

**TRADEMARK ASSIGNMENT**

Electronic Version v1.1  
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	NUNC PRO TUNC ASSIGNMENT
EFFECTIVE DATE:	12/31/1998

**CONVEYING PARTY DATA**

Name	Formerly	Execution Date	Entity Type
Color Tile, Inc.		12/31/1998	CORPORATION: TEXAS

**RECEIVING PARTY DATA**

Name:	American Blind and Wallpaper Factory, Inc.
Also Known As:	AKA Decoratetoday.com, Inc.
Street Address:	909 N. Sheldon Street
City:	plymouth
State/Country:	MICHIGAN
Postal Code:	48170
Entity Type:	CORPORATION: DELAWARE

**PROPERTY NUMBERS Total: 1**

Property Type	Number	Word Mark
Registration Number:	2022925	AMERICAN BLIND & WALLPAPER FACTORY

**CORRESPONDENCE DATA**

Fax Number: (312)857-7095  
*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*  
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 Address Line 1: 333 West Wacker Drive, Suite 2600  
 Address Line 2: Kelley Drye & Warren LLP  
 Address Line 4: chicago, ILLINOIS 60606

ATTORNEY DOCKET NUMBER:	014405-0009
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NAME OF SUBMITTER:	Stephanie E. Carter
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CH \$40.00 2022925

Signature:

/Stephanie E. Carter/

Date:

12/05/2005

**Total Attachments: 69**

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**SCHEDULE 5.9  
 Intellectual Property**

**Trademarks**

Trademarks	Where	Class	Serial Number	Reg. Number
American Blind Factory Order Form	USA			TX 2-183-702
American Blind Factory (stylized)	USA	20	73/651,046	1,463,548
American Blind & Wallpaper Factory	MEX	42	208895	494593
American Blind & Wallpaper Factory (and design)	USA	42	74/836,528	
American Blind & Wallpaper Factory (and Design)	MEX	42	208895	492492
America's Best Collection	USA	20	75/031,511	
America's Designer Collection (and design)	USA	20	74/619,165	
America's Designer Collection (and design)	USA	18	74/619,334	
Decorator-On-Call	USA/MI	100		M12-060
Get the Best for Less At Peerless Wallpaper & Blind Mar (and design)	USA	42	74/576,017	
Peerless Wallpaper Company	USA/PA			
Peerless Wallpaper & Blind Depot	USA/MI			611-948
Peerless Wallpaper (and design)	USA	27	73/607,895	1,584,825
Yankee Wallpaper & Blind Mart	USA/MI			
Yankee Wallpaper & Blind Mart (and design)	USA	42	75/004,612	
You Asked For This!	USA			VA336-192

**Tradenames**

American Blind Factory  
 American Blind & Wallpaper Factory  
 American Blind, Wallpaper & Carpet Factory  
 Peerless Wallpaper and Blind Depot  
 Yankee Wallcovering and Blind Mart

**SCHEDULE 5.9 CONTINUED**

<u>Domain Name</u>	<u>Reference Number</u>
blindandwallpaperdepot.com	44528
theblinddepot.com	44529
thewallpaperdepot.com	44530
americanblindfactory.com	44531
thewallpaperfactory.com	44532
wallpaperandblinddepot.com	44534
wallpaperandblind.com	43642
blindandwallpaper.com	43640
wallpaperandblinds.com	43639
blind-wallpaper.com	53324
wallpaper-blind.com	54116
eblindandwallpaper.com	53367
eblindsandwallpaper.com	53366
ewallpaperandblinds.com	53368
ewallpaperandblind.com	53369
eblind.com	53373
wallpaperandblinds.net	54017
blindsandwallpaper.net	54018
blindsandwallpaper.to	10932
wallpaperandblinds.to	10933
blindsandwallpapernow.com	55287
blindandwallpapernow.com	55288
wallpaperandblinds.com	55289
wallpaperandblindnow.com	55290
buywallpaperandblinds.com	55409
buywallpaperandblind.com	55410
buyblindsandwallpaper.com	55411
buyblindandwallpaper.com	55412

**CREDIT AGREEMENT**

**among**

**AMERICAN BLIND AND WALLPAPER FACTORY, INC.,  
VARIOUS LENDERS,**

**and**

**IBJ SCHRODER BANK & TRUST COMPANY,  
as AGENT**

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**Dated as of December 31, 1998**

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CREDIT AGREEMENT, dated as of December 31, 1998, among AMERICAN BLIND AND WALLPAPER FACTORY, INC., a Delaware corporation (the "Borrower"), the lenders party hereto from time to time (the "Lenders") and IBJ SCHRODER BANK & TRUST COMPANY, as Agent (all capitalized terms used herein and defined in Section 9 are used herein as therein defined).

WITNESSETH:

WHEREAS, the Borrower was a wholly-owned subsidiary of Color Tile, Inc. ("Color Tile"), a debtor and debtor-in-possession in Chapter 11 Case No. 96-76 (HSB) through 96-80 (HSB) (the "Color Tile Bankruptcy Case") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, the Borrower, pursuant to a Subsidiary Guarantee Supplement, is a party to that certain Subsidiary Guarantee dated as of November 27, 1991 made by each of the signatories thereto in favor of Manufacturers Hanover Trust Company, as Agent (the "Guaranty");

WHEREAS, pursuant to a Global Settlement Agreement approved by the Bankruptcy Court in the Color Tile Bankruptcy Case, Color Tile transferred the capital stock of the Borrower to CT Recovery Corp., a wholly-owned subsidiary of Color Tile and a debtor and debtor-in-possession in Chapter 11 Case No. 975-1945 (MBM) (the "CT Recovery Bankruptcy Case") in the Bankruptcy Court;

WHEREAS, on or about December 16, 1998 the Bankruptcy Court entered an order confirming that certain Joint Plan for Debtor Pursuant to Chapter 11 of the United States Bankruptcy Code dated November 6, 1998 in the CT Recovery Bankruptcy Case (as amended or otherwise modified, the "Reorganization Plan"); and

WHEREAS, on the Reorganization Plan Effective Date (as hereinafter defined) the Guaranty will be extinguished in consideration of, inter alia, the execution, delivery and performance by the Borrower of this Agreement;

NOW, THEREFORE, IT IS AGREED:

SECTION 1. Amount and Terms of Credit.

1.1 Term Loan. Subject to and upon the terms and conditions set forth herein, on the Closing Date each Lender shall be deemed to have made, without necessity of any actual transfer of cash or other property to the Borrower or any other Person, an original term loan (each, a "Term Loan" and, collectively, the "Term Loans") to the Borrower, which Term Loans shall equal, for each Lender, in initial aggregate principal amount, that amount set forth for such Lender on Schedule 1.1 hereto. Once repaid, Term Loans may not be reborrowed. The aggregate original principal amount of the Term Loans shall not exceed \$25,000,000.

1.2 Term Notes. (a) The Borrower's obligation to pay the principal of, and interest on, the Term Loans of each Lender shall be evidenced by a promissory note duly executed and delivered by the Borrower substantially in the form of Exhibit A with blanks appropriately completed in conformity herewith (each, a "Term Note" and, collectively, the "Term Notes").

(b) The Term Note issued to each Lender shall (i) be executed by the Borrower, (ii) be payable to the order of such Lender and be dated the Closing Date, (iii) be in a stated principal amount equal to the Term Loan of such Lender as of the Closing Date and be payable in the principal amount of the Term Loan evidenced thereby, (iv) mature on the Final Maturity Date, (v) bear interest as provided in Section 1.3, (vi) be subject to mandatory repayment as provided in Section 3.2, and (vii) be entitled to the benefits of this Agreement and the other Credit Documents.

(c) Each Lender will note on its internal records the amount of each of its Term Loans and each payment in respect thereof and will prior to any transfer of any of its Term Notes endorse on the reverse side thereof the outstanding principal amount of Term Loans evidenced thereby. Failure to make any such notation shall not affect the Borrower's obligations in respect of such Term Loans.

1.3 Interest. (a) The Borrower agrees to pay interest in respect of the unpaid principal amount of each Term Loan from the Closing Date until the maturity thereof (whether by acceleration or otherwise) at a rate of 11% per annum.

(b) Overdue principal and, to the extent permitted by law, overdue interest in respect of each Term Loan and any other overdue amount payable hereunder shall, in each case, bear interest at a rate per annum equal to 2% per annum in excess of the rate otherwise applicable to Term Loans from time to time, such interest to be payable on demand.

(c) Accrued (and theretofore unpaid) interest in respect of each Term Loan shall be payable (i) semiannually in arrears on each June 30 and December 31, commencing on June 30, 1999, and (ii) on any repayment (on the amount repaid), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand.

(d) Interest shall be calculated on the basis of a 360-day year for the actual days elapsed.

## SECTION 2. Fees; Reductions of Commitment.

2.1 Fees. The Borrower shall pay to the Agent, for its own account, such fees as have been agreed to in writing by the Borrower and the Agent (collectively, the "Fees").

## SECTION 3. Prepayments; Payments; Taxes.

3.1 Voluntary Prepayments. The Borrower shall have the right to prepay the Term Loans, without premium or penalty, in whole or in part at any time and from time to time

on the following terms and conditions: (i) the Borrower shall give the Agent prior to 12:00 noon (New York time) at its Notice Office at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of its intent to prepay Term Loans, and the amount of such prepayment, which notice the Agent shall promptly transmit to each of the Lenders and (ii) each prepayment shall be in an aggregate principal amount of at least \$1,000,000.

3.2 Mandatory Repayments. (a) In addition to any other mandatory repayments pursuant to this Section 3.2, on each date after the Closing Date upon which the Borrower or any of its Subsidiaries receives any proceeds from any sale or issuance of its equity (other than to any Subsidiary of the Borrower made by the Borrower or any other Subsidiary of the Borrower), an amount equal to 100% of the cash proceeds of the respective equity issuance (net of customary underwriting discounts and commissions and other reasonable costs associated therewith) shall be applied as a mandatory repayment of principal of outstanding Term Loans; provided, however, that in the case of cash proceeds received by the Borrower or any of its Subsidiaries from the exercise of warrants, options or similar securities by or on behalf of an employee of the Borrower or such Subsidiary, the Borrower may defer such application until the Borrower shall have received (and not so applied), in the aggregate, \$100,000 of such proceeds.

(b) In addition to any other mandatory repayments pursuant to this Section 3.2, on each date after the Closing Date upon which the Borrower or any of its Subsidiaries receives any proceeds from any incurrence by the Borrower or any of its Subsidiaries of Indebtedness (other than Indebtedness permitted to be incurred pursuant to Section 7.1 as such Section may be modified from time to time), an amount equal to the cash proceeds of the respective incurrence of Indebtedness (net of customary underwriting or placement discounts and commissions and other reasonable costs associated therewith) shall be applied as a mandatory repayment of principal of outstanding Term Loans.

(c) In addition to any other mandatory repayments pursuant to this Section 3.2, no later than five Business Days following each date after the Closing Date upon which the Borrower or any of its Subsidiaries receives proceeds from any sale of assets (including capital stock and securities held thereby, but excluding sales of inventory in the ordinary course of business), an amount equal to 100% of the Net Sale Proceeds thereof shall be applied as a mandatory repayment of principal of outstanding Term Loans.

(d) In addition to any other mandatory repayments pursuant to this Section 3.2, on each April 30 and October 31 (each, an "Excess Cash Payment Date"), commencing on April 30, 1999, all cash and Cash Equivalents of the Borrower and its Subsidiaries in excess of \$4,000,000 ("Excess Cash") in the aggregate determined as of the immediately preceding March 31 and September 30, respectively, shall be applied as a mandatory repayment of principal of outstanding Term Loans (the Borrower agreeing to give the Agent prior to 12:00 noon (New York time) at its Notice Office at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing) of the amount of Excess Cash so to be paid).

