terms and conditions contained in this Agreement, including, without limitation, the purchase of the Acquired Assets and the assumption of the Assumed Liabilities; is accompanied by a clean and duly executed asset purchase agreement substantially in the form of this Agreement (the "Modified APA") and a marked Modified APA reflecting the variations from this Agreement;

(C) states that the bidder's offer is irrevocable until the closing of the purchase of the Acquired Assets if such bidder is the Successful Bidder;

(D) does not contain any due diligence or financing contingencies of any kind;

(E) does not request or entitle the bidder to any transaction or break-up fee, expense reimbursement or similar type of payment;

(F) fully discloses the identity of each entity that will be bidding for the Acquired Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;

(G) contains sufficient information, as may be requested by the Selling Entities, after consultation with the DIP Agent and the Committee, to allow the Selling Entities to determine that the bidder has the financial wherewithal to close a purchase of the Acquired Assets, including, but not limited to, a signed commitment for any debt or equity financing; a bank account statement showing the ability of the bidder to pay cash for the Acquired Assets; contact names and numbers for verification of financing sources; and current audited financial statements (or such other form of financial disclosure and credit-quality support or enhancement acceptable to the Selling Entities, after consultation with the DIP Agent and the Committee) of the Potential Bidder or those entities that will guarantee in full the payment obligations of such bidder; and

(H) is accompanied by a cash deposit or cashier's check in the amount of 10% of the bidder's proposed purchase price, which the Selling Entities will hold in a segregated account or escrow account containing only deposits from bidders participating in the Auction, which account will be free and clear of all liens pursuant to an order of the Bankruptcy Court.

(ii) The Auction shall be governed by the following procedures which shall be read together with the procedures set forth in the Bidding Procedures:

(A) in the event the Selling Entities receive at least one Qualified Bid (as defined in the Bidding Procedures), an Auction shall be conducted on April 17, 2014 or on such other date as may be mutually agreed upon by Buyer and the Selling Entities;

(B) only Buyer and the Qualified Bidders shall be entitled to make any subsequent bids at the Auction;

(C) each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale;

(D) bidding shall commence at the amount of the highest and/or best Qualified Bid submitted by the Qualified Bidders prior to the Auction;

(E) if Buyer submits a bid at the Auction in excess of the bid represented by this Agreement, Buyer must first deliver to the Selling Entities a limited guaranty of the Guarantor in form and substance reasonably acceptable to the Selling Entities pursuant to which the Guarantor has guaranteed the obligations of Buyer in any such bid or subsequent bid, subject to the terms and limitations set forth therein;

(F) Qualified Bidders may then submit successive bids in increments of at least $100,000 higher than the bid at which the Auction commenced and then continue in minimum increments of at least $100,000 higher than the previous bid; and

(G) the Auction shall continue until there is only one offer that the Selling Entities determine, after consultation with the DIP Agent and the Committee, subject to Bankruptcy Court approval, is the highest and best offer submitted at the Auction from among the Qualified Bidders and the Buyer (the "Successful Bid"). The bidder submitting such Successful Bid shall become the "Successful Bidder", and shall have such rights and responsibilities of the purchaser, as set forth in the applicable Modified APA. For purposes of determining the Successful Bid, any overbid submitted by Buyer shall be deemed to include the full amount of the Termination Payment and Expense Reimbursement. Within two (2) Business Days after adjournment of the Auction, the Successful Bidder

shall complete and execute all agreements, contracts, instruments and other documents evidencing and containing the terms and conditions upon which the Successful Bid was made. Bids made after the close of Auction shall not be considered by the Bankruptcy Court. The Selling Entities will have accepted a Successful Bid only when such Successful Bid has been approved by the Bankruptcy Court at the Sale Hearing (as defined in the Bidding Procedures Order), which shall be conducted within three (3) days after the conclusion of the Auction, subject to the availability of the Bankruptcy Court. The Selling Entities and Successful Bidder shall close the sale of the Acquired Assets on or before a date that is five (5) days after the Sale Order becomes a Final Order.

(iii) If an Auction is conducted, and Buyer submits a bid at the Auction in excess of the bid represented by this Agreement, and if Buyer is then not the prevailing bidder at the Auction but is the next highest bidder at the Auction, then Buyer shall serve as a back-up bidder (the "Back-up Bidder") and keep Buyer's bid to consummate the transactions contemplated hereby on the terms and conditions set forth in this Agreement (as the same may be improved upon in the Auction) open and irrevocable, notwithstanding any right of Buyer to otherwise terminate this Agreement pursuant to Article 9 hereof, until the earlier of (A) 5:00 p.m. (prevailing Eastern time) on the date that is three (3) Business Days after the conclusion of the Auction (the "Outside Back-up Date") or (B) the date of the consummation of a sale of all or substantially all of the Acquired Assets to a Third Party. If prior to the Outside Back-up Date, the prevailing bidder in the Auction fails to consummate the acquisition of all or substantially all of the Purchased Assets as a result of a breach or failure to perform on the part of such prevailing bidder, the Back-up Bidder (as the next highest bidder at the Auction) will be deemed to have the new prevailing bid, and the Selling Entities will be authorized, without further order of the Bankruptcy Court, to consummate the Contemplated Transactions on the terms and conditions set forth in this Agreement (as the same may be improved upon in the Auction) with the Back-up Bidder.

(c) Buyer agrees and acknowledges that the Selling Entities and their Affiliates and Seller's Representatives may continue soliciting inquiries, proposals or offers for the Acquired Assets in connection with any alternative transaction after the entry, and pursuant to the terms, of the Bidding Procedures Order; *provided* that the Selling Entities agree that they shall not solicit or entertain any inquiry, proposal or offer for the Acquired Assets in connection with any alternative transaction prior to the entry of the Bidding Procedures Order. Buyer further agrees and acknowledges that the bidding procedures contained in the Bidding Procedures Order may be supplemented by other customary procedures not inconsistent with the matters otherwise set forth therein and the terms of this Agreement. The Selling Entities shall provide the Buyer with copies of all Qualified Bids.

(d) The Selling Entities and Buyer agree, and the motion to approve the Bidding Procedures Order shall reflect the fact, that the provisions of this Agreement, including this Section 7.10 and Section 7.11, are reasonable, were a material inducement to Buyer to enter into this Agreement and are designed to achieve the highest and best price for the Acquired Assets.

Section 7.11 Termination Payment.

(a) If (i) Buyer is not in material breach of any provision of this Agreement, (ii) Buyer has not terminated this Agreement (other than in accordance with Section 9.1(c)), and (iii) a sale, transfer, change of control, liquidation or other disposition, directly or indirectly (including through an asset sale, stock sale, merger or other transaction) of all or substantially all of the Acquired Assets in a single transaction or a series of transactions to one or more Persons (a "Third-Party") other than Buyer or an Affiliate of Buyer (a "Third-Party Sale"), whether at an Auction, pursuant to a plan of reorganization or otherwise, is consummated, then Buyer shall be entitled to receive, without further order of the Bankruptcy Court, from the proceeds of the consummated Third-Party Sale, an amount in cash equal to (A) three percent (3.0%) of the sum of (x) the Purchase Price, *plus* (y) the amount of Assumed Liabilities, *plus* (z) the amount of Cure Payments (up to the Cure Payments Cap) actually paid by or on behalf of the Selling Entities (the "Termination Payment), and (B) reimbursement of Buyer's reasonable, documented, actual out-of-pocket fees and expenses, including reasonable attorneys' fees and expenses of other consultants, incurred in connection with the transaction contemplated by this Agreement, up to a maximum amount of four hundred thousand dollars ($400,000) (the "Expense Reimbursement"). Buyer shall provide documentation supporting the amount of its proposed Expense Reimbursement to the Selling Entities, the DIP Agent, the U.S. Trustee for the Bankruptcy Case and the Committee, each of whom shall have not more than fifteen (15) days to object to such amount, and that portion of the proposed Expense Reimbursement to which no objection has been raised shall be due and payable as provided in this Section 7.11(a), and that portion of the proposed Expense Reimbursement that is subject to objection, or the entirety thereof if the foregoing objection period has not yet concluded (it being understood that upon expiration of the objection period, any undisputed amounts shall be immediately released), shall be placed into escrow with a mutually agreeable escrow agent (the "Third-Party Sale Escrow Account") directly from the Third-Party from the proceeds of such Third-Party Sale at the consummation of such Third-Party Sale, shall be free of Encumbrances, and any disputed amounts shall be released only by the agreement of the Parties or pursuant to a Final Order. Subject to the previous sentence, the amounts payable to Buyer hereunder shall be paid by wire transfer of immediately available funds to an account designated by Buyer directly from the Third-Party from the proceeds of such Third-Party Sale, free and clear of all Encumbrances of any kind, and only the amount of the Termination Payment attributable to Cure Payments (in an amount equal to the full amount of the Cure Payments Cap) shall be paid directly by the Third-Party from the purchase price of such Third-Party Sale to the Third-Party Sale Escrow Account, at the consummation of such Third-Party Sale (the "Termination Payment Date"); *provided* that with respect to that portion of the Termination Payment that is calculated on the basis of Cure Payments actually paid by or on behalf of the Selling Entities after the Termination Payment Date, on a monthly basis commencing one month after the Termination Payment Date, Buyer shall be paid from the Third-Party Sale Escrow Account that portion of the Termination Payment that relates to Cure Payments actually paid by or on behalf of the Selling Entities during the immediately prior month. For the avoidance of doubt, any restructuring transaction where control of one or more of the Selling Entities or all or a substantial portion of its assets is allocated to or for the benefit of secured or unsecured creditors on account of their claims shall be deemed to be a Third-Party Sale. The provisions of this Section 7.11(a) shall be included in the Bidding Procedures.