(e) In addition to any other mandatory repayments pursuant to this Section 3.2, within five Business Days following each date after the Closing Date on which the Borrower or any of its Subsidiaries receives any proceeds from any Recovery Event, an amount equal to 100% of the proceeds of such Recovery Event (net of reasonable costs and taxes incurred in connection with such Recovery Event and any amounts required to be applied (which are in fact applied) to the repayment of any other Indebtedness secured (to the extent permitted by this Agreement) by the property subject to such Recovery Event) shall be applied as a mandatory repayment of principal of outstanding Term Loans; provided, however, that so long as no Default or Event of Default then exists, such proceeds (other than proceeds received in excess of \$250,000 in respect of any single Recovery Event, it being understood that if such amount exceeds \$250,000, then the entire amount and not just the portion in excess of \$250,000 shall be subject to mandatory prepayment as provided in this Section 3.2(e)) shall not be required to be so applied on such date to the extent that the Borrower delivers a certificate to the Agent on or prior to such date stating that such proceeds shall be used to replace or restore any properties or assets in respect of which such proceeds were paid within one year following the date of such Recovery Event (which certificate shall set forth the estimates of the proceeds to be so expended); and provided, further, that if all or any portion of such proceeds not so applied to the repayments of the Term Loans are not so used within such one year period, such remaining portion shall be applied on the last day of such period as a mandatory repayment of principal of outstanding Term Loans.

(f) Notwithstanding anything to the contrary contained elsewhere in this Agreement, all then outstanding Term Loans shall be repaid in full on the Final Maturity Date.

3.3 Method and Place of Payment. Except as otherwise specifically provided herein, all payments under this Agreement or any Term Note shall be made to the Agent for the account of the Lender or Lenders entitled thereto not later than 12:00 noon (New York time) on the date when due and shall be made in Dollars in immediately available funds at the Payment Office of the Agent. Whenever any payment to be made hereunder or under any Term Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension. The Agent shall distribute all payments to the Lenders promptly upon receipt in like funds as received.

3.4 Net Payments. (a) All payments made by the Borrower hereunder, or by the Borrower under any Term Note, will be made without setoff, counterclaim or other defense. Except as provided in Section 3.4(b), all such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding, except as provided in the immediately succeeding sentence, any tax imposed on or measured by the net income or profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). If any amounts are payable in respect of Taxes

pursuant to the preceding sentence, then the Borrower agrees to reimburse each Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income of such Lender pursuant to the laws of the jurisdiction in which the principal office or applicable lending office of such Lender is located or under the laws of any political subdivision or taxing authority of any such jurisdiction in which the principal office or applicable lending office of such Lender is located and for any withholding of income or similar taxes imposed by the United States of America as such Lender shall determine are payable by, or withheld from, such Lender in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence. If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Term Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Term Note. The Borrower will furnish to the Agent within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Borrower. The Borrower agrees to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request, for the amount of any Taxes so levied or imposed and paid by such Lender.

(b) Each Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes agrees, (i) in the case of any such Lender that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code and which constitutes a Lender hereunder on the Closing Date, to provide to the Borrower and the Agent on or prior to the Closing Date two original signed copies of Internal Revenue Service Form 4224 or Form 1001 certifying to such Lender's entitlement to an exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Term Note, (ii) in the case of any such Lender that is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, that, to the extent legally entitled to do so, (x) with respect to a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 11.4 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), upon the date of such assignment or transfer to such Lender, and (y) with respect to any such Lender, from time to time upon the reasonable written request of the Borrower or the Agent after the Closing Date, such Lender will provide to the Borrower and the Agent two original signed copies of Internal Revenue Service Form 4224 or Form 1001 (or any successor forms) certifying to such Lender's entitlement to an exemption from, or reduction in, United States withholding tax with respect to payments to be made under this Agreement and under any Term Note, (iii) in the case of any such Lender (other than a Lender described in clause (i) or (ii) above) which constitutes a Lender hereunder on the Closing Date, to provide to the Borrower and the Agent, on or prior to the Closing Date (x) a certificate substantially in the form of Exhibit B (any such certificate, a "3.4(b)(iii) Certificate") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8, certifying to such Lender's entitlement at the date of such certificate to an exemption from U.S. withholding tax under the provisions of Section 881(c) of the Code with respect to payments to be made under this Agreement and under any Term Note, and (iv) in the case of any such Lender (other than a Lender described in clause (i) or (ii) above), to the extent legally entitled to do so, (x) with respect to a Lender that is an assignee or transferee of an interest under this Agreement pursuant

to Section 11.4 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), upon the date of such assignment or transfer to such Lender, and (y) with respect to any such Lender, from time to time upon the reasonable written request of the Borrower or the Agent after the Closing Date, to provide to the Borrower and the Agent such other forms as may be required in order to establish the entitlement of such Lender to an exemption from withholding with respect to payments under this Agreement and under any Term Note. Notwithstanding anything to the contrary contained in Section 3.4(a), but subject to the immediately succeeding sentence, the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder (without any obligation to pay the respective Lender additional amounts with respect thereto) for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for U.S. Federal income tax purposes and which has not provided to the Borrower such forms required to be provided to the Borrower pursuant to the first sentence of this Section 3.4(b) (or to the extent such forms do not establish a complete exemption from such withholding). Notwithstanding anything to the contrary contained in the preceding sentence, the Borrower agrees to indemnify each Lender in the manner set forth in Section 3.4(a) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Closing Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

3.5 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Term Note, or change the basis of taxation of payments to such Lender in respect thereof (except for Taxes covered by Section 3.4 and changes in the rate of tax on the overall net income of such Lender); or

(ii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender reasonably deems to be material, of making or maintaining Term Loans or to reduce any amount receivable hereunder in respect thereof then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower, through the Agent, of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender, through the Agent, to the Borrower shall be conclusive in the absence of clearly



demonstrable error. This covenant shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, the Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower (with a copy to the Agent) of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender to the Borrower (with a copy to the Agent) shall be conclusive in the absence of manifest error. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 4. Conditions Precedent to Occurrence of Closing Date. The occurrence of the Closing Date is subject to the satisfaction of the following conditions:

4.1 Execution of Credit Documents. On or prior to the Closing Date (i) the Reorganization Plan Effective Date shall have occurred, (ii) there shall have been delivered to the Agent for the account of each of the Lenders the appropriate Term Note executed by the Borrower, in each case in the amount, maturity and as otherwise provided herein and (iii) there shall have been delivered to the Agent, with a counterpart for each Lender, each of the other Credit Documents executed by and for all parties thereto.

4.2 Officer's Certificate. On the Closing Date, the Agent shall have received a certificate dated the Closing Date signed on behalf of the Borrower by any Responsible Officer of the Borrower substantially in the form of Exhibit C.

4.3 Opinions of Counsel. On the Closing Date, the Agent shall have received from Kovitz Shifrin & Waitzman, counsel to the Borrower, an opinion addressed to the Agent and each of the Lenders and dated the Closing Date covering the matters set forth in Exhibit D and such other matters incident to the transaction contemplated herein as the Agent may reasonably request.

4.4 Corporate Documents; Proceedings. All corporate and legal proceedings and all instruments and agreements in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to the

Agent and each of the Lenders, and the Agent shall have received all information and copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates and bring-down telegrams, if any, which the Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

4.5 Actions to Perfect Liens. The Agent shall have received executed copies of all filings, recordings and registrations, including, without limitation, duly executed financing statements on form UCC-1, necessary or desirable to perfect the Liens created by the Security Documents.

4.6 Representations and Warranties. Each of the representations and warranties made by the Borrower in or pursuant to the Credit Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.

4.7 No Default. No Default or Event of Default shall have occurred and be continuing.

4.8 Approvals. All necessary approvals of Governmental Authorities and other third parties in connection with the transactions contemplated by the Credit Documents and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of the transactions contemplated by the Credit Documents and otherwise referred to herein or therein. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon the making of the Term Loans.

4.9 Litigation. No litigation by any entity (private or governmental) shall be pending or threatened with respect to this Agreement or any documentation executed in connection herewith or the transactions contemplated hereby, or with respect to any material Indebtedness of the Borrower which is to remain outstanding after the consummation of the transactions contemplated by the Credit Documents or which the Agent or any Lender shall determine could reasonably be expected to have a Material Adverse Effect.

4.10 Fees, etc. The Borrower shall have paid the Fees due and payable on the Closing Date.

4.11 Consent Letter. On the Closing Date, the Agent shall have received a letter from Corporation Service Company, substantially in the form of Exhibit E, indicating its consent to its appointment by the Borrower as its agent to receive service of process as specified in Section 11.8.

4.12 Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to

the Agent, and the Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

SECTION 5. Representations, Warranties and Agreements. In order to induce the Agent and the Lenders to enter into this Agreement, the Borrower makes the following representations, warranties and agreements, in each case after giving effect to the transactions contemplated by the Credit Documents, all of which shall survive the execution and delivery of this Agreement and the Term Notes.

5.1 Financial Condition. The unaudited consolidated balance sheet of the Borrower and its Subsidiary as at December 31, 1997 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, certified by a Responsible Officer of the Borrower, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the consolidated financial condition of the Borrower and its Subsidiary as at such date, and the results of their operations and their cash flows for the fiscal year then ended. The unaudited consolidated balance sheet of the Borrower and its Subsidiary as at October 31, 1998 and the related unaudited consolidated statements of income and of cash flows for the ten-month period ended on such date, certified by a Responsible Officer of the Borrower, copies of which have heretofore been furnished to each Lender, are complete and correct and present fairly the financial condition of the Borrower and its Subsidiary as at such date, and the results of their operations and their cash flows for the ten-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such Responsible Officer and as disclosed therein). Neither the Borrower nor its Subsidiary has had, at the date of the most recent balance sheet referred to above, any material Contingent Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. During the period from October 31, 1998 to and including the date hereof there has been no sale, transfer or other disposition by the Borrower or its Subsidiary of any material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Borrower and its Subsidiary at October 31, 1998.

5.2 No Change. (a) Except as set forth on Schedule 5.2, since October 31, 1998 there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect, and (b) during the period from October 31, 1998 to and including the date hereof no dividends or other distributions have been declared, paid or made upon the capital stock or Borrower nor has any of the capital stock of the Borrower been redeemed, retired, purchased or otherwise acquired for value by the Borrower or its Subsidiary.

5.3 Corporate Existence; Compliance with Law. Each of the Borrower and its Subsidiary (a) is duly organized, validly existing and in good standing under the laws of the

jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.4 Corporate Power; Authorization; Enforceable Obligations. The Borrower has the corporate power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party and has taken all necessary corporate action to authorize the execution, delivery and performance of the Credit Documents to which it is a party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the execution, delivery, performance, validity or enforceability of the Credit Documents to which the Borrower is a party. This Agreement has been, and each other Credit Document to which it is a party will be, duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Credit Document to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

5.5 No Legal Bar. The execution, delivery and performance of the Credit Documents will not violate any Requirement of Law or Contractual Obligation of the Borrower and will not result in, or require, the creation or imposition of any Lien on any of its properties or revenues pursuant to any such Requirement of Law or Contractual Obligation.

5.6 No Material Litigation. Except as set forth as Schedule 5.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or its Subsidiary or against any of their properties or revenues (a) with respect to any of the Credit Documents or any of the transactions contemplated hereby or thereby, or (b) which could reasonably be expected to have a Material Adverse Effect.

5.7 No Default. Neither the Borrower nor its Subsidiary is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

5.8 Ownership of Property; Liens. Each of the Borrower and its Subsidiary has a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other property, and none of such property is subject to any Lien except as

permitted by Section 7.2. As of the Closing Date, neither the Borrower nor its Subsidiary owns real property.

5.9 Intellectual Property. Each of the Borrower and its Subsidiary owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect (the “Intellectual Property”). Set forth on Schedule 5.9 is a complete and correct list of all patents, trademarks and copyrights of the Borrower and its Subsidiary. Except as set forth on Schedule 5.9, no claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim. The use of such Intellectual Property by the Borrower and its Subsidiary does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.10 No Burdensome Restrictions. Except as set forth on Schedule 5.10, no Contractual Obligation of the Borrower or its Subsidiary by its terms could reasonably be expected to have a Material Adverse Effect.

5.11 Taxes. Each of the Borrower and its Subsidiary has filed or caused to be filed all tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiary), no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

5.12 ERISA. Neither a Reportable Event nor an “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan, and neither the Borrower nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this

representation is made or deemed made. No such Multiemployer Plan is in reorganization or insolvent.

5.13 Investment Company Act; Other Regulations. The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not subject to regulation under any Federal or State statute or regulation (other than Regulation X of the Board of Governors of the Federal Reserve System) which limits its ability to incur Indebtedness.

5.14 Subsidiaries. Other than American Carpet Factory, Inc., the Borrower has no Subsidiaries as of the date hereof. American Carpet Factory, Inc. does not own or have any other interest in any property.

5.15 Environmental Matters. Except as set forth on Schedule 5.15:

(a) To the best knowledge of the Borrower, the facilities and properties owned, leased or operated by the Borrower or its Subsidiary (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could reasonably be expected to give rise to liability under, any Environmental Law.

(b) To the best knowledge of the Borrower, the Properties and all operations at the Properties are in compliance, and have in the last 5 years been in compliance, in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the business operated by the Borrower or its Subsidiary (the "Business") which could materially interfere with the continued operation of the Properties or materially impair the fair saleable value thereof.

(c) Neither the Borrower nor its Subsidiary has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) To the best knowledge of the Borrower, Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been granted, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or its Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative

orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business.

(f) To the best knowledge of the Borrower, there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or its Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could reasonably give rise to liability under Environmental Laws.

5.16 Lien. Except as set forth on Schedule 5.16, substantially all of the assets of the Borrower have been pledged to the agent, for the ratable benefit of the Lenders, pursuant to the Security Documents and all Liens on and security interests in any property required, pursuant to the terms of the Credit Documents, to be granted by any Person to secure the obligations thereunder have been perfected.

5.17 Acknowledgment of Obligations; No Claims. As of the Closing Date, the Borrower is truly and justly indebted to the other parties to this Agreement for the payment of the Obligations owing to each such party, without defense, reduction, offset, counterclaim or cause of action of any kind whatsoever.

SECTION 6. Affirmative Covenants. The Borrower covenants and agrees that on and after the Closing Date and until the Term Notes, together with interest, Fees and all other obligations incurred hereunder, thereunder and under the other Credit Documents, are paid in full:

6.1 Information Covenants. The Borrower will furnish to the Agent and each Lender:

(a) Monthly Reports. Within 25 days after the end of each fiscal month of the Borrower (except for a fiscal month occurring at the end of a fiscal quarter or fiscal year), the unaudited consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at the end of such month and the related consolidated statements of income and retained earnings and statement of cash flows for such month and for the elapsed portion of the fiscal year ended with the last day of such month, in each case setting forth comparative figures for the corresponding month in the prior fiscal year and the budgeted figures for such month as set forth in the respective budget delivered pursuant to Section 6.1(e).

(b) Quarterly Financial Statements. Within 45 days after the close of the first three quarterly accounting periods in each fiscal year of the Borrower, the unaudited consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at the end of such quarterly period and the related (x) consolidated statements of income and retained earnings and (y) consolidated statement of cash flows, in each case for such quarterly period and for the elapsed portion of the fiscal year ended with the last day of such quarterly period, in each case setting forth comparative figures for the related periods in the prior fiscal year, all of which shall be certified by a Responsible Officer of the Borrower, subject to normal year-end audit adjustments.

(c) Annual Financial Statements. Within 120 days after the close of each fiscal year of the Borrower, the consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income and retained earnings and statement of cash flows for such fiscal year setting forth comparative figures for the preceding fiscal year and certified (other than with respect to the fiscal year ended December 31, 1998) by independent certified public accountants of recognized national standing reasonably acceptable to the Required Lenders, together with a report of such accounting firm stating that in the course of its regular audit of the financial statements of the Borrower, which audit was conducted in accordance with generally accepted auditing standards, such accounting firm obtained no knowledge of any Default or Event of Default which has occurred and is continuing or, if in the opinion of such accounting firm such a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof.

(d) Management Letters. Promptly after the Borrower's receipt thereof, a copy of any "management letter" received by the Borrower from its certified public accountants and the management's responses thereto.

(e) Budgets. No later than 30 days after the commencement of the first day of each fiscal year of the Borrower, a budget in form satisfactory to the Required Lenders (including budgeted statements of income and sources and uses of cash and balance sheets) prepared in detail by the Borrower for each of the twelve months of such fiscal year of the Borrower and its Subsidiaries; provided, however, that for the fiscal year ending December 31, 1999, the Borrower shall furnish such budget no later than February 1, 1999.

(f) Officer's Certificates. At the time of the delivery of the financial statements provided for in Section 6.1(b) and (c), a certificate of a Responsible Officer of the Borrower to the effect that, to the best of his knowledge, no Default or Event of Default has occurred and is continuing or, if any Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof.

(g) Other Reports and Filing. Promptly, copies of all financial information, proxy materials and other information and reports, if any, which the Borrower or any of its Subsidiaries shall file with the Securities and Exchange Commission or any successor thereto (the "SEC") or deliver to holders of its Indebtedness pursuant to the terms of the documentation governing such Indebtedness (or any trustee, agent or other representative therefor).

(h) Notices. Promptly give notice to the Agent and each Lender of:

(i) the occurrence of any Default or Event of Default;

(ii) any (i) default or event of default under any Contractual Obligation of the Borrower or its Subsidiary or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or its Subsidiary and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;



(iii) any litigation or proceeding affecting the Borrower or its Subsidiary in which the amount involved is \$500,000 or more and not covered by insurance or in which injunctive or similar relief is sought;

(iv) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, reorganization or insolvency of, any Plan; and

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

(i) Other Information. From time to time such other information or documents (financial or otherwise) with respect to the Borrower or its Subsidiaries as any Lender may reasonably request.

6.2 Environmental Laws. (a) The Borrower will, and will cause each of its Subsidiaries to, comply with, and ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so could not be reasonably expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not be reasonably expected to have a Material Adverse Effect.

6.3 Books, Records and Inspections. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries in conformity with generally accepted accounting principles and all requirements of law shall be made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit officers and designated representatives of the Agent or any Lender to visit and inspect, under guidance of officers of the Borrower or such Subsidiary, any of the properties of the Borrower or such Subsidiary, and to examine the books of account of the Borrower or such Subsidiary and discuss the affairs,

finances and accounts of the Borrower or such Subsidiary with, and be advised as to the same by, its and their officers, all at such reasonable times and intervals and to such reasonable extent as the Agent or such Lender may request.

6.4 Maintenance of Property; Insurance. The Borrower will, and will cause each of its Subsidiaries to, (i) keep all property necessary in its business in good working order and condition, (ii) maintain insurance on all its property in at least such amounts and against at least such risks as is consistent and in accordance with industry practice and (iii) furnish to the Agent and each Lender, upon written request, full information as to the insurance carried.

6.5 Corporate Franchises. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and its material rights, franchises, licenses and patents; provided, however, that nothing in this Section 6.5 shall prevent (i) sales of assets by the Borrower or any of its Subsidiaries in accordance with Section 7.5, (ii) the withdrawal by the Borrower or any of its Subsidiaries of its qualification as a foreign corporation in any jurisdiction where such withdrawal could not reasonably be expected to have a Material Adverse Effect or (iii) the taking of any action respecting any right, franchise, license or patent determined by the board of directors of the Borrower to be in the best interest of the Borrower or any of its Subsidiaries.

6.6 Compliance with Statutes, etc. The Borrower will, and will cause each of its Subsidiaries to, comply with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all governmental authorities or bodies, domestic or foreign, in respect of the conduct of its business and the ownership of its property, except such noncompliances as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.7 ERISA. As soon as possible and, in any event, within 10 days after the Borrower or any Subsidiary of the Borrower or any ERISA Affiliate knows or has reason to know of the occurrence of any of the following, the Borrower will deliver to the Agent and each of the Lenders a certificate of a Responsible Officer of the Borrower setting forth details as to such occurrence and the action, if any, which the Borrower, such Subsidiary or such ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given to or filed with or by the Borrower, the Subsidiary, the ERISA Affiliate, the PBGC, a Plan participant or the Plan administrator with respect thereto: that a Reportable Event has occurred, that an accumulated funding deficiency has been incurred or an application may be or has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan, that a Plan has been or may be terminated, reorganized, partitioned or declared insolvent under Title IV of ERISA, that a Plan has an Unfunded Current Liability giving rise to a lien under ERISA or the Code (other than pursuant to Section 4204 of ERISA), that proceedings may be or have been instituted to terminate a Plan, that a proceeding has been instituted pursuant to Section 515 of ERISA to collect a delinquent contribution to a Plan, or that the Borrower, any Subsidiary of the Borrower or any ERISA Affiliate will or may incur any liability (including any contingent or secondary

liability) to or on account of the termination of or withdrawal from a Plan under Section 4062, 4063, 4064, 4069 or 4201 of ERISA or under Section 4204 of ERISA, or with respect to a Plan under Section 4971 or 4975 of the Code or Section 409 or 502(i) or 502(l) of ERISA. The Borrower will deliver to the Agent and each of the Lenders a complete copy of the annual report (Form 5500) of each Plan required to be filed with the Internal Revenue Service (other than any Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA). In addition to any certificates or notices delivered to the Agent and the Lenders pursuant to the first sentence hereof, copies of annual reports and any notices received by the Borrower or any Subsidiary of the Borrower or any ERISA Affiliate with respect to any Plan shall be delivered to the Agent and the Lenders no later than 10 days after the later of the date such report or notice has been filed with the Internal Revenue Service or received by the Borrower or the Subsidiary or the ERISA Affiliate.

6.8 Performance of Obligations. The Borrower will, and will cause each of its Subsidiaries to, perform all of its obligations under the terms of each mortgage, indenture, security agreement and other debt instrument by which it is bound, except such nonperformances as could not in the aggregate have a Material Adverse Effect.

6.9 Payment of Taxes. The Borrower will pay and discharge or cause to be paid and discharged, and will cause each of its Subsidiaries to pay and discharge, all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, in each case on a timely basis, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Borrower or any of its Subsidiaries; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings if it has maintained adequate reserves with respect thereto in accordance with generally accepted accounting principles.

6.10 Refinancing. The Borrower will use reasonable efforts to repay (with new funds loaned and/or invested by third parties on market terms) the Term Loans, together with interest, fees and all other obligations incurred hereunder and thereunder, on or before December 31, 1999, but only so long as the economic terms of such new loans or investments are, from the Borrower's perspective, the same as or better than those of the Term Notes.

6.11 Collateral Account Agreement. On or prior to March 1, 1999, the Borrower shall cause Comerica Bank to execute and deliver a collateral account agreement in favor of the Agent for the benefit of the Lenders, such agreement to (i) create in favor of the Agent and the Lenders a lien upon and security interest in the account(s) of the Borrower held by Comerica Bank and (ii) have principal terms substantially similar to those set forth in the collateral account agreement dated as of March 23, 1996 executed by Comerica Bank, with such changes as to which the Agent or the Required Lenders may consent in writing. In the event that the Borrower transfers its principal bank account(s) to another Person, the Borrower shall cause such Person to execute and deliver a substantially similar collateral account agreement (with such changes as to which the Agent or the Required Lenders may consent in writing) within 60

days of such transfer. Each such collateral account agreement is herein referred to as a "Cash Collateral Agreement."

6.12 Dissolution of Subsidiary. On or prior to January 31, 1999, the Borrower shall dissolve American Carpet Factory, Inc.