(b) Each of the Parties hereto acknowledges that the agreements contained in this Section 7.11 are an integral part of the transactions contemplated by this Agreement and that the Termination Payment and Expense Reimbursement are not penalties, but rather are liquidated damages in a reasonable amount that will compensate Buyer in the circumstances in which such Termination Payment and/or Expense Reimbursement is payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated hereby, which amount would otherwise be impossible to calculate with precision. The Termination Payment and Expense Reimbursement, when paid to Buyer as provided in this Section 7.11, shall be liquidated damages and shall constitute full payment of, and Buyer's exclusive remedy for, any damages suffered by Buyer as a result of the termination of this Agreement, including in connection with a Third-Party Sale, and the Selling Entities shall have no further Liability under or in respect of this Agreement.

Section 7.12 Transfer of Acquired Assets; Substitution of Letters of Credit. Buyer will make all necessary arrangements for Buyer or a Buyer Designee to take possession of the Acquired Assets, and, at Buyer's expense, to transfer same to a location operated by Buyer or a Buyer Designee, to the extent necessary, as promptly as practicable following the Closing. Notwithstanding the foregoing, Buyer shall not be obligated to pay any obligations other than Assumed Obligations and Seller shall disclose any material transfer costs.

Section 7.13 Post-Closing Operation of Seller; Name Changes. The Selling Entities hereby acknowledge and agree that upon the consummation of the transactions contemplated hereby, Buyer and/or each Buyer Designee shall have the sole right to the use of the name "Ashley Stewart" or similar names or any service marks, trademarks, trade names, identifying symbols, logos, emblems or signs containing or comprising the foregoing, including any name or mark confusingly similar thereto. After the Closing Date, none of the Selling Entities nor any of their respective Affiliates shall use the name or mark "Ashley Stewart" or any derivatives thereof for commercial purposes and shall only use the same for administrative purposes while subject to the jurisdiction of the Bankruptcy Court. The Sale Order shall provide for the modification of the caption in the proceedings before the Bankruptcy Court to reflect the change in the name of the Selling Entities, except that during the pendency of such proceedings, the Selling Entities shall be permitted to use the name "Ashley Stewart Holdings, Inc." and "New Ashley Stewart, Inc." in connection with matters relating to the Bankruptcy Case and as former names for legal and noticing purposes, but for no other commercial purpose. Within five (5) Business Days after the Closing, the Selling Entities and their Affiliates shall file with the applicable Governmental Authorities all documents reasonably necessary to delete from their names the words "Ashley Stewart" or any derivatives thereof and shall do or cause to be done all other acts, including the payment of any fees required in connection therewith, to cause such documents to become effective as promptly as reasonably practicable.

Section 7.14 Damage or Destruction. Until the Closing, the Acquired Assets shall remain at the risk of the Selling Entities. In the event of any material damage to or destruction of any of the Acquired Assets after the date hereof and prior to the Closing (in any such case, a "Damage or Destruction Loss"), the Selling Entities shall give notice thereof to Buyer. If any such Damage or Destruction Loss is covered by policies of insurance and is not repaired or replaced by a similar facility in reasonable proximity to any former facility, subject to any

obligations in respect thereof under the DIP Credit Facility and the Pre-Petition Credit Facility but solely to the extent there is a corresponding adjustment to the Purchase Price pursuant to this Agreement in respect of the Acquired Assets that were the subject of such Damage or Destruction Loss, all right and claim of the Selling Entities to any proceeds of insurance for such Damage or Destruction Loss, unless previously received by the Selling Entities and used prior to the Closing Date to repair any damage or destruction, shall be assigned and paid to Buyer and/or a Buyer Designee at Closing in accordance with Section 2.1. Any receipt of insurance proceeds by Buyer in respect of, but only to the extent attributable to, damaged, destroyed or lost Merchandise in accordance with this Section shall increase the Closing Date Cost Value of the Inventory by the amount of such insurance proceeds.

Section 7.15 Permits. Commencing on the date of this Agreement, the Parties, cooperating in good faith and, at Buyer's cost and expense for out-of-pocket expenses (up to an amount not to exceed $50,000), shall use commercially reasonable efforts to take such steps, including the filing of any required applications with Governmental Authorities, as may be necessary to effect the transfer of Permits that are Acquired Assets to Buyer (and not to any other Person) on or as soon as practicable after the Closing Date, to the extent such transfer is permissible under applicable Law.

Section 7.16 Policies Regarding Personally Identifiable Information. Buyer shall honor and observe any and all policies of the Selling Entities in effect on the Petition Date prohibiting the transfer of personally identifiable information about individuals consistent with the requirements of Section 363(b)(1)(A) of the Bankruptcy Code.

Section 7.17 Notification of Certain Matters. Except with respect to the actions required by this Agreement, the Selling Entities shall give prompt notice to Buyer, on the one hand, and Buyer shall give prompt notice to the Selling Entities, on the other hand, of (a) the occurrence or nonoccurrence of any event, the occurrence or nonoccurrence of which would cause any of its respective representations or warranties in this Agreement to be untrue or inaccurate in any material respect at or prior to the Closing Date or (b) any material failure of any of the Selling Entities or Buyer, respectively, to comply with or satisfy any of its covenants, conditions or agreements to be complied with or satisfied by it under this Agreement in any material respect; *provided, however,* (x) the delivery of any notice pursuant to this Section 7.17 shall not limit or otherwise affect the remedies available to the party receiving such notice under this Agreement, and (y) no Party shall have any Liability hereunder for failure to deliver any notice required to be delivered pursuant to this Section 7.17.

Section 7.18 Apportionment of Prepaid Items.

(a) With respect to all advances, prepaid assets, security, deposits, prepayments, deferred items and other expenses paid by the Selling Entities that relate in part to Acquired Assets and in part to Excluded Assets, Buyer shall, within thirty (30) days following the Closing Date, reimburse the Selling Entities for the proportionate amount of all such advances, prepaid assets, security, deposits and prepayments that relate to Excluded Assets.

(b) With respect to all other payments made by the Selling Entities with respect to the Acquired Assets, including rent payments for Assumed Real Property Leases, for

any period that includes the Closing Date and ends after the Closing Date, but excluding any prepaid assets, security and other deposits, prepayments and other current assets of the Selling Entities that are included among the Acquired Assets, such payments shall be prorated between Selling Entities and Buyer as of 12:01 a.m. (Eastern Time) on the Closing Date, and Buyer shall, within thirty (30) days following the Closing Date, reimburse the Selling Entities for the proportionate amount of all such payments relating to the period commencing as of 12:01 a.m. (Eastern Time) on the Closing Date.