SECTION 7. Negative Covenants. The Borrower covenants and agrees that on and after the Closing Date and until the Term Loans and Term Notes, together with interest, Fees and all other obligations incurred hereunder, thereunder and under the other Credit Documents, are paid in full, the Borrower shall not, nor permit any Subsidiary to:

7.1 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

- (a) Indebtedness of the Borrower under this Agreement;
- (b) Indebtedness outstanding on the date hereof and listed on Schedule 7.1;
- (c) Indebtedness in respect of Financing Leases and other Indebtedness incurred solely to finance the acquisition of fixed or capital assets.
- (d) Indebtedness incurred in connection with the acquisition by the Borrower or any Subsidiary of a new call center headquarters or a second call center;
- (e) Up to \$3,000,000 in aggregate principal amount of Indebtedness under a working capital or revolving credit facility, it being understood and agreed that such Indebtedness shall be senior to the Term Notes pursuant to documentation in form and substance reasonably satisfactory to the Agent;
- (f) Up to \$5,000,000 in aggregate principal amount of Indebtedness incurred in connection with the acquisition of a business or company by the Borrower, but only so long as such Indebtedness (i) is issued to, and held by, the seller of such business or company, (ii) is subordinate to the Term Notes pursuant to documentation reasonably satisfactory to the Agent and (iii) has no amortization payments, and does not otherwise mature, prior to the payment in full of the Term Notes; and
- (g) Indebtedness under the Management Stock Option Agreements.

7.2 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

- (a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiary, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or its Subsidiary;

(f) Liens in existence on the date hereof listed on Schedule 5.16, securing Indebtedness permitted by subsection 7.1(b), provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens under the Security Documents;

(h) Liens in respect of Indebtedness permitted under subsection 7.1(c), provided that if such Liens relate to Indebtedness incurred in connection with the acquisition of fixed or capital assets (1) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (2) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (3) the Liens are not modified to secure other Indebtedness and the amount of Indebtedness secured thereby is not increased and (4) such Indebtedness is nonrecourse to the Borrower and its Subsidiaries or the principal amount of such Indebtedness secured by any such Lien shall at no time exceed 100% of the original purchase price of such property;

(i) Liens securing Indebtedness permitted pursuant to Section 7.1(d); and

(j) Liens securing Indebtedness permitted pursuant to Section 7.1(e), it being understood and agreed that such Lien shall be senior to the Liens under the Security Documents, pursuant to documentation in form and substance reasonably satisfactory to the Agent.

7.3 Limitation on Contingent Obligations. Create, incur, assume or suffer to exist any Contingent Obligation except Contingent Obligations in existence on the date hereof and listed on Schedule 7.3.

7.4 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation

or dissolution) except in connection with any dissolution of its Subsidiary as contemplated in Section 6.12.

7.5 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, except for any such sale, lease, assignment, transfer or deposit in the ordinary course of business as presently conducted.

7.6 Limitation on Dividends. Declare or pay any dividend (other than dividends payable solely in common stock of the Borrower) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of capital stock of the Borrower or any Subsidiary of the Borrower or any warrants or options to purchase any such Stock (other than pursuant to the Management Stock Option Agreements) whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or its Subsidiary, except that Borrower's Subsidiaries may pay dividends in respect of their capital stock to the Borrower.

7.7 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person, except (i) investments in Cash Equivalents and (ii) purchases of stock, bonds, notes, debentures or other securities of or assets constituting a business unit of any Person, so long as the consideration paid therefor is not cash, Cash Equivalents or other assets of the Borrower or its Subsidiaries.

7.8 Limitation on Optional Payments and Modifications of Debt Instruments. Except in respect of Indebtedness permitted under Sections 7.1(d) and (e), (a) make any optional payment or prepayment on or redemption or purchase of any Indebtedness (other than the Term Loans) or (b) amend, modify or change, or consent or agree to any amendment, modification or change to any of terms relating to the payment or prepayment or principal of or interest on, any Indebtedness (other than any such amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon).

7.9 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is (a) otherwise permitted under this Agreement, and (b) upon fair and reasonable terms no less favorable to the Borrower, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

7.10 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Borrower of real or personal property which has been or is to be sold or transferred by the Borrower to such Person or to any other Person to whom funds

have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower, except to the extent that such arrangement involves Indebtedness in respect of a Financing Lease permitted under subsection 7.1(c).

7.11 Limitation on Changes in Fiscal Year. Permit the fiscal year of the Borrower to end on a day other than December 31.

7.12 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for (i) those businesses in which the Borrower and its Subsidiary are engaged on the date of this Agreement or (ii) ancillary businesses which are based upon, or otherwise involve or relate to, the home decoration and remodeling business or industry.

7.13 Limitation on Formation of Subsidiaries . Form or acquire any Subsidiaries, unless and until such Subsidiaries execute and deliver to the Agent guarantees of the Term Notes, and security documents granting liens on substantially all of their assets to secure such guarantees, all in form and substance reasonably satisfactory to the Agent.

7.14 Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for the fiscal year ended on the dates set forth in column A below, to be less than the corresponding amount set forth in column B below:

<u>A</u>	<u>B</u>
December 31, 1999	1.5:1.0
December 31, 2000	1.5:1.0
December 31, 2001	1.5:1.0
December 31, 2002 and thereafter	2.0:1.0

SECTION 8. Events of Default. Upon the occurrence of any of the following specified events (each an "Event of Default"):

8.1 Payments. The Borrower shall (i) default in the payment when due of any principal of any Term Loan or any Term Note or (ii) default, and such default shall continue unremedied for three or more Business Days, in the payment when due of interest on any Term Loan or Term Note, or any Fees or any other amounts owing hereunder or thereunder; or

8.2 Representations, etc. Any representation, warranty or statement made by any Credit Party herein or in any other Credit Document or in any certificate delivered pursuant hereto or thereto shall prove to be untrue in any material respect on the date as of which made; or

8.3 Covenants. The Borrower or any Subsidiary of the Borrower shall (i) default in the due performance or observance by it of any term, covenant or agreement contained in Section 7 of this Agreement or Section 5 of the Borrower Security Agreement or (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in this Agreement or any other Credit Document and, in the case of this clause (ii), such default

shall continue unremedied for a period of 30 days after written notice to the Borrower by the Agent or any Lender; or

8.4 Default Under Other Agreements. (i) The Borrower or any Subsidiary of the Borrower shall (x) default in any payment of any Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created or (y) default in the observance or performance of any agreement or condition relating to any Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such Indebtedness to become due prior to its stated maturity, or (ii) any Indebtedness of the Borrower or any Subsidiary of the Borrower shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof, provided that it shall not be a Default or Event of Default under this Section 8.4 unless the aggregate principal amount of all Indebtedness as described in preceding clauses (i) and (ii), inclusive, is at least \$500,000; or

8.5 Bankruptcy, etc. The Borrower or any Subsidiary of the Borrower shall commence a voluntary case concerning itself under Title 11 of the United States Code entitled "Bankruptcy," as now or hereafter in effect, or any successor thereto (the "Bankruptcy Code"); or an involuntary case is commenced against the Borrower or any Subsidiary of the Borrower, and the petition is not controverted within 10 days, or is not dismissed within 60 days, after commencement of the case; or a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or substantially all of the property of the Borrower or any Subsidiary of the Borrower, or the Borrower or any Subsidiary of the Borrower commences any other proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect relating to the Borrower or any Subsidiary of the Borrower, or there is commenced against the Borrower or any Subsidiary of the Borrower any such proceeding which remains undismissed for a period of 60 days, or the Borrower or any Subsidiary of the Borrower is adjudicated insolvent or bankrupt; or any order of relief or other order approving any such case or proceeding is entered; or the Borrower or any Subsidiary of the Borrower suffers any appointment of any custodian or the like for it or any substantial part of its property to continue undischarged or unstayed for a period of 60 days; or the Borrower or any Subsidiary of the Borrower makes a general assignment for the benefit of creditors; or any corporate action is taken by the Borrower or any Subsidiary of the Borrower for the purpose of effecting any of the foregoing; or

8.6 ERISA. (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or



commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in a termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Equity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the insolvency or reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to have a Material Adverse Effect; or

8.7 Security Documents. At any time after the execution and delivery thereof, any of the Security Documents shall cease to be in full force and effect, or shall cease to give the Agent for the benefit of the Lenders the Liens, rights, powers and privileges purported to be created thereby (including, without limitation, a perfected security interest in, and Lien on, all of the Collateral), in favor of the Agent, superior to and prior to the rights of all third Persons (except as permitted by Section 7.2), and subject to no other Liens (except as permitted by Section 7.2), or the Borrower or any Subsidiary shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any of the Security Documents and such default shall continue beyond any grace period specifically applicable thereto pursuant to the terms of such Security Document; or

8.8 Judgments. One or more judgments or decrees shall be entered against the Borrower or any Subsidiary of the Borrower involving in the aggregate for the Borrower and its Subsidiaries a liability (not paid or fully covered by a reputable insurance company) and such judgments and decrees either shall be final and nonappealable or shall not be vacated, discharged or stayed or bonded pending appeal for any period of 30 consecutive days, and the aggregate amount of all such judgments exceeds \$500,000; or

8.9 Change of Control. A Change of Control shall occur;

then, and in any such event, and at any time thereafter, if any Event of Default shall then be continuing, the Agent, upon the written request of the Required Lenders, shall by written notice to the Borrower, take any or all of the following actions, without prejudice to the rights of the Agent, any Lender or the holder of any Term Note to enforce its claims against any Credit Party (provided, that, if an Event of Default specified in Section 8.5 shall occur with respect to the Borrower, the result which would occur upon the giving of written notice by the Agent to the Borrower as specified below shall occur automatically without the giving of any such notice): declare the principal of and any accrued interest in respect of all Term Loans and the Term Notes and all other obligations owing hereunder and thereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Credit Party.

SECTION 9. Definitions and Accounting Terms.

9.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Affiliate” shall mean, with respect to any Person, any other Person directly or indirectly controlling (including, but not limited to, all directors and officers of such Person), controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

“Agent” shall mean IBJ Schroder Bank & Trust Company, in its capacity as Agent for the Lenders hereunder, and shall include any successor to the Agent appointed pursuant to Section 10.9.

“Agreement” shall mean this Credit Agreement, as modified, supplemented or amended from time to time.

“Assignee” shall have the meaning provided in Section 11.4(f).

“Assignment and Acceptance” shall mean the Assignment and Acceptance substantially in the form of Exhibit F (appropriately completed).

“Bankruptcy Code” shall have the meaning provided in Section 8.5.

“Borrower” shall have the meaning provided in the first paragraph of this Agreement.

“Borrower Security Agreement” shall mean the Borrower Collateral Security Agreement substantially in the form of Exhibit G, as the same may be modified, supplemented or amended from time to time in accordance with the terms thereof.

“Business” shall have the meaning provided in Section 5.15.

“Business Day” shall mean any day except Saturday, Sunday and any day which shall be in New York City a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close.

“Cash Collateral Agreement” has the meaning provided in Section 6.11.

“Cash Equivalents” shall mean (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition and overnight bank deposits of any commercial bank having capital and surplus in excess of \$500,000,000, (c) repurchase

obligations of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-2 by Standard and Poor's Rating Group ("S&P") or P-2 by Moody's Investors Service, Inc. ("Moody's"), (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States or by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's, (f) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (b) through (f) of this definition.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as the same may be amended from time to time, 42 U.S.C. § 9601 et seq.

"Change of Control" shall mean (a) the acquisition by any Person, directly or indirectly, of more than 50% of the common stock of the Borrower or otherwise more than 50% of the voting control of the Borrower; (b) the sale of all or substantially all of the assets of the Borrower to such Person; or (c) the merger or consolidation of the Borrower with or into such Person; provided, however, that "Change of Control" shall not include: (x) the acquisition, sale or other transfer of stock or assets of the Borrower to, or the merger or consolidation of the Borrower with or into, the holders of Senior Bank Claims or one or more entities owned or controlled by the holders of Senior Bank Claims, in connection with the payment or restructuring of Senior Bank Claims; or (y) the transfer of the stock of the Borrower from Color Tile, Inc. to CT Recovery Corp. pursuant to the terms of the Global Settlement Agreement entered into in connection with the bankruptcy proceedings of Color Tile, Inc.

"Closing Date" shall mean the first Business Day on which each of the conditions set forth in Section 4 has been satisfied or waived in accordance with the terms hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and the regulations promulgated and the rulings issued thereunder. Section references to the Code are to the Code, as in effect at the date of this Agreement, and to any subsequent provision of the Code, amendatory thereof, supplemental thereto or substituted therefor.

"Collateral" shall mean all property (whether real or personal) with respect to which any security interests have been granted (or purport to be granted) pursuant to any Security Document.

"Commonly Controlled Entity" shall mean an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of

ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

“Competitor” shall mean any Person engaged (directly or through any Subsidiary of such Person) in the sale (at retail or wholesale) or manufacture of window treatments or wall coverings.

“Consolidated EBIT” shall mean, for any period, the Consolidated Net Income of the Borrower and its Consolidated Subsidiaries, before Consolidated Net Interest Expense and provision for taxes and without giving effect to any extraordinary gains or losses or gains or losses from sales of assets other than inventory sold in the ordinary course of business.

“Consolidated EBITDA” shall mean, for any period, Consolidated EBIT, adjusted by adding thereto the amount of all amortization of intangibles and depreciation that were deducted in arriving at Consolidated EBIT for such period.

“Consolidated Interest Coverage Ratio” for any period shall mean the ratio of Consolidated EBITDA to Consolidated Net Interest Expense.

“Consolidated Net Income” shall mean, for any period, net income of the Borrower and its Consolidated Subsidiaries for such period determined on a consolidated basis plus the amount of all noncash compensation expenses arising in connection with management stock option plans less the sum of all gains arising from the reversal of restructuring and other charges in respect of lines of business constituting discontinued businesses as of the Effective Date.

“Consolidated Net Interest Expense” shall mean, for any period, the total consolidated interest expense of the Borrower and its Consolidated Subsidiaries for such period (calculated without regard to any limitations on the payment thereof) plus, without duplication, that portion of the obligations of the Borrower and its Consolidated Subsidiaries under Financing Leases representing the interest factor for such period, in each case net of the total consolidated cash interest income of the Borrower and its Consolidated Subsidiaries for such period.

“Consolidated Subsidiaries” shall mean, as to any Person, all Subsidiaries of such Person which are consolidated with such Person for financial reporting purposes in accordance with generally accepted accounting principles in the United States.

“Contingent Obligation” shall mean, as to any Person, any obligation of such Person guaranteeing or intended to guarantee any Indebtedness, leases, dividends or other obligations (“primary obligations”) of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (x) for the purchase or payment of any such primary obligation or (y) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the

owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder) as determined by such Person in good faith.

“Contractual Obligation” shall mean, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Credit Documents” shall mean this Agreement, each Term Note and each Security Document.

“Credit Party” shall mean the Borrower and each Subsidiary of the Borrower.

“Default” shall mean any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

“Dollars” and the sign “\$” shall each mean freely transferable lawful money of the United States.

“Environmental Law” means any Federal, state, foreign or local statute, law, rule, regulation, ordinance, code, guideline, written policy and rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, employee health and safety or Hazardous Materials, including, without limitation, CERCLA; RCRA; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. § 3803 et seq.; the Oil Pollution Act of 1990, 33 U.S.C. § 2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 U.S.C. § 11001 et seq.; the Hazardous Material Transportation Act, 49 U.S.C. § 1801 et seq. and the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; and any state and local or foreign counterparts or equivalents, in each case as amended from time to time.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to ERISA are to ERISA, as in effect at the date of this Agreement, and to any subsequent provisions of ERISA, amendatory thereof, supplemental thereto or substituted therefor.

“ERISA Affiliate” shall mean each person (as defined in Section 3(9) of ERISA) which together with the Borrower or any Subsidiary of the Borrower would be deemed to be a “single employer” within the meaning of Section 414(b), (c), (m) or (o) of the Code.

“Event of Default” shall have the meaning provided in Section 8.

“Excess Cash” shall have the meaning provided in Section 3.2(d).

“Excess Cash Payment Date” shall have the meaning provided in Section 3.2(d).

“Fees” shall mean all amounts payable pursuant to or referred to in Section 2.1.

“Final Maturity Date” shall mean December 31, 2005, or such earlier date on which Term Notes become due and payable pursuant to Section 8 hereof.

“Financial Institution” shall mean any foreign or domestic commercial bank, savings bank, savings and loan association, banking corporation, trust company, insurance company, investment bank, mutual fund, hedge fund, investment fund or other similar firm, fund, partnership or institution, or any holding company thereof; provided, however, that for purposes of this definition (i) The First Boston Corporation shall not be a Financial Institution and (ii) none of the foregoing types of Persons shall be a Financial Institution if, with respect to an assignment or participation (or contemplated assignment or participation) pursuant to Section 11.4, such Person represents a Competitor.

“Financing Leases” shall mean any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“Governmental Authority” shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial regulatory or administrative functions of or pertaining to government.

“Indebtedness” shall mean, as to any Person, without duplication, (i) all indebtedness (including principal, interest, fees and charges) of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (ii) the maximum amount available to be drawn under all letters of credit issued for the account of such Person and all unpaid drawings in respect of such letters of credit, (iii) all Indebtedness of the types described in clause (i), (ii), (iv), (v) or (vi) of this definition secured by any Lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (iv) all obligations of such Person under Financing Leases, (v) all obligations of such person to pay a specified purchase price for goods or services, whether or not delivered or

accepted, i.e., take-or-pay and similar obligations and (vi) all Contingent Obligations of such Person.

“Intellectual Property” shall have the meaning provided in Section 5.9.

“Lender” shall mean each Person listed on Schedule 1.1, as well as any institution which becomes a “Lender” hereunder pursuant to Section 11.4(b).

“Lien” shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the UCC or any other similar recording or notice statute, and any lease having substantially the same effect as any of the foregoing).

“Management Stock Option Agreements” shall mean the Stock Option Agreements between the Borrower and Steven Katzman and Daniel Gilmartin, respectively, each as in effect on and as of the date hereof.

“Material Adverse Effect” shall mean a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Borrower and its Subsidiaries taken as a whole or (b) the validity or enforceability of this or any of the other Loan Documents or the rights or remedies of the Agent or the Lenders hereunder or thereunder.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

“Multiemployer Plan” shall mean a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Sale Proceeds” shall mean for any sale of assets, the gross cash proceeds (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) received from any sale of assets, net of cash taxes payable by reason of such sale, reasonable transaction costs and payments of unassumed liabilities relating to the assets sold at the time of, or within 60 days after, the date of such sale and the amount of such gross cash proceeds required to be used to repay any Indebtedness (other than Indebtedness of the Lenders pursuant to the Credit Documents) which is secured by the respective assets which were sold.

“Notice Office” shall mean the office of the Agent located at One State Street, New York, NY 10004, Attention: Sandra Whalen, or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

“Obligations” shall mean all amounts owing to the Agent or any Lender pursuant to the terms of this Agreement or any other Credit Document.

“Participant” shall have the meaning provided in Section 11.4(f).

“Payment Office” shall mean the office of the Agent located at One State Street, New York, New York 10004, Attention: Sandra Whalen, or such other office as the Agent may hereafter designate in writing as such to the other parties hereto.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Section 4002 of ERISA, or any successor thereto.

“Person” shall mean any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof.

“Plan” shall mean any multiemployer or single-employer plan, as defined in Section 4001 of ERISA, which is maintained or contributed to by (or to which there is an obligation to contribute of), or at any time during the five calendar years preceding the Closing Date was maintained or contributed to by (or to which there was an obligation to contribute of) the Borrower or a Subsidiary of the Borrower or an ERISA Affiliate.

“Properties” has the meaning provided in Section 5.15.

“RCRA” shall mean the Resource Conservation and Recovery Act, as the same may be amended from time to time, 42 U.S.C. § 6901 et seq.

“Recovery Event” shall mean the receipt by the Borrower or any of its Subsidiaries of any cash insurance proceeds or condemnation award payable (i) by reason of theft, loss, physical destruction or damage or any other similar event with respect to any property or assets of the Borrower or any of its Subsidiaries and (ii) under any policy of insurance required to be maintained by the Borrower under Section 6.4.

“Register” shall have the meaning provided in Section 11.4(d).

“Reorganization Plan” shall have the meaning provided in the preamble.

“Reorganization Plan Effective Date” shall mean the “Effective Date” as defined in the Reorganization Plan.

“Reportable Event” shall mean an event described in Section 4043(b) of ERISA with respect to a Plan as to which the 30-day notice requirement has not been waived by the PBGC.

“Responsible Officer” shall mean, as to the Borrower, the Chief Executive Officer, President, Chief Operating Officer, Executive Vice President, Chief Financial Officer or Controller.



“Required Lenders” shall mean, at any time, Lenders, the sum of whose outstanding Term Loans at such time represent an amount greater than seventy-five percent of the sum of all outstanding Term Loans.

“Requirement of Law” shall mean, as to any Person, the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which any such Person or any of its property is subject.

“Security Document” shall mean the Borrower Security Agreement, each Cash Collateral Agreement and each guarantee and security agreement entered into pursuant to Section 7.13.

“Senior Bank Claims” shall have the meaning provided in the Reorganization Plan.

“Single Employer Plan” shall mean any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

“Subsidiary” shall mean, as to any Person, (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person and/or one or more Subsidiaries of such Person and (ii) any partnership, association, joint venture or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest at the time.

“Supplemental Agent” shall have the meaning provided in Section 10.1(c).

“Taxes” shall have the meaning provided in Section 3.4(a).

“Term Loan” shall have the meaning provided in Section 1.1.

“Term Note” shall have the meaning provided in Section 1.2(a).

“UCC” shall mean the Uniform Commercial Code as from time to time in effect in the relevant jurisdiction.

“Unfunded Current Liability” of any Plan means the amount, if any, by which the actuarial present value of the accumulated benefits under the Plan as of the close of its most recent plan year, determined in accordance with Statement of Financial Accounting Standards No. 35, based upon the actuarial assumptions used by the Plan’s actuary in the most recent annual valuation of the Plan, exceeds the fair market value of the assets allocable thereto, determined in accordance with Section 412 of the Code.

“United States” and “U.S.” shall each mean the United States of America.

SECTION 10. The Agent.

10.1 Appointment. (a) The Lenders hereby designate IBJ Schroder Bank & Trust Company as Agent (for purposes of this Section 10, the term “Agent” shall include IBJ Schroder Bank & Trust Company in its capacity as Agent pursuant to the Security Documents), to act as specified herein and in the other Credit Documents. Each Lender hereby irrevocably authorizes, and each holder of any Term Note by the acceptance of such Term Note shall be deemed irrevocably to authorize, the Agent to act as its agent and to take such action on its behalf under the provisions of this Agreement, the other Credit Documents and any other instruments and agreements referred to herein or therein and to exercise such powers, rights and remedies and to perform such duties hereunder and thereunder as are specifically delegated to or required of the Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. The Agent may perform any of its duties hereunder by or through its officers, directors, agents or employees.

(b) The provisions of this Section 10 are solely for the benefit of Agent and Lenders, and Borrower shall have no rights as a third party beneficiary of any of the provisions thereof. In performing its functions and duties under this Agreement, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Borrower or any of its Subsidiaries.

(c) It is the purpose of this Agreement and the other Credit Documents that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as agent or trustee in such jurisdiction. It is recognized that in case of litigation under this Agreement or any of the other Credit Documents, and in particular in case of the enforcement of any of the Credit Documents, or in case Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the rights, powers or remedies granted herein or in any of the other Credit Documents or take any other action which may be desirable or necessary in connection therewith, it may be necessary that Agent appoint an additional individual or institution as a separate trustee, co-trustee, Agent or collateral co-agent (any such additional individual or institution being referred to herein individually as a “Supplemental Agent” and collectively as “Supplemental Agents”).