(c) With respect to all Factor Deposits, (i) the Selling Entities shall be entitled to seventy-five percent (75%) of the first $250,000 of Factor Deposits returned to the Selling Entities after the Closing Date, and Buyer shall be entitled to the remaining twenty-five percent (25%); and (ii) Buyer shall be entitled to seventy-five percent (75%) of all additional Factor Deposits returned to the Selling Entities after the Closing Date, and the Selling Entities shall be entitled to the remaining twenty-five percent (25%).

Section 7.19 Acquired Assets "AS IS"; Certain Acknowledgements.

(a) Buyer agrees, warrants and represents that (a) Buyer is purchasing the Acquired Assets on an "AS IS" and "WITH ALL FAULTS" basis based solely on Buyer's own investigation of the Acquired Assets and the representations and warranties of the Selling Entities set forth in this Agreement and the other Transaction Documents, and (b) neither the Selling Entities nor any Seller's Representative has made any warranties, representations or guarantees, express, implied or statutory, written or oral, respecting the Acquired Assets, any part of the Acquired Assets, the financial performance of the Acquired Assets or the Business, or the physical condition of the Acquired Assets, other than for the representations and warranties of the Selling Entities set forth in this Agreement and the other Transaction Documents. Buyer further acknowledges that the consideration for the Acquired Assets specified in this Agreement has been agreed upon by the Selling Entities and Buyer after good-faith arm's-length negotiation in light of Buyer's agreement to purchase the Acquired Assets "AS IS", "WITH ALL FAULTS" and on the basis of the representations, warranties and covenants of the Selling Entities set forth in this Agreement and the other Transaction Documents. Buyer agrees, warrants and represents that Buyer has relied, and shall rely, solely upon the representations, warranties and covenants of the Selling Entities set forth in this Agreement and the other Transaction Documents and its own investigation of all such matters, and that Buyer assumes all risks with respect to such investigation. THE SELLING ENTITIES MAKE NO EXPRESS WARRANTY, NO WARRANTY OF MERCHANTABILITY, NO WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, AND NO IMPLIED OR STATUTORY WARRANTY WHATSOEVER WITH RESPECT TO ANY REAL OR PERSONAL PROPERTY OR ANY FIXTURES OR THE PURCHASED ASSETS, OTHER THAN FOR THE REPRESENTATIONS AND WARRANTIES OF THE SELLING ENTITIES SET FORTH IN THIS AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS.

(b) Buyer acknowledges and agrees that it (a) has had an opportunity to discuss the Business with the management of the Selling Entities and has been afforded the opportunity to ask questions of and receive answers from management of the Selling Entities, and (b) has had reasonable access to the books and records of the Selling Entities, (c) has

conducted its own independent investigation of the Selling Entities, the Business, the Acquired Assets, the Assumed Liabilities and the transactions contemplated hereby.

Section 7.20 Collection of Accounts Receivable.

(a) As of the Closing Date, each Selling Entity hereby (i) authorizes Buyer or any Buyer Designee to open any and all mail addressed to any Selling Entity relating to the Business or the Acquired Assets and delivered to the offices of the Business or otherwise to Buyer or any Buyer Designee if received on or after the Closing Date and (ii) appoints Buyer, any Buyer Designee or its attorney-in-fact to endorse, cash and deposit any monies, checks or negotiable instruments received by Buyer of any Buyer Designee after the Closing Date with respect to Accounts Receivable that are Acquired Assets or accounts receivable relating to work performed by Buyer after the Closing, as the case may be, made payable or endorsed to any Selling Entity or Selling Entity's order, for Buyer's or any Buyer Designee's own account.

(b) As of the Closing Date, each Selling Entity agrees that any monies, checks or negotiable instruments received by any Selling Entity after the Closing Date with respect to Accounts Receivable (including, without limitation, Credit Card Receivables) that are Acquired Assets or accounts receivable relating to work performed by Buyer after the Closing, as the case may be, shall be held in trust by such Selling Entity for Buyer's or any Buyer Designee's benefits and accounts, and promptly upon receipt by a Selling Entity of any such payment (but in any event within ten (10) Business Days of such receipt), such Selling Entity shall pay over to Buyer or its designee the amount of such payments. In addition, Buyer agrees that, after the Closing, it will hold and will promptly transfer and deliver to Seller, from time to time as and when received by Buyer or its Affiliates, any cash, checks with appropriate endorsements, or other property that Buyer or its Affiliates may receive on or after the Closing which properly belongs to the Selling Entities hereunder, including any Excluded Assets.

(c) As of the Closing Date, Buyer or any Buyer Designee shall have the sole authority to bill and collect Accounts Receivable that are Acquired Assets and accounts receivable relating to work performed by Buyer after the Closing.

(d) Notwithstanding anything to the contrary contained hereto, any Buyer Designees who acquire any Accounts Receivable that are Acquired Assets hereunder shall be express third-party beneficiaries of this Section 7.20.

Section 7.21 Suppliers; Certain Avoidance Actions; Insurance Policies.

(a) The Selling Entities shall, following the request thereof by the Buyer, seek and use their respective commercially reasonable efforts to arrange meetings and telephone conferences with material suppliers of the Selling Entities as may be reasonably requested by the Buyer and necessary and appropriate for the Buyer to coordinate transition of such suppliers with the Acquired Assets following the Closing; *provided* that Representatives of Seller shall be entitled to attend and participate in any such meeting or telephone conference.

(b) Pending Closing, the Selling Entities shall not pursue any litigation claims and causes of action (including causes of action under Chapter 5 of the Bankruptcy Code) against landlords, vendors or other counterparties.

(c) (i) To the extent that any current or prior insurance policy of any of the Selling Entities relate to the Acquired Assets or Assumed Liabilities (other than the Excluded Insurance Policies) and such insurance policy is not transferable to the Buyer or a Buyer Designee at the Closing in accordance with the terms hereof, the Selling Entities shall hold such insurance policy for the benefit of Buyer or such Buyer Designee, shall reasonably cooperate with Buyer (at the Buyer's cost and expense) in pursuing any claims thereunder, and shall pay over to Buyer promptly any insurance proceeds paid or recovered thereunder with respect to the Acquired Assets or the Assumed Liabilities. In the event Buyer determines to purchase replacement coverage with respect to any such insurance policy, the Selling Entities shall reasonably cooperate with Buyer to terminate such insurance policy and shall, at the option of Buyer, promptly pay over to Buyer any refunded or returned insurance premiums received by any Selling Entities in connection therewith or cause such premiums to be applied by the applicable carrier to the replacement coverage arranged by Buyer.

(ii) To the extent that any current or prior insurance policy of any of the Selling Entities is or becomes an Acquired Asset transferred to the Buyer, and such policy relates to the Excluded Assets or the Excluded Liabilities, the Buyer shall hold such insurance policy with respect to the Excluded Assets or Excluded Liabilities, as applicable, for the benefit of the Selling Entities, shall reasonably cooperate with the Seller in pursuing any claims thereunder, and shall pay over to the Seller promptly any insurance proceeds paid or recovered thereunder with respect to the Excluded Assets or the Excluded Liabilities.

Section 7.22 Covenant Not to Commence Actions. Buyer agrees that it shall not commence an Action against any officer, director, employee, shareholder, lender, agent or representative of the Selling Entities on the basis of any claim or cause of action against any such Person acquired by Buyer from the Selling Entities pursuant to Section 2.1(k).

Section 7.23 Transition Services. In the event that Buyer reasonably determines in advance of the Closing Date that it requires additional time in order to establish services and insurance policies necessary for the operation of the Acquired Assets and the employment of the Transferred Employees following the Closing, including to process payroll and to provide employee benefits and insurance coverage, Buyer and the Selling Entities shall negotiate in good faith a transition services agreement reasonably acceptable to all Parties (the "Transition Services Agreement"), pursuant to which the Selling Entities would, on commercially reasonable terms, agree to continue to employ all employees who are to be Transferred Employees and to maintain its payroll processing systems, Seller Benefit Plans and other applicable insurance policies, and Buyer would pay the Selling Entities for all amounts owing in respect thereof when due, in each case for a period of not more than six (6) months following the Closing Date (the "Transition Period").

ARTICLE 8
CONDITIONS TO CLOSING

Section 8.1 Conditions to Each Party's Obligations to Effect the Closing. The respective obligations of each Party to effect the sale and purchase of the Acquired Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing of the following conditions:

(a) consummation of the transactions contemplated hereby would not violate any nonappealable Final Order, decree or judgment of the Bankruptcy Court or any other Governmental Authority having competent jurisdiction and there shall not be any Law that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited, and no preliminary or permanent injunction or other Order of any Governmental Authority having competent jurisdiction that declares this Agreement invalid or unenforceable in any respect or which prevents the consummation of the transactions contemplated hereby shall be in effect; and

(b) the Bankruptcy Court shall have entered a sale order in a form acceptable to Buyer in all respects and including terms substantially similar to those set forth in the form of Sale Order attached to the Sale Motion (or in such other form and with such other terms as may otherwise be agreed to in writing, or on the record at any hearing before the Bankruptcy Court, by Buyer and Seller, and as is reasonably acceptable to the DIP Agent, the "Sale Order"), such Sale Order shall be a Final Order (unless such Final Order requirement is waived by Buyer), and no Order staying, reversing, modifying or amending the Sale Order shall be in effect on the Closing Date. The Sale Order shall direct that an amount from the Closing Payment sufficient to satisfy the amounts outstanding under the DIP Credit Facility shall be paid to the DIP Agent (up to the total amount of the Closing Payment), and thereafter, that an amount from the Closing Payment sufficient to satisfy the amounts outstanding (if any) under the Pre-Petition Credit Facility shall be paid to the agent under the Pre-Petition Credit Facility (up to the total amount of the Closing Payment), and thereafter, that the balance of the Closing Payment be paid to Seller.

Section 8.2 Conditions to Obligations of Buyer. The obligation of Buyer to effect the purchase of the Acquired Assets and the assumption of the Assumed Liabilities and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing of the following additional conditions:

(a) the Selling Entities shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement or any of the other Transaction Documents which are required to be performed and complied with by it on or prior to the Closing Date;

(b) the representations and warranties of the Selling Entities set forth in this Agreement or any of the other Transaction Documents shall be true and correct in all material respects (except for such representations and warranties that contain qualifications as to Material Adverse Effect, materiality or similar standards or qualifiers, which shall be true and correct as so qualified) as of the dates of the Transaction Documents in which such representations or warranties are made, and as of the Closing Date as though made at and as of the Closing Date (except for those representations and warranties which address matters only as of an earlier date in which case such representation or warranty shall have been so true and correct as of such earlier date);

(c) Buyer shall have received a certificate from an officer of Seller as such to the effect that, to such officer's knowledge after due inquiry, the conditions set forth in Sections 8.2(a) and (b) have been satisfied;

(d) Buyer shall have received the other items required to be delivered to it pursuant to Section 4.2;

(e) the Selling Entities shall have received written Consents, in form and substance, and on terms, satisfactory to Buyer, to the extent necessary to effect the valid and effective assignment to Buyer of the Assumed Contracts listed on Schedule 8.2(e) of the Seller Disclosure Schedule;

(f) since the date of the most recent Seller Financial Statements, there shall not have occurred, nor shall there be any event, occurrence, fact, condition or change in effect that is or, with the passage of time, could reasonably be expected to result in, a Material Adverse Effect; and

(g) such members of the Selling Entities' current management as are reasonably necessary and appropriate (as determined in Buyer's reasonable discretion) for the operation and management of the Business as of immediately following Closing in a manner not materially different from the operation and management of the Business as of immediately prior to the Closing shall have accepted offers of employment with Buyer or a Buyer Designee pursuant to Section 7.7(a) and become Transferred Employees on terms customary and appropriate for similarly situated participants in the industry in which the Business operates.

Any condition specified in this Article 8 may be waived by Buyer in its sole and absolute discretion; *provided* that no such waiver shall be effective against Buyer unless it is set forth in a writing executed by Buyer.

Section 8.3 Conditions to Obligations of the Selling Entities. The obligation of the Selling Entities to effect the sale of the Acquired Assets and to consummate the other transactions contemplated by this Agreement shall be subject to the fulfillment at or prior to the Closing of the following additional conditions:

(a) Buyer shall have performed and complied in all material respects with the covenants and agreements contained in this Agreement or any of the other Transaction Documents which are required to be performed and complied with by Buyer on or prior to the Closing Date;

(b) the representations and warranties of Buyer set forth in this Agreement or any of the other Transaction Documents shall be true and correct in all material respects (except for such representations and warranties that contain qualifications as to material adverse effect, materiality or similar standards or qualifiers, which shall be true and correct as so qualified) as of the dates of the Transaction Documents in which such representations or warranties are made, and as of the Closing Date as though made at and as of the Closing Date (except for those representations and warranties which address matters only as of an earlier date in which case such representation or warranty shall have been so true and correct as of such earlier date);

(c) the Selling Entities shall have received a certificate from an officer of Buyer as such to the effect that, to such officer's knowledge after due inquiry, the conditions set forth in Section 8.3(a) and (b) have been satisfied; and

(d) the Selling Entities shall have received the other items required to be delivered to it pursuant to Section 4.3.

Any condition specified in this Section 8.3 may be waived by the Selling Entities in their sole and absolute discretion; *provided* that no such waiver shall be effective against the Selling Entities unless it is set forth in a writing executed by the Selling Entities.

Section 8.4 Frustration of Closing Conditions. None of the Selling Entities or Buyer may rely on or assert the failure of any condition set forth in Article 8 to be satisfied if such failure was proximately caused by such Party's failure to comply with this Agreement in all material respects.

ARTICLE 9
TERMINATION; WAIVER

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Closing by:

(a) mutual written consent of Seller and Buyer;

(b) Seller or Buyer upon written notice to the other, if the conditions to each Party's obligations to effect the Closing set forth in Section 8.1 are or become incapable of being satisfied on or prior to the Outside Date;

(c) the Buyer upon written notice to Seller if:

(i) any Selling Entity shall have failed to perform or comply with any of the covenants or agreements contained in this Agreement to be performed and complied with by such Selling Entity prior to Closing such that the condition set forth in Section 8.2(a) would not then be capable of satisfaction; or

(ii) any of the representations and warranties of any Selling Entity contained in this Agreement shall be inaccurate as of the date of this Agreement, or shall have become inaccurate as of a date subsequent to the date of this Agreement (as if made on and as of such subsequent date), such that the condition set forth in Section 8.2(b) would not then be capable of satisfaction as of the date of this Agreement or such subsequent date, as applicable;

provided, however, that if an inaccuracy in any of the representations and warranties of any Selling Entity or a failure to perform or comply with a covenant or agreement by any Selling Entity is curable by the Selling Entities, then Buyer may not terminate this Agreement under this Section 9.1(c) on account of such inaccuracy or failure (x) prior to delivery of written notice from Buyer to Seller of the occurrence of such inaccuracy or failure or during the five (5) Business Day period commencing on the date of delivery of such notice, (y) following such five (5) Business Day period, if such inaccuracy or failure shall have been fully cured during such five (5) Business Day period; or (z) following such five (5) Business Day period if the Selling Entities shall have initiated commercially reasonable efforts to cure such inaccuracy or failure during such five (5) Business Day period and until the such time as the

Selling Entities shall have ceased using their commercially reasonable efforts to cure such inaccuracy or failure;

(d) Seller upon written notice to Buyer if:

(i) Buyer shall have failed to perform or comply with any of the covenants or agreements contained in this Agreement to be performed and complied with by Buyer prior to Closing such that the condition set forth in Section 8.3(a) would not then be capable of satisfaction; or

(ii) any of the representations and warranties of Buyer contained in this Agreement shall be inaccurate as of the date of this Agreement, or shall have become inaccurate as of a date subsequent to the date of this Agreement (as if made on and as of such subsequent date), such that the condition set forth in Section 8.3(b) would not then be capable of satisfaction as of the date of this Agreement or such subsequent date, as applicable;

provided, however, that if an inaccuracy in any of the representations and warranties of Buyer or a failure to perform or comply with a covenant or agreement by Buyer is curable by Buyer, then Seller may not terminate this Agreement under this Section 9.1(d) on account of such inaccuracy or failure (x) prior to delivery of written notice from Seller to Buyer of the occurrence of such inaccuracy or failure or during the five (5) Business Day period commencing on the date of delivery of such notice, (y) following such five (5) Business Day period, if such inaccuracy or failure shall have been fully cured during such five (5) Business Day period; or (z) following such five (5) Business Day period if Buyer shall have initiated commercially reasonable efforts to cure such inaccuracy or failure during such five (5) Business Day period and until the such time as Buyer shall have ceased using its commercially reasonable efforts to cure such inaccuracy or failure;