(d) In the event that Agent appoints a Supplemental Agent with respect to any Collateral, (i) each and every right, power, privilege or duty expressed or intended by this Agreement or any of the other Credit Documents to be exercised by or vested in or conveyed to Agent with respect to such Collateral shall be exercisable by and vest in such Supplemental Agent to the extent, and only to the extent, necessary to enable such Supplemental Agent to exercise such rights, powers and privileges with respect to such Collateral and to perform such duties with respect to such Collateral, and every covenant and obligation contained in the Credit Documents and necessary to the exercise or performance thereof by such Supplemental Agent shall run to and be enforceable by either Agent or such Supplemental Agent, and (ii) the

provisions of this Section 10 and of Section 11.1 that refer to Agent shall inure to the benefit of such Supplemental Agent and all references therein to Agent shall be deemed to be references to Agent and/or such Supplemental Agent, as the context may require.

(e) Should any instrument in writing from Borrower or any other Credit Party be required by any Supplemental Agent so appointed by Agent for more fully and certainly vesting in and confirming to him or it such rights, powers, privileges and duties, Borrower shall, or shall cause such Credit Party to, execute, acknowledge and deliver any and all such instruments promptly upon request by Agent. In case any Supplemental Agent, or a successor thereto, shall die, become incapable of acting, resign or be removed, all the rights, powers, privileges and duties of such Supplemental Agent, to the extent permitted by law, shall vest in and be exercised by Agent until the appointment of a new Supplemental Agent.

10.2 Nature of Duties. The Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement and the Security Documents. Neither the Agent nor any of its officers, directors, agents or employees shall be liable for any action taken or omitted by it or them hereunder or under any other Credit Document or in connection herewith or therewith, except to the extent caused by its or their gross negligence or willful misconduct. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement or any other Credit Document a fiduciary relationship in respect of any Lender or the holder of any Term Note; and nothing in this Agreement or any other Credit Document, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement or any other Credit Document except as expressly set forth herein or therein.

10.3 Lack of Reliance on the Agent. Independently and without reliance upon the Agent, each Lender and the holder of each Term Note confirm that, to the extent it deems appropriate, such Lender or holder, as applicable, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower in connection with the making and the continuance of the Term Loans and the taking or not taking of any action in connection herewith and (ii) its own appraisal of the creditworthiness of the Borrower and, except as expressly provided in this Agreement, the Agent shall not have any duty or responsibility, either initially or on a continuing basis, to make any such investigation or any such appraisal on behalf of Lenders or to provide any Lender or the holder of any Term Note with any credit or other information with respect thereto, whether coming into its possession before the making of the Term Loans or at any time or times thereafter. The Agent shall not be responsible to any Lender or the holder of any Term Note for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any other Credit Document or the financial condition or affairs of the Borrower or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any other Credit Document, or the financial condition or affairs of the Borrower or the existence or possible existence of any Default or Event of Default. Anything contained in this Agreement to the contrary notwithstanding, the Agent shall not have

any liability arising from confirmations of the amount of outstanding Term Loans or the component amounts thereof.

10.4 Certain Rights of the Agent. The Agent shall be entitled to refrain from any act or taking any action in connection with this Agreement or any other Credit Document or from the exercise of any power, discretion or authority vested in it hereunder or thereunder, unless and until the Agent shall have received instructions from the Required Lenders; and the Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender or the holder of any Term Note shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder or under any other Credit Document in accordance with the instructions of the Required Lenders.

10.5 Reliance. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by any Person that the Agent believed to be the proper Person, and, with respect to all legal matters pertaining to this Agreement and any other Credit Document and its duties hereunder and thereunder, upon advice of counsel (who may be attorneys for the Borrower and its Subsidiaries), accountants, experts and other professional advisers selected by it.

10.6 Indemnification. To the extent the Agent is not reimbursed and indemnified by the Borrower, the Lenders will reimburse and indemnify the Agent, in proportion to their respective "percentages" as used in determining the Required Lenders, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Agent in performing its respective duties hereunder or under any other Credit Document, or in any way relating to or arising out of this Agreement or any other Credit Document; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct.

10.7 The Agent in Its Individual Capacity. With respect to its obligations, if any, to make Term Loans under this Agreement, the Agent shall have the rights and powers specified herein for a "Lender" and may exercise the same rights and powers as though they were not performing the duties specified herein; and the term "Lenders," "Required Lenders," "holders of Term Notes" or any similar terms shall, unless the context clearly otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of banking, trust, financial advisory or other business with any Credit Party or any Affiliate of any Credit Party as if they were not performing the duties specified herein, and may accept fees and other consideration from the Borrower or any other Credit Party for services in connection with this Agreement and otherwise without having to account for the same to the Lenders.

10.8  Holders. The Agent may deem and treat the payee of any Term Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment,

transfer or endorsement thereof, as the case may be, shall have been filed with the Agent. Any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is the holder of any Term Note shall be conclusive and binding on any subsequent holder, transferee, assignee or indorsee, as the case may be, of such Term Note or of any Term Note or Term Notes issued in exchange therefor.

10.9 Resignation by the Agent. (a) The Agent may resign from the performance of all its functions and duties hereunder and/or under the other Credit Documents at any time by giving 15 Business Days' prior written notice to the Borrower and the Lenders. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Required Lenders shall appoint a successor Agent hereunder or thereunder who shall be a commercial lender, trust company or other Person reasonably acceptable to the Borrower, which acceptance shall not be unreasonably withheld (it being understood and agreed that any Lender is deemed to be acceptable to the Borrower).

(c) If a successor Agent shall not have been so appointed within such 15 Business Day period, the Agent, with the consent of the Borrower, which shall not be unreasonably withheld, shall then appoint a successor Agent who shall serve as Agent hereunder or thereunder until such time, if any, as the Lenders appoint a successor Agent as provided above.

(d) If no successor Agent has been appointed pursuant to clause (b) or (c) above by the 20th Business Day after the date such notice of resignation was given by the Agent, the Agent's resignation shall become effective and the Lenders shall thereafter perform all the duties of the Agent hereunder and/or under any other Credit Document until such time, if any, as the Required Lenders appoint a successor Agent as provided above.

(e) Upon the acceptance of any appointment as Agent hereunder by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent and the retiring or removed Agent shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Agent's resignation or removal hereunder as Agent, the provisions of this Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

10.10 Security Documents. Each Lender hereby further authorizes Agent, on behalf of and for the benefit of Lenders, to enter into each Security Document as secured party, and each Lender agrees to be bound by the terms of each Security Document; provided, however, that Agent shall not (i) enter into or consent to any material amendment, modification, termination or waiver of any provision contained in any Security Document or (ii) release any Collateral (except as otherwise expressly permitted or required pursuant to the terms of this Agreement or the applicable Security Document), in each case without the prior consent of Required Lenders (or, if required pursuant to Section 11.11, all Lenders); provided further, that,

without further written consent or authorization from Lenders, Agent may execute any documents or instruments necessary to release any Lien encumbering any item of Collateral that is the subject of a sale or other disposition of assets permitted by this Agreement or to which Required Lenders (or such other Lenders as may be required to give such consent under Section 11.11) have otherwise consented. Anything contained in any of the Credit Documents to the contrary notwithstanding, the Borrower, the Agent and each Lender hereby agree that (X) no Lender shall have any right individually to realize upon any of the Collateral under any Security Document, it being understood and agreed that all powers, rights and remedies under the Security Documents may be exercised solely by the Agent for the benefit of Lenders in accordance with the terms thereof, and (Y) in the event of a foreclosure by Agent on any of the Collateral pursuant to a public or private sale, the Agent or any Lender may be the purchaser of any or all of such Collateral at any such sale and the Agent, as agent for and representative of Lenders (but not any Lender or Lenders in its or their respective individual capacities unless Required Lenders shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Obligations as a credit on account of the purchase price for any collateral payable by the Agent at such sale.

#### SECTION 11. Miscellaneous.

11.1 Payment of Expenses, etc. The Borrower shall: (i) whether or not the transactions herein contemplated are consummated, pay (1) all reasonable out-of-pocket costs and expenses of the Agent in connection with the negotiation, preparation, execution, administration and delivery of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein, and of the Agent and the Lenders in connection with the negotiation, preparation, execution, administration and delivery of any amendment, waiver or consent relating hereto or thereto, and any other documents or matters requested by the Borrower, and of the Agent and each of the Lenders in connection with the enforcement of this Agreement and the other Credit Documents and the documents and instruments referred to herein and therein (including, without limitation, the reasonable fees and disbursements of counsel); (2) all the actual costs and reasonable expenses of creating and perfecting Liens in favor of Agent on behalf of Lenders pursuant to any Security Document, including filing and recording fees, expenses and taxes, stamp or documentary taxes, search fees, title insurance premiums, and reasonable fees, expenses and disbursements of any counsel in respect of the Security Documents or the Liens created pursuant thereto; (3) all actual costs and reasonable expenses (including the reasonable fees, expenses and disbursements of any consultants, advisors and agents employed or retained by Agent and its counsel) in connection with the custody or preservation of any of the Collateral; and (4) after the occurrence of an Event of Default, all costs and expenses, including reasonable attorneys' fees (including allocated costs of internal counsel) and costs of settlement, incurred by Agent and Lenders in enforcing any Obligations of or in collecting any payments due from any Credit Party hereunder or under the other Credit Documents by reason of such Event of Default (including in connection with the sale of, collection from, or other realization upon any of the Collateral) or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or pursuant to any insolvency or bankruptcy proceedings; (ii) pay and

hold each of the Lenders harmless from and against any and all present and future stamp, excise and other similar taxes with respect to the foregoing matters and save each of the Lenders harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to such Lender) to pay such taxes; and (iii) defend and indemnify the Agent and each Lender, and each of their respective Affiliates, shareholders, officers, directors, employees, representatives, attorneys and agents from and pay and hold each of them harmless against any and all liabilities, obligations (including removal or remedial actions), losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements (including reasonable attorneys' and consultants' fees and disbursements in connecting with any investigation, litigation or other proceeding (whether or not the Agent or any Lender is a party thereto) incurred by, imposed on or assessed against any of them as a result of, or arising out of, or in any way related to, the entering into and/or performance of this Agreement or any other Credit Document or the consummation of any transactions contemplated herein or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents (including without limitation maintenance of the Register by the Agent); provided, however, that the Borrower shall not be liable for any liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses and disbursements resulting from the Agent's or any Lender's gross negligence or willful misconduct. To the extent that the undertaking to defend, indemnify, pay or hold harmless the Agent or any Lender set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

11.2 Right of Setoff. In addition to any rights now or hereafter granted under applicable law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, the Agent and each Lender is hereby granted a security interest in and is hereby authorized at any time or from time to time, without presentment, demand, protest or other notice of any kind to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off against or sell and to appropriate and apply any and all deposits (general or special) and any other Indebtedness at any time held or owing by such Lender (including, without limitation, by branches and agencies of such Lender wherever located) to or for the credit or the account of the Borrower against and on account of the Obligations, including, without limitation, all interests in Obligations purchased by such Lender pursuant to Section 11.6(b), and all other claims of any nature or description arising out of or connected with this Agreement or any other Credit Document, irrespective of whether or not the Agent or such Lender shall have made any demand hereunder and although said Obligations, liabilities or claims, or any of them, shall be contingent or unmatured.

11.3 Notices. Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing (including telegraphic, telex, telecopier or cable communication) and mailed, telegraphed, telexed, telecopied, cabled or delivered: if to any Credit Party, at such Credit Party's address specified on the signature page hereof with a copy to Kovitz, Shifrin & Waitzman, 750 Lake Cook Road, Suite 350, Buffalo Grove, Illinois 60089-2073 Attention: Susan Greenspon, Esq.; if to any Lender, at its address

specified on the signature page hereof; and if to the Agent, at its Notice Office; or, as to any Credit Party, at such other address as shall be designated by such party in a written notice to the other parties hereto and, as to each Lender, at such other address as shall be designated by such Lender in a written notice to the Borrower and the Agent. All such notices and communications shall, when mailed, telegraphed, telexed, telecopied, or cabled or sent by overnight courier, be effective when deposited in the mails, delivered to the telegraph company, cable company or overnight courier, as the case may be, or sent by telex or telecopier, except that notices and communications to the Agent shall not be effective until received by the Agent.