(e) subject to Section 7.10(c), Seller or Buyer upon written notice to the other, if the Bankruptcy Court approves a restructuring transaction or a Third Party Sale or the sale of all or substantially all of the assets of the Selling Entities or of the Acquired Assets to a Person (or group of Persons) other than Buyer or an Affiliate of Buyer;

(f) Buyer or Seller upon written notice to the other, if the Bankruptcy Case is dismissed or converted to a case under Chapter 7 of the Bankruptcy Code and neither such dismissal nor conversion expressly contemplates the transactions provided for in this Agreement; *provided* that the Party seeking to terminate this Agreement pursuant to this Section 9.1(f) shall have used its commercially reasonable efforts to oppose such conversion or dismissal;

(g) Buyer or Seller upon written notice to the other, if the Closing shall not have occurred by 5:00 p.m. (Eastern Time) on the date that is ninety (90) days after the date hereof (the "Outside Date"), which date may be extended by Buyer upon written notice to Seller by up to twenty (20) Business Days; *provided* (i) that Seller shall not be entitled to terminate this Agreement pursuant to this Section 9.1(g) if, at the time of such termination, Buyer would then be entitled to terminate this Agreement pursuant to Section 9.1(c) (subject only to delivery of notice and the opportunity to cure, if curable, required by Section 9.1(c)), and (ii) that Buyer

shall not be entitled to terminate this Agreement pursuant to this Section 9.1(g) if, at the time of such termination, Seller would then be entitled to terminate this Agreement pursuant to Section 9.1(d) (subject only to delivery of notice and the opportunity to cure, if curable, required by Section 9.1(d));

(h) Buyer, upon written notice to Seller, if the condition set forth in Section 8.2(f) becomes incapable of satisfaction on or prior to the Outside Date, or there shall have occurred since the date hereof a Material Adverse Effect; and

(i) Buyer, upon written notice received by Seller (and delivered by e-mail and personal delivery) at any time prior to 5:00 p.m. (prevailing Eastern time) on the day prior to the entry of the Bidding Procedures Order, if, based on the legal, financial and business due diligence inquiry of the Selling Entities and the Business by Buyer and its advisors, Buyer discovers any circumstance, event, change, development or effect that adversely affects or, with the passage of time, could reasonably be expect to adversely affect, the Assumed Contracts, the Assumed Real Property Leases and the other Acquired Assets, taken as a whole, or the condition or prospects of the Business, in each case in a material manner, which circumstance, event, change, development or effect was not disclosed to Buyer on the Seller Disclosure Schedule or in the "first day affidavit" filed by Michael A. Abate in the Bankruptcy Case.

Section 9.2 Procedure and Effect of Termination. In the event of the valid termination of this Agreement by either Seller or Buyer pursuant to Section 9.1, written notice thereof shall forthwith be given by the terminating Party to the other Party and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by any of the Parties; *provided, however,* that (a) no Party shall be relieved of or released from any Liability arising from any intentional breach by such Party of any provision of this Agreement and (b) this Section 9.2, Section 3.3, Section 7.2(c), Section 7.3, Section 7.11, Article 11 and the other covenants and agreements contained in this Agreement that by their terms are intended to be performed or observed partially or in whole following the termination or expiration of this Agreement shall remain in full force and effect and survive any termination of this Agreement, as shall the Confidentiality Agreement.

Section 9.3 Extension; Waiver. At any time prior to the Closing, Seller, on the one hand, or Buyer, on the other hand, may, to the extent permitted by applicable Law (a) extend the time for the performance of any of the obligations or other acts of Buyer (in the case of an agreed extension by Seller) or the Selling Entities (in the case of an agreed extension by Buyer), (b) waive any inaccuracies in the representations and warranties of Buyer (in the case of a waiver by Seller) or the Selling Entities (in the case of a waiver by Buyer) contained herein or in any document delivered pursuant hereto, (c) waive compliance with any of the agreements of Buyer (in the case of a wavier by Seller) or the Selling Entities (in the case of a waiver by Buyer) contained herein, or (d) waive any condition to its obligations hereunder. Any agreement on the part of Seller, on the one hand, or Buyer, on the other hand, to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of Seller or Buyer, as applicable. The failure or delay of any Party to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights, nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of any rights hereunder.

ARTICLE 10
[INTENTIONALLY OMITTED]

ARTICLE 11
MISCELLANEOUS PROVISIONS

Section 11.1 Amendment and Modification. This Agreement may be amended, modified or supplemented only by a written instrument signed on behalf of each of the Selling Entities and Buyer.

Section 11.2 Survival. None of the representations and warranties of the Parties in this Agreement, in any instrument delivered pursuant to this Agreement, or in the Schedules or Exhibits attached hereto shall survive the Closing, and no Party hereto shall, or shall be entitled to, make any claim or initiate any action against any other Party with respect to any such representation or warranty from or after the Closing. None of the covenants or agreements of the Parties in this Agreement shall survive the Closing, and no Party hereto shall, or shall be entitled to, make any claim or initiate any action against any other Party with respect to any such covenant or agreement from or after the Closing, other than (a) the covenants and agreements of the Parties contained in this Article 11 and in Articles 3 and 4 and (b) those other covenants and agreements contained herein that by their terms apply, or that are to be performed in whole or in part, after the Closing, which shall survive the consummation of the transaction contemplated by this Agreement until fully performed.

Section 11.3 Notices. All notices or other communications required or permitted under, or otherwise made in connection with, this Agreement shall be in writing and shall be deemed to have been duly given or made (a) when delivered in person, (b) upon confirmation of receipt when transmitted by facsimile or e-mail transmission, (c) upon receipt after dispatch by registered or certified mail, postage prepaid, or (d) on the next Business Day if transmitted by national overnight courier (with confirmation of delivery), in each case, addressed as follows:

(a) If to any Selling Entity or the Selling Entities, to:

Ashley Stewart Holdings, Inc.
100 Metro Way
Secaucus, NJ 07094
Attention: Michael Abate
E-mail: mabate@ashleystewart.com
Facsimile: (201) 319-9582

with a mandated copy (which shall not constitute notice) to:

Curtis, Mallet-Prevost, Colt & Mosle LLP
101 Park Avenue
35th Floor
New York, NY 10178-0061
Attention: Steven J. Reisman and Lawrence Goodman
E-mail: sreisman@curtis.com and lgoodman@curtis.com
Facsimile: (212) 697-1559

(b) If to Buyer, to:

Butterfly Acquisition Co., Inc.
c/o Clearlake Capital
233 Wilshire Blvd. - Suite 800
Santa Monica, California 90401
Attention: Steve Chang
Facsimile: (310) 400-8801
E-mail: steve@clearlakecapital.com

with a mandated copy (which shall not constitute notice) to:

O'Melveny & Myers LLP
400 South Hope Street
Los Angeles, California 90071
Attention: Stephen H. Warren, Esq.; and Mark C. Easton, Esq.
Facsimile: (213) 430-6407
E-mail: swarren@omm.com; and measton@omm.com

Section 11.4 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any Party (whether by operation of law or otherwise) without the prior written consent of the other Parties, and any such assignment shall be null and void; *provided* that the rights of Buyer under this Agreement may be assigned by Buyer, without the prior written consent of any Selling Entity, to any Affiliate thereof under common control with Buyer, or to one or more Buyer Designees, so long in each case as Buyer shall continue to remain obligated in full hereunder. No assignment by any Party (including an assignment by Buyer to any Buyer Designee) shall relieve such Party of any of its obligations hereunder. Subject to the foregoing, this Agreement and all of the provisions hereof shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns, including, in the case of Selling Entities, the trustee in the Bankruptcy Case.

Section 11.5 Severability. If any non-material term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other terms, conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon a determination that any term or other provision of this Agreement is invalid, illegal or incapable of being enforced,

the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible; *provided, however,* that in doing so, no Party shall be obligated to waive or forego any material right or benefit available to it hereunder.

Section 11.6 Governing Law. Except to the extent that mandatory provisions of the Bankruptcy Code apply, this Agreement, and all claims and causes of action arising out of, based upon, or related to this Agreement or the negotiation, execution or performance hereof, shall be governed by, and construed, interpreted and enforced in accordance with, the Laws of the State of Delaware, without regard to choice or conflict of law principles that would result in the application of any Laws other than the Laws of the State of Delaware.