11.4 Successors and Assigns; Participants and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agent and their respective successors and assigns, except the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its business and in accordance with the applicable law, at any time sell to one or more Persons ("Participants") participating interests in any Term Loan owing to such Lender or any other interest of such Lender hereunder and under the other Credit Documents; provided, however, that any such sale must be for at least \$1,000,000 in aggregate principal amount of such Lender's Term Loans or, if less, 100% of such Lender's Term Loan and its rights and obligations under this Agreement and the other Credit Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Term Loan for all purposes under this Agreement and the other Credit Documents, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Credit Documents. The Borrower agrees that if amounts outstanding under this Agreement are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided, however, that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in subsection 11.6(b) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 3.4 and 3.5 with respect to its participation in the Term Loans outstanding from time to time as if it was a Lender; provided, however, that, in the case of Section 3.4, such Participant shall have complied with the requirements of said subsection; and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such subsection than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.



(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at and from time to time assign to any Person (“an Assignee”) its rights and obligations under this Agreement and the other Credit Documents pursuant to an Assignment and Acceptance, executed by such Assignee, such assigning Lender (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the Agent) and delivered to the Agent for its recording in the Register; provided, however, that any such assignment must be for at least \$1,000,000 in aggregate principal amount of such Lender’s Term Loan or, if less, 100% of such Lender’s Term Loan and its rights and obligations under this Agreement and the Credit Documents. Upon such execution, delivery and recording, and the delivery by the assigning Lender to the Agent of the Term Note(s) being assigned, and upon payment of a \$3,500 processing and recordation fee to the Agent by the assigning Lender or Assignee, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Term Loan as set forth therein, and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender’s rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). If requested by the Assignee and/or the assigning Lender, new Term Notes shall be required to be executed and delivered by the Borrower.

(d) The Agent, on behalf of the Borrower, shall maintain at its Notice Office a copy of each Assignment and Acceptance delivered to it in accordance with Section 11.4(c) and a register (the “Register”) for the recordation of the names and addresses of the Lenders and principal amount of the Term Loans owing to each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and Lenders shall treat each Person, whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Credit Documents, notwithstanding any notice to the contrary. Any Assignment of any Loan or other obligation hereunder shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. The Borrower hereby appoints the Agent as its agent for purposes of maintaining the Register, and the Borrower agrees that to the extent the Agent serves in such capacity, the Agent and its officers, directors, employers, agents and affiliates shall constitute indemnitees for all purposes under Section 11.1.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Agent), the Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders party to such assignment and the Borrower.

(f) The Agent and the Lenders agree that they will use reasonable efforts to protect the confidentiality of any confidential information concerning the Borrower and its Subsidiary ("Confidential Information"). Notwithstanding the foregoing, the Borrower authorizes each Lender to disclose Confidential Information to any Participant or Assignee (each, a "Transferee"), and to any prospective Transferee, (i) who is not a Financial Institution, if and only if (x) the Borrower approves such disclosure (which approval shall not be unreasonably withheld) and (y) such Transferee or prospective Transferee shall have entered into a reasonably satisfactory confidentiality agreement with the Borrower (it being understood and agreed that the Borrower shall enter into such an agreement that is reasonably satisfactory to the Borrower) or (ii) who is a Financial Institution, if and only if such Transferee or prospective Transferee shall have agreed with such Lender that such Transferee or prospective Transferee shall use reasonable efforts to protect the confidentiality of such Confidential Information. It is understood and agreed that if a Transferee or prospective Transferee represents to a Lender that such Transferee or prospective transferee is a Financial Institution, such Lender shall be entitled to rely thereon for purposes of this Section 11.4(f), in the absence of such Lender's actual knowledge, if any, to the contrary.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section 11.4 concerning assignments of Loans and Term Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Term Loan or Term Note to any Federal Reserve Bank in accordance with applicable law.

11.5 No Waiver; Remedies Cumulative. No failure or delay on the part of the Agent or any Lender or any holder of any Term Note in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Borrower or any other Credit Party and the Agent or any Lender or the holder of any Term Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights, powers and remedies herein or in any other Credit Document expressly provided are cumulative and not exclusive of any rights, powers or remedies which the Agent or any Lender or the holder of any Term Note would otherwise have. No notice to or demand on any Credit Party in any case shall entitle any Credit Party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Agent or any Lender or the holder of any Term Note to any other or further action in any circumstances without notice or demand.

11.6 Payments Pro Rata. (a) Except as otherwise provided in this Agreement or the other Credit Documents, the Agent agrees that promptly after its receipt of each payment from or on behalf of the Borrower in respect of any obligations hereunder, it shall distribute such payment to the Lenders (other than any Lender that has consented in writing to waive its pro rata share of any such payment) pro rata based upon their respective shares, if any, of the obligations with respect to which such payment was received.

(b) Each of the Lenders agrees that, if it should receive any amount hereunder (whether by voluntary payment, by realization upon security, by the exercise of the right of setoff or banker's lien, by counterclaim or cross action, by the enforcement of any right under the Credit Documents, or otherwise), which is applicable to the payment of the principal of, or interest on, the Term Loans, of a sum which with respect to the related sum or sums received by other Lenders is in a greater proportion than the total of such obligation then owed and due to such Lender bears to the total of such obligation then owed and due to all of the Lenders immediately prior to such receipt, then such Lender receiving such excess payment shall purchase for cash without recourse or warranty from the other Lenders an interest in the obligations of the respective Credit Party to such Lenders in such amount as shall result in a proportional participation by all the Lenders in such excess amount; provided, however, that if all or any portion of such excess amount is thereafter recovered from such Lender, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, but without interest.

11.7 Marshalling; Payments Set Aside. Neither Agent nor any Lender shall be under any obligation to marshal any assets in favor of Borrower or any other party or against or in payment of any or all of the Obligations. To the extent that Borrower makes a payment or payments to the Agent or Lenders (or to the Agent for the benefit of Lenders), or the Agent or Lenders enforce any security interests or exercise their rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, any other state or federal law, common law or any equitable cause, then, to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred.

11.8 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE; WAIVER OF JURY TRIAL. (a) THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CHOICE OF LAW PRINCIPLES THEREOF. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK IN NEW YORK COUNTY, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, THE BORROWER HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS, WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT. THE BORROWER HEREBY IRREVOCABLY DESIGNATES, APPOINTS AND EMPOWERS CORPORATION SERVICE COMPANY, WITH OFFICES ON THE DATE HEREOF AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE ACCEPT AND ACKNOWLEDGE

FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING. IF FOR ANY REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, THE BORROWER AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK CITY ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION SATISFACTORY TO THE AGENT UNDER THIS AGREEMENT. THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH OPPOSITE ITS SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE 30 DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE AGENT UNDER THIS AGREEMENT, ANY LENDER OR THE HOLDER OF ANY TERM NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANY CREDIT PARTY IN ANY OTHER JURISDICTION.

(b) THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (a) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

11.9 Counterparts; Facsimile Signature. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A set of counterparts executed by all the parties hereto shall be lodged with the Borrower and the Agent. Any Lender may deliver its signature page hereto by facsimile transmission, and any such signature page so delivered shall constitute an original executed signature page for all purposes hereof.

11.10 Headings Descriptive. The headings of the several sections and subsections of this Agreement are inserted for convenience only and shall not in any way affect the meaning or construction of any provision of this Agreement.

11.11 Amendment or Waiver. (a) Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Lenders; provided, however, that no such change, waiver, discharge or termination shall, without the prior written consent of each Lender, (i) extend the final scheduled maturity of any Term Loan or Term Note, or reduce the rate or extend the time of payment of interest thereon, or reduce the principal amount thereof, (ii) release all or substantially all of the Collateral (except as expressly provided in the Security Documents) under all the Security Documents, (iii) amend, modify or waive any provision of Section 1.1 or this Section 11.11, (iv) reduce the percentage specified in the definition of Required Lenders, or (v) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under any Credit Document; provided further, that no such change, waiver, discharge or termination shall, without the prior written consent of the Agent, amend, modify or waive any provision of this Agreement as same applies to the Agent or any other provision as same relates to the rights or obligations of the Agent.


11.12 Survival. All indemnities set forth herein shall survive the execution, delivery and termination of this Agreement and the Term Notes.

11.13 Domicile of Term Loans. Each Lender may transfer and carry its Term Loans at, to or for the account of any office, Subsidiary or Affiliate of such Lender. Notwithstanding anything to the contrary contained herein, to the extent that a transfer of Term Loans pursuant to this Section 11.13 would, at the time of such transfer, result in increased costs under Section 3.4 from those being charged by the respective Lender prior to such transfer, then the Borrower shall not be obligated to pay such increased costs (although the Borrower shall be obligated to pay any other increased costs of the type described above resulting from changes after the date of the respective transfer).

CREDIT AGREEMENT  
SIGNATURE PAGE

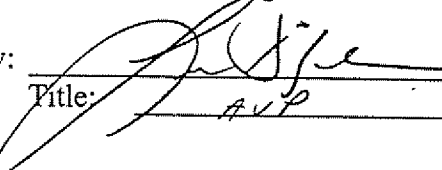
IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By:   
Title: EVP

Address: 909 North Sheldon Road  
Plymouth, Michigan

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By:   
Title: AVP

Name of Lender: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Wire Transfer  
Information: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FROM : Joann McNiff, Esq.

PHONE NO. : 201 385 2933

Jan. 12 1999 04:59PM P2

WHITELL LITTON 7 201 385 2933

NO. 128 082

**CREDIT AGREEMENT  
SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

Morgens Waterfall Domestic Partners, LLC  
mwv Separate Account Alpha LLC  
mwv International Ltd

By: Joann McNiff  
Title: JOANN MCNIFF

Address: 10 Ender 50th ST  
New York, NY 10022

Wire Transfer  
Information:

Citibank NY  
New York, NY  
ABA # 021000089  
Morgan Stanley + Co.  
388 90 774

S-1 For further credit of: Ned Morgens &  
Bruce Waterfall, as Agents  
Acct. #: 038 - 30008

TO: Sam Kim

**CREDIT AGREEMENT  
SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

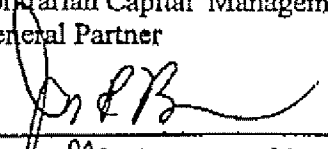
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**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

Contrarian Capital Fund II, L.P.  
By: Contrarian Capital Management, L.L.C.  
Its: General Partner

By:   
Title: MANAGING MEMBER

Address: 411 WEST PUTNAM AVENUE  
S. 225  
GREENWICH, CT 06830

Wire Transfer  
Information:

Bank: Citibank  
ABA#: 021-000-089  
A/C: Bear Stearns Securities Corp.  
A/C#: 0925-3186  
F/C to Contrarian Capital Fund II, LP  
A/C#: 102-06110-24  
Ref: Colortile

S-1

15-Dec-98 04:18P

**TRADEMARK**

**REEL: 003204 FRAME: 0421**



SCHEDULE 2 (Page 1)

PARTICIPANTS' INSTRUCTIONS

Address for All Notices:  
Contrarian Capital Management, L.L.C.  
411 West Putnam Avenue, Suite 225  
Greenwich, CT 06830  
Attention: Mr. Mike Restifo  
Tel.: (203) 862-8200  
Fax: (203) 629-1977

Securities Issuance Instructions:

Please issue all securities as follows -

For Contrarian Capital Fund I, L.P., Contrarian Capital Fund II, L.P., and Contrarian Offshore Fund, Ltd., issue all securities together in one certificate in the name of "Bear Stearns Securities Corp."

For The Chase Manhattan Bank, as Trustee for First Plaza Group Trust, issue securities in the name of "The Chase Manhattan Bank, as Trustee for First Plaza Group Trust."