Section 11.7 SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) Any action, claim, suit or Legal Proceeding arising out of, based upon or relating to this Agreement or the transactions contemplated hereby shall be brought solely in the Bankruptcy Court (or any court exercising appellate jurisdiction over the Bankruptcy Court). Each Party hereby irrevocably submits to the exclusive jurisdiction of the Bankruptcy Court (or any court exercising appellate jurisdiction, over the Bankruptcy Court) in respect of any action, claim, suit or Legal Proceeding arising out of, based upon or relating to this Agreement or any of the rights and obligations arising hereunder, and agrees that it will not bring any action arising out of, based upon or related thereto in any other court; *provided, however,* that, if the Bankruptcy Case is dismissed, any action, claim, suit or Legal Proceeding arising out of, based upon or relating to this Agreement or the transactions contemplated hereby shall be heard and determined solely in the Chancery Court of the State of Delaware and any state appellate court herefrom within the State of Delaware (or, if the Chancery Court of the State of Delaware declines to accept jurisdiction over a particular matter, any state or federal court within the State of Delaware and any direct appellate court therefrom). Each Party hereby irrevocably waives, and agrees not to assert as a defense, counterclaim or otherwise, in any such action, claim, suit or Legal Proceeding, (a) any claim that it is not personally subject to the jurisdiction of the above named courts for any reason other than the failure to serve process in accordance with Section 11.3, (b) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (c) to the fullest extent permitted by applicable Law, any claim that (i) the suit, action or Legal Proceeding in such court is brought in an inconvenient forum, (ii) the venue of such suit, action or Legal Proceeding is improper or (iii) this Agreement or any other agreement or instrument contemplated hereby or entered into in connection herewith, or the subject matter hereof or thereof, may not be enforced in or by such courts. Each Party agrees that notice or the service of process in any action, claim, suit or Legal Proceeding arising out of, based upon or relating to this Agreement or any of the rights and obligations arising hereunder or thereunder, shall be properly served or delivered if delivered in the manner contemplated by Section 11.3.

(b) EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY AND ALL RIGHT SUCH PARTY MAY HAVE TO TRIAL BY JURY IN ANY ACTION, CLAIM, SUIT OR

LEGAL PROCEEDING BETWEEN THE PARTIES HERETO ARISING OUT OF, BASED UPON OR RELATING TO THIS AGREEMENT OR THE NEGOTIATION, EXECUTION OR PERFORMANCE HEREOF.

Section 11.8 Counterparts. This Agreement may be executed in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement, and which shall become effective when one or more counterparts have been signed by each of the Parties and delivered (by facsimile or otherwise) to the other Parties.

Section 11.9 Incorporation of Schedules and Exhibits. All Schedules and all Exhibits attached hereto and referred to herein are hereby incorporated herein by reference and made a part of this Agreement for all purposes as if fully set forth herein.

Section 11.10 Entire Agreement. This Agreement (including all Schedules and all Exhibits) and the Confidentiality Agreement constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the Parties with respect thereto.

Section 11.11 Remedies. The Parties agree that irreparable damage may occur in the event that any provision of this Agreement were not performed in accordance with its specific terms or was otherwise breached and that monetary damages may not be an adequate remedy for any breach or threatened breach of any of the provisions of this Agreement. It is accordingly agreed that the Parties shall be entitled to seek an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, and any such injunction shall be in addition to any other remedy to which any Party is entitled, at law or in equity; *provided*, *however*, that no injunction or other equitable remedy shall require Buyer to compensate the Selling Entities for an amount in excess of that set forth in Section 3.3(c).

Section 11.12 Seller Disclosure Schedule. It is expressly understood and agreed that (a) the disclosure of any fact or item in any section or subsection of Seller Disclosure Schedule shall be deemed disclosed with respect to the corresponding Section or subsection of this Agreement and shall further be deemed disclosed with respect to such other Sections or subsections of this Agreement to the extent the relevance of such disclosure to such other Sections or subsections is reasonably apparent on the face of such disclosure, (b) the disclosure of any matter or item in Seller Disclosure Schedule shall not be deemed to constitute an acknowledgement that such matter or item is required to be disclosed therein, and (c) the mere inclusion of an item in Seller Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission that such item represents a material exception or material fact, event or circumstance or that such item has had or would be reasonably likely to have a Material Adverse Effect.

Section 11.13 Mutual Drafting; Headings; Information Made Available. The Parties participated jointly in the negotiation and drafting of this Agreement and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent. If an ambiguity or question of intent or interpretation arises, then this Agreement will accordingly be construed as drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of

this Agreement. The descriptive headings and table of contents contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 11.14 No Third-Party Beneficiaries.

Except as expressly provided in Section 7.20, this Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever, including any rights of employment for any specified period, under or by reason of this Agreement.

Section 11.15 Bulk Sales Law.

Buyer hereby waives compliance by the Selling Entities with the requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Acquired Assets to Buyer, to the extent such Laws are ruled inapplicable to the transactions contemplated hereby and by the other Transaction Documents under the Sale Order. The Parties intend that pursuant to Section 363(f) of the Bankruptcy Code, the transfer of the Acquired Assets shall be free and clear of any security interests in the Acquired Assets, including any liens or claims arising out of the bulk transfer laws, and the parties shall take such steps as may be necessary or appropriate to so provide in the Sale Order.

* * * * *

IN WITNESS WHEREOF, the Parties hereto have caused this Asset Purchase Agreement to be executed as of the date first written above.

SELLER

ASHLEY STEWART HOLDINGS, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

OTHER SELLING ENTITIES

NEW ASHLEY STEWART, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

AS IP HOLDINGS, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

NAS GIFT LLC

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

BUYER

BUTTERFLY ACQUISITION CO., INC.

By: _____
Name: Steven C. Chang
Title: President

Schedule I

Subsidiaries of Seller which are Selling Entities

New Ashley Stewart, Inc.
AS IP Holdings, Inc.
NAS Gift LLC

EXHIBIT A

DIP Credit Facility - Approved Budget

Approved by Judge Michael Kaplan April 03, 2014

Execution Version

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT (this "**Amendment**") is made as of April 1, 2014 (the "**Amendment Effective Date**"), by and among Ashley Stewart Holdings, Inc., a Delaware corporation (the "**Seller**") and each of the subsidiaries of Seller listed on Schedule I attached hereto (together with Seller, the "**Selling Entities**"), and Butterfly Acquisition Co., Inc., a Delaware corporation (the "**Buyer**"), and amends that certain Asset Purchase Agreement, dated as of March 28, 2014 (the "**Purchase Agreement**"), by and among the Selling Entities and Buyer. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

RECITALS

A. Pursuant to Section 11.1 of the Purchase Agreement, the Purchase Agreement may be amended, modified or supplemented only by a written instrument signed on behalf of each of the Selling Entities and Buyer; and

B. The Selling Entities and Buyer desire to amend the Purchase Agreement as provided herein.

AGREEMENT

In consideration of the foregoing premises and the agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Selling Entities and Buyer intending to be legally bound, hereby agree as follows:

1. Amendment. Section 8.2 of the Purchase Agreement is hereby amended to include a new subsection (h) thereof, which such subsection shall be set forth as follows:

> "(h) Workers compensation insurance coverage that is reasonably necessary and appropriate (as determined in Buyer's reasonable discretion) for the operation and management of the Business from and after the Closing shall have been obtained by Buyer with the Selling Entities' assistance (or can reasonably be expected, as determined in Buyer's reasonable discretion, to be obtained by or available to Buyer prior to the expiration of the Transition Period contemplated under the Transition Services Agreement), the costs and terms of which coverage would not materially and adversely affect the prospects of the Business taken as a whole, commensurate with the reduced size of the Business to be conducted by Buyer from and after the Closing; *provided*, *however*, that if Buyer submits a bid at the Auction in excess of the bid represented by this Agreement, and if Buyer is then the Successful Bidder, this Section 8.2(h) shall be of no further force or effect."

2. No Other Amendment. Except as modified by this Amendment, the Purchase Agreement shall remain in full force and effect in all respects without any modification. By executing this Amendment below, the Selling Entities and Buyer certify that this Amendment has been executed and delivered in compliance with Section 11.1 of the Purchase Agreement.

3. Counterparts. This Amendment may be executed in any number of counterparts, each of which will be an original as regards any party whose signature appears thereon and all of which together will constitute one and the same instrument.

4. Facsimile Signature. This Amendment may be executed by facsimile or .pdf signature and a facsimile or .pdf signature shall constitute an original for all purposes.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Selling Entities and Buyer have caused this Amendment to be executed and delivered, all as of the Amendment Effective Date.

SELLER

ASHLEY STEWART HOLDINGS, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

OTHER SELLING ENTITIES

NEW ASHLEY STEWART, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

AS IP HOLDINGS, INC.

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

NAS GIFT LLC

By: _____
Name: Michael A. Abate
Title: Sr. Vice President Finance / Treasurer

BUYER

BUTTERFLY ACQUISITION CO., INC.

By: _____
Name: Xiaodong Zheng
Title: Secretary

Schedule I

Subsidiaries of Seller which are Selling Entities

New Ashley Stewart, Inc.
AS IP Holdings, Inc.
NAS Gift LLC

Exhibit 3 to Bidding Procedures Order

Sale Notice

**CURTIS, MALLET-PREVOST,
COLT & MOSLE LLP**
101 Park Avenue
New York, NY 10178-0061
Telephone: (212) 696-6000
Facsimile: (212) 697-1559
Steven J. Reisman
Cindi M. Giglio
Bryan M. Kotliar

*Counsel to the Debtors
and Debtors-in-Possession*

**COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD P.A.**
Court Plaza North
25 Main Street
Hackensack, NJ 07601
Telephone: (201) 489-3000
Facsimile: (201) 489-1536
Michael D. Sirota
Ilana Volkov

*Co-Counsel to the Debtors
and Debtors-in-Possession*

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY**

In re:	Chapter 11
ASHLEY STEWART HOLDINGS, INC., et al.,[1]	Case No. 14-14383 (MBK)
Debtors.	(Jointly Administered)

NOTICE OF (A) BID DEADLINE, AUCTION AND SALE HEARING IN CONNECTION WITH THE SALE OF THE DEBTORS' ASSETS AND (B) POTENTIAL ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION WITH THE PROPOSED SALE

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Ashley Stewart Holdings, Inc. (6790); New Ashley Stewart, Inc. (6655); AS IP Holdings, Inc. (6890); and NAS Gift LLC (5413). The Debtors' corporate offices are located at 100 Metro Way, Secaucus, NJ 07094.

NOTICE IS HEREBY GIVEN, as follows:

1. The above-captioned debtors and debtors-in-possession (collectively, the "Debtors") seek to sell substantially all of the Debtors' assets (the "Assets").

2. On March 28, 2014, the Debtors filed a Motion[2] pursuant to sections 105, 363 and 365 of Title 11 of the United States Code (the "Bankruptcy Code") and rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") seeking (I) entry of an order (a) establishing bidding procedures including, without limitation, break-up fee provisions and other bid protections (the "Bidding Procedures"), (b) approving form of asset purchase agreement, (c) approving form and manner of notice of sale and treatment of executory contracts and unexpired leases (each a "Contract" or "Lease" and, collectively, the "Contracts and Leases"), and (d) scheduling sale hearing date to consider final approval of sale and treatment of Contracts and Leases; (II) entry of an order approving (a) the sale, free and clear of liens, claims, interests, and encumbrances, and (b) treatment of Contracts and Leases; and (III) granting related relief (the relief requested in subpart (I) is referred to as the "Bidding Procedures Motion" and the relief requested in subpart (II) is referred to as the "Sale Motion").

3. On April __, 2014, the United States Bankruptcy Court for the District of New Jersey (the "Court") entered an order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures Motion and related Bidding Procedures and setting key dates and times relating to the sale of the Assets. As set forth in the Bidding Procedures, the sale of the Assets is subject to competing offers from any prospective qualified bidder. ***All interested potential bidders should carefully review the Bidding Procedures***.

4. All interested parties are invited to make offers to purchase the Assets in accordance with the terms of the Bidding Procedures and Bidding Procedures Order. Copies of the Bidding Procedures and Bidding Procedures Order are available from the following parties upon written request at the addresses set forth or by e-mail: (i) PricewaterhouseCoopers LLP, 300 Madison Avenue, New York, NY 10017, Attn.: Perry M. Mandarino (perry.mandarino@us.pwc.com) or (ii) Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn.: Steven J. Reisman, Esq. (sreisman@curtis.com) and Cindi M. Giglio, Esq. (cgiglio@curtis.com). Copies of the Bidding Procedures and Bidding Procedures Order may be downloaded for free by visiting https://cases.primeclerk.com/ashleystewart.

5. The deadline to submit bids for the Assets (the "Bid Deadline") is **April 15, 2014 at 5:00 p.m. (prevailing Eastern Time)**. Pursuant to the Bidding Procedures Order, if the Debtors receive, by the Bid Deadline, more than one bid that meets the qualification standards set forth in the Bidding Procedures (a "Qualified Bid"), the Debtors will conduct an auction (the "Auction") for the sale of the Assets on April 17, 2014 at 10:00 a.m. (prevailing Eastern Time). Only (i) Qualified Bidders and their advisors, and (ii) other parties specified in the Bidding Procedures Order will be permitted to participate in and/or make any statements on the record at the Auction. The Auction will be conducted at the offices of Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178. The Debtors, in consultation with

[2] A copy of the Motion may be obtained by written request made to counsel for the Debtors, Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn: Bryan Kotliar, Esq. (bkotliar@curtis.com).

the Committee and the DIP Agent reserve the right to change the date or place of the Auction and will notify Qualified Bidders if they do so.

6. The Bidding Procedures Order further provides that a Sale Hearing will be held to confirm the results of the Auction, approve the sale of the Assets to the prevailing bidder at the Auction (the "Prevailing Bidder(s)"), and approve the other relief requested in the Sale Motion before the Honorable Michael B. Kaplan, in the United States Bankruptcy Court for the District of New Jersey, Martin Luther King, Jr. Federal Building, 50 Walnut Street, Newark, NJ 07102, Courtroom 3A, on **April 22, 2014 at 1:00 p.m. (prevailing Eastern Time)**, or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing.

7. Pursuant to the Sale Motion and section 365 of the Bankruptcy Code, the Debtors request authority to assume and assign the Contracts and Leases (the "Assigned Contracts and Leases") to the Prevailing Bidder(s), and upon such assumption and assignment the Debtors shall be relieved of any liability under the Assigned Contracts and Leases arising after the Closing. Attached hereto as **Exhibit A** is a schedule of potential Assigned Contracts and Leases that may be assumed and assigned under an asset purchase agreement (the "Cure Schedule"), together with the proposed cure amount (the "Cure Amount") relating to each Assigned Contract and Lease. If the Debtors identify additional Contracts or Leases that might be assumed by the Debtors and assigned and/or transferred to the Prevailing Bidder(s) that are not included in **Exhibit A** attached hereto, the Debtors shall promptly send a supplemental notice to the applicable counterparties to such additional Contracts or Leases. The Debtors reserve the right to remove any of the Contracts and Leases from **Exhibit A** or any supplement thereto. Inclusion of a Contract or Lease on **Exhibit A** is not a guaranty that such Contract or Lease will be assumed or assigned by the Debtors.

8. Any objections to the Cure Amounts identified on the Cure Schedule (a "Cure Objection") must be (a) in writing and state the bases for the objection, (b) filed with the Court, and (c) actually received by:

(a) Counsel to the Debtors, (i) Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn.: Steven J. Reisman, Esq. and Cindi M. Giglio, Esq., and (ii); Cole, Schotz, Meisel, Forman & Leonard P.A., Court Plaza North, 25 Main Street, Hackensack, NJ 07601, Attn.: Michael D. Sirota, Esq. and Ilana Volkov, Esq.;

(b) the Office of the United States Trustee, One Newark Center, 1095 Raymond Boulevard, Suite 2100, Newark, NJ 07102, Attn.: Peter D'Auria, Esq.;

(c) Proposed counsel to the Committee, Pachulski Stang Ziehl & Jones LLP, 780 Third Avenue, New York, NY 10017, Attn.: Robert J. Feinstein, Esq. and Bradford J. Sandler, Esq.;

(d) counsel to the DIP Agent and DIP Lender, Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110, Attn.: John Ventola, Esq. and Sean

M. Monahan, Esq. and Troutman Sanders LLP, The Chrysler Building, 405 Lexington Avenue, New York, NY 10174-0700, Attn.: Jeffrey M. Rosenthal, Esq.;

(e) counsel to the DIP Lender, Lowenstein Sandler LLP, 65 Livingston Avenue, Roseland, NJ 07068, Attn.: Kenneth A. Rosen, Esq. and Bruce Buechler, Esq.; and

(f) counsel to the Stalking Horse Bidder, O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, CA 90071, Attn.: Steve Warren, Esq. and Jennifer Taylor, Esq. (collectively, the "Objection Notice Parties").

9. If the non-debtor party to a Contract or Lease does not serve a Cure Objection so that it is received in accordance with the above procedures by April 14, 2014 at 5:00 p.m. (the "Cure Objection Deadline"), then such non-debtor counterparty will be deemed to have consented to the Cure Amount set forth in the Cure Schedule, which Cure Amount shall be binding upon the non-debtor counterparty to the Assigned Contract or Lease for all purposes and will constitute a final determination of total cure amounts required to be paid by the Debtors in connection with the assignment to the Prevailing Bidder(s) and such non-debtor counterparty to such unexpired Assigned Contract or Lease shall be forever barred from objecting to the Cure Amount set forth in the Cure Schedule, including, without limitation, the right to assert against the Debtors or the Prevailing Bidder(s) any additional cure or other amounts with respect to the Assigned Contract or Lease arising or relating to the time period covered by the Cure Schedule; provided, however, that for any notice of proposed cure amounts filed and served after April 7, 2014, including, without limitation, an Assumption Notice issued with respect to a Contract or Lease to be assumed and assigned during any designation rights period, landlords shall have a supplemental opportunity to object to the cure amounts accruing after the filing and service of the Cure Schedule on no less than ten (10) days' notice.

10. If a Cure Objection is filed and served by the Cure Objection Deadline and such Cure Objection cannot otherwise be resolved by the parties, the Cure Objection will be heard at the Sale Hearing or such other date that may be set by the Court. Any objection by a non-debtor counterparty to a Contract or Lease related to adequate assurance of future performance by a Prevailing Bidder other than the Stalking Horse Bidder shall be filed and served by April 21, 2014 at noon (prevailing Eastern Time).

11. At the Sale Hearing, the Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of these Chapter 11 cases. Except as otherwise provided here in or in the Bidding Procedures, objections, if any, to any Sale (i) as contemplated by the Stalking Horse Purchase Agreement must be filed by **April 14, 2014 at 5:00 p.m. (prevailing Eastern Time)** (the "Stalking Horse Agreement Objection Deadline") or (ii) as contemplated by a Prevailing Bidder other than the Stalking Horse Bidder must be filed by **April 21, 2014 at 12:00 p.m. (prevailing Eastern Time)** (the "Sale Objection Deadline"), shall be in writing, shall conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court for the District of New Jersey, shall set forth the name of the objecting party, the nature and amounts of any claims or interests held against the Debtors' estates or properties, the basis for the objection and the specific grounds therefor, and be served upon the Objection Notice Parties and any other parties who have timely filed requests for notice

under Bankruptcy Rule 2002 or who are entitled to notice under any case management procedures order, if any, entered in these Chapter 11 cases prior to the mailing deadline.

12. Failure of any person or entity to file an objection on or before the Stalking Horse Agreement Objection Deadline or the Sale Objection Deadline, as applicable, shall be deemed to constitute consent to the sale of the Assets to the Prevailing Bidder(s) and the other relief requested in the Sale Motion, and a bar to the assertion, at the Sale Hearing or thereafter, of any objection to the Sale Motion, the Auction, the sale of the Assets and the Assigned Contracts free and clear of all Encumbrances (other than Permitted Liens), if authorized by the Court.

13. Notice of the Auction and Sale Hearing is subject to the full terms and conditions of the Bidding Procedures Order, which shall control in the event of any conflict, and the Debtors encourage parties in interest to review such document in its entirety.

Respectfully submitted,

Dated: April __, 2014

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-and-

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Co-Counsel for the Debtors and Debtors-in-Possession

Exhibit A to the Sale Notice

Cure Schedule

Exhibit 4 to Bidding Procedures Order

Publication Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEW JERSEY

In re:	Chapter 11
ASHLEY STEWART HOLDINGS, INC., et al.,[1]	Case No. 14-14383 (MBK)
Debtors.	(Jointly Administered)

NOTICE OF PUBLIC AUCTION AND SALE HEARING

PLEASE TAKE NOTICE that the above-captioned debtors and debtors-in-possession (collectively, the "Debtors" or "Ashley Stewart") filed a motion on March 28, 2014 [Docket No. __] (the "Sale Motion") with the United States Bankruptcy Court for the District of New Jersey (the "Bankruptcy Court") seeking (I) entry of an order (a) establishing bidding procedures including, without limitation, break-up fee provisions and other bid protections, (b) approving form of asset purchase agreement, (c) approving form and manner of notice of sale and treatment of executory contracts and unexpired leases, and (d) scheduling sale hearing date to consider final approval of sale and treatment of executory contracts and unexpired leases; (II) entry of an order approving (a) the sale, free and clear of liens, claims, interests, and encumbrances, and (b) treatment of executory contracts and unexpired leases; and (III) granting related relief.

PLEASE TAKE FURTHER NOTICE that on April__, 2014, the Bankruptcy Court entered an order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures described in the Sale Motion and setting key dates and times relating to the sale of the Assets. As set forth in the Bidding Procedures, the sale of the Assets is subject to competing offers from any prospective qualified bidder. ***All interested potential bidders should carefully review the Bidding Procedures***. To the extent that there are any inconsistencies between the Bidding Procedures and the summary description of its terms and conditions contained in this Notice, the terms of the Bidding Procedures shall control.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bidding Procedures Order, an auction (the "Auction") to sell the Assets will be conducted at Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, or at another location as may be timely disclosed by the Debtors to Qualified Bidders (as defined in the Bidding Procedures), on April 17, 2014, at 10:00 a.m. (prevailing Eastern Time). Only (1) parties and their advisors that have submitted a Qualified Bid (as defined in the Bidding Procedures) by no later than April 15, 2014 at 5:00 p.m. (prevailing Eastern Time), (2) other parties specified in the Bidding Procedures Order will be permitted to participate in and/or make any statements on the record at the Auction.

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Ashley Stewart Holdings, Inc. (6790); New Ashley Stewart, Inc. (6655); AS IP Holdings, Inc. (6890); and NAS Gift LLC (5413). The Debtors' corporate offices are located at 100 Metro Way, Secaucus, NJ 07094.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to confirm the results of the Auction and approve the sale transactions contemplated in the Sale Motion to the Prevailing Bidder(s) at the Auction (the "Sale Hearing") before the Honorable Michael B. Kaplan, United States Bankruptcy Court for the District of New Jersey, Martin Luther King, Jr. Federal Building, 50 Walnut Street, Newark, NJ 07102, Courtroom 3A, on **April 22, 2014 at 1:00 p.m. (prevailing Eastern Time)**, or at such time thereafter as counsel may be heard. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing. Objections, if any, to any Sale (i) as contemplated by the Stalking Horse Purchase Agreement must be filed and served by **April 14, 2014 at 5:00 p.m. (prevailing Eastern Time)** or (ii) as contemplated by a Prevailing Bidder other than the Stalking Horse Bidder must be filed by **April 21, 2014 at 12:00 p.m. (prevailing Eastern Time).**

PLEASE TAKE FURTHER NOTICE that this Notice is subject to the full terms and conditions of the Sale Motion, the Bidding Procedures Order and the Bidding Procedures which shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. A copy of the Sale Motion, the Bidding Procedures and/or the Bidding Procedures Order may be obtained by request made to Debtors' counsel, in writing or by e-mail, at Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attn: Steven J. Reisman, Esq. (sreisman@curtis.com) and Cindi M. Giglio, Esq. (cgiglio@curtis.com) or by visiting https://cases.primeclerk.com/ashleystewart.

Dated: April __, 2014

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