For Oppenheimer & Co., Inc., for itself and as agent, and Contrarian Capital Advisors, LLC, issue securities in the name of "CIBC Oppenheimer Corp."

Address for All Deliveries to All Participants:  
c/o Contrarian Capital Management, L.L.C.  
411 West Putnam Avenue, Suite 225  
Greenwich, CT 06830  
Attention: Mr. Mike Restifo  
Tel.: (203) 862-8200  
Fax: (203) 629-1977

Wire Transfer Instructions:

Contrarian Capital Fund I, L.P. -  
Citibank NY  
ABA No: 021-000-089  
Account: Bear Stearns Securities Corp.  
Account No.: 0925-3186  
For Further Credit to Contrarian Capital Fund I, LP  
Account No.: 102-04788-20  
Ref.: Color Tile

SCHEDULE 2 (Page 2)

Contrarian Capital Fund II, L.P. -  
Citibank NY  
ABA No: 021-000-089  
Account: Bear Stearns Securities Corp.  
Account No.: 0925-3186  
For Further Credit to Contrarian Capital Fund II, LP  
Account No.: 102-06110-24  
Ref: Color Tile

Contrarian Capital Offshore Fund, Ltd.  
Citibank NY  
ABA No: 021-000-089  
Account: Bear Stearns Securities Corp.  
Account No.: 0925-3186  
For Further Credit to Contrarian Capital Offshore Fund, Ltd.  
Account No.: 102-07072-28  
Ref: Color Tile

For The Chase Manhattan Bank, as Trustee for First Plaza Group Trust -  
ABA No.: 021-000-021  
A/C No.: 900-9-000127  
For Further Credit to First Plaza Group Trust CCA  
Account No.: P82492  
Ref: Color Tile

For Oppenheimer & Co., Inc.,  
for itself and as agent,  
and for Contrarian Capital Advisors, LLC-  
Bank of New York  
ABA No.: 021-000-018  
Account: Oppenheimer & Co., Inc.  
Account No.: 854-0-904104  
Further Credit to Reorg- Contrarian  
Account No.: 000-02-085-12  
Ref: Color Tile

FROM \_\_\_\_\_ (FRI) 12/18/98 14:08/BT. 14:07/NO. 4861104141 P 2  
TO: San Kim 3:58. PAGE 005/02 RightFAX

**CREDIT AGREEMENT**  
**SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

The Chase Manhattan Bank, N.A. solely in its capacity as Trustee  
For First Plaza Group trust (as directed by Contrarian Capital  
Advisors, L.L.C.) and not in its individual capacity

By: Norma J. Duckson  
Title: NORMA J. DUCKSON  
Vice President  
Address: 411 WEST OUTFRONT AVENUE  
S-225  
GREENWICH, CT 06830

Wire Transfer  
Information:

Bank: The Chase Manhattan Bank  
ABA#: 021-000-021  
A/C: 900-9-000127  
For: First Plaza Group Trust CCA  
Acct#: P82492  
Ref: Colortile

8-1

15-Dec-98 06:18P

NO.114 P55/055

CONTRARIAN CAPITAL → 12/24/98 11:19

18-Dec-98 07:05P

WLRK RightFAX Server 12/15/98

O:Sam Kim

CREDIT AGREEMENT  
SIGNATURE PAGE

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AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

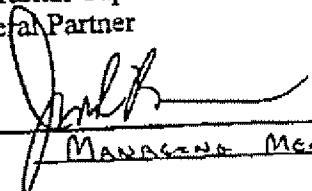
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IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Contrarian Capital Fund I, L.P.  
By: Contrarian Capital Management, L.L.C.  
Its: General Partner

Name of Lender:

By:   
Title: MANAGEMENT MEMBER

Address: 411 WEST PUTNAM AVENUE  
S-225  
GREENWICH, CT 06830

Wire Transfer Bank: Citibank  
Information: ABA#: 021-000-089  
A/C: Bear Stearns Securities Corp.  
A/C#: 0925-3186  
F/C to Contrarian Capital Fund I, LP  
A/C#: 102-04788-20  
Ref: Colortile

WLRK RightFAX Server 12/18/98 11:09 PAGE 005/25 RightFAX  
O:Jeffrey Maillet

CREDIT AGREEMENT  
SIGNATURE PAGE

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authorized officers to execute and deliver this Agreement as of the date first above written.

AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

Van Kampen  
Prime Rate Income Trust

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
**JEFFREY W. MAILLET**  
Senior Vice President & Director

Wire Transfer  
Information: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FROM WACHTELL LIPTON ROSEN & KATZ

(WED) 12. 23' 98 17:20/ST. 17:20/NO. 4861315793 P 2

**CREDIT AGREEMENT**  
**SIGNATURE PAGE**

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AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

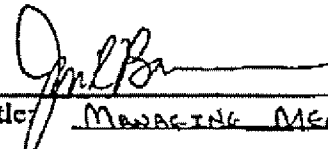
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IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

CIBC Oppenheimer Corp.,  
By: Contrarian Capital Advisors, LLC  
Its: Agent \_\_\_\_\_

Name of Lender:

By:  \_\_\_\_\_  
Title: MANAGING MEMBER

Address: 411 WEST PUTNAM AVENUE  
S-225  
GREENWICH, CT 06830

Wire Transfer Bank; Bank of New York  
Information: ABA#: 021-000-018  
A/C: Oppenheimer & Co., Inc.  
A/C#: 854-0-904104  
F/C to reorg - Contrarian  
A/C#: 000-02-085-12  
Ref: Colortile

S-1

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**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

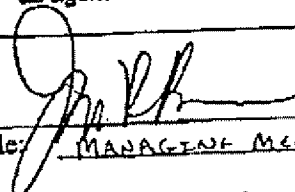
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**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

By: Contrarian Capital Advisors, LLC.  
as agent

Name of Lender:

By:   
Title: MANAGEMENT MEMBER

Address: 411 WEST PUTNAM AVENUE  
S - 225  
GREENWICH, CT 06830

Wire Transfer Information:	Bank:	Bank of New York
	ABA#:	021-000-018
	A/C:	Oppenheimer & Co., Inc.
	A/C#:	854-0-904104
	F/C to reorg -	Contrarian
	A/C#:	000-02-085-12
	Ref:	Colortile

S-1

15-Dec-98:04:18P

(TUE) 12. 15' 98 17:25/ST. 17:18/NO. 3560005929 P 7/11

FROM

CREDIT AGREEMENT  
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have caused their duly  
authorized officers to execute and deliver this Agreement as of the date first above written.

AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

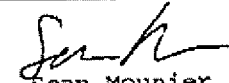
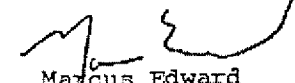
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_ Address: \_\_\_\_\_

Name of Lender:

Compagnie Financiere de CIC  
et de l'Union Europeenne

By:    
Sean Mounier Marcus Edward  
Title: First Vice President Vice President

Address: Compagnie Financiere de CIC  
et de l'Union Europeenne  
520 Madison Avenue, 37th fl.  
New York, NY 10022



FROM

(TUE) 12. 15' 98 17:25/ST. 17:18/NO. 3560005929 P 8/11

Wire Transfer

Information: Pay To: Bankers Trust (Fed Wire)

ABA No: 021-001-033 / Acct No: 042-015-20

Acct Name: CF de CIC-UE, New York

Reference: American Blind & Wallpaper Factory, Inc.

CREDIT AGREEMENT  
SIGNATURE PAGE

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AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

The Chase Manhattan Bank

By: Mary Ellen Egbert  
Title: Vice President

Address: 380 Madison Avenue 9<sup>th</sup> Floor  
New York, NY  
10017

Wire Transfer  
Information:

The Chase Manhattan Bank  
52 Broadway / 18<sup>th</sup> Floor  
New York, NY 10006

ABA # 021000021  
For Credit to the Special Loan  
Group Account # 144-002419  
Attn: Mary Ellen Egbert  
Ref: ABWF

S-1

TRADEMARK

REEL: 003204 FRAME: 0431

CREDIT AGREEMENT  
SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized officers to execute and deliver this Agreement as of the date first above written.

AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

PILGRIM PRIME RATE TRUST  
By: Pilgrim Investments, Inc.  
as its Investment Manager  
By: [Signature]  
Title: VP

Address: Two Renaissance Square  
40 N Central Ave, Suite 1200  
Phoenix, AZ 85004-4424

Wire Transfer  
Information: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**PILGRIM PRIME RATE TRUST  
MANAGED BY PILGRIM INVESTMENTS, INC.**

**ADMINISTRATIVE DETAILS**

**LEGAL NAME/ADDRESS:**

Pilgrim Prime Rate Trust  
Two Renaissance Square  
40 North Central Avenue  
Suite 1200  
Phoenix, AZ 85004-4424  
(Taxpayer ID #95-6874587)  
Attn: Melina Dempsey  
E-Mail: mdempse@pilgrimfunds.com

Signature Block: \_\_\_\_\_

**PILGRIM PRIME RATE TRUST**  
By: Pilgrim Investments, Inc.  
as its Investment Manager

Main Switchboard: (602) 417-8100  
(800) 336-3436

**Wire Instructions:**

State Street Bank & Trust Co.  
Boston, MA  
ABA # 011-00-0028  
A/C # 5454-337-6  
Ref: Pilgrim Prime Rate Trust  
American Blind and Wallpaper <Detail of Payment>

**Fax All Notices To:**

Pilgrim Prime Rate Trust  
Attn: Jeffrey S. Schultz  
Fax: (602) 417-8321

**AND**

State Street Bank and Trust Company  
Alternative Structures Unit  
Boston, MA  
Attn: Rolando Albuja  
Ref: Pilgrim Prime Rate Trust  
Fax: (617) 664-5366 / 5367 / 5368

**PILGRIM PRIME RATE TRUST CONTACTS:**

Operations:	Jeffrey S. Schultz	(602) 417-8246
	Melina Dempsey	(602) 417-8268
	Prime Rate Trust	(602) 417-8321 fax
Credit/Documents:	Howard Tiffen	(602) 417-8259
	Senior Portfolio Manager	(602) 417-8327 fax

Rcvd 01/13 02:04PM (00:44) on RightFAX line 11 for CRRGM  
01/13/99 14:06 FAX 212 832 9213

WORKSRV2 printed image B00252E4 on 01/13/1999 02:12PM \* Pg 2/2  
CITIBANK

JAN-13-99 WED 02:34 PM LOEB PARTNERS CORP

FAX NO. 212 574 2003

P. 02

01/13/99 09:49 FAX 212 832 9213

CITIBANK

002

01/13/99 09:33

WACHTELL LIPTON + 212 832 9213

NO. 669 P.02

Rcvd 12/26 11:53AM (01:06) on RightFAX line 06 for GREEN  
12/29/98 11:53

WORKSRV2 printed image B00252E4 on 12/29/1998 11:53AM - Pg 2/2  
CONTRORIAN CAPITAL - LLOYD'S

DEC 29 1998 10:03 PM NATIONAL BANK OF NY & C  
NEW YORK NY

TO: SALES MGR  
FROM: MARK KIMMELMAN  
DATE: 12/15/98  
PAGE 065/62  
RIGHTFAX

P.02/03

**CREDIT AGREEMENT  
SIGNATURE PAGE**

IN WITNESS WHEREOF, the parties hereto have caused their duly  
authorized officers to execute and deliver this Agreement as of the date first above written.

**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**(B) SCHRODER BANK & TRUST  
COMPANY, S.A. (BANK)**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

Loeb Partners Corporation

By: [Signature]  
Title: ASSISTANT VP

Address: 101 Broadway  
NY NY  
10006

Wire Transfer  
Information:

Citibank NYC  
A/C Near Stearns  
ABA 021-000-8-9  
A/C # 0925 - 3186

For Further Credit  
Loeb Partners Corp  
A/C 101-44011-2-7-699

2-1

DEC 29 1998 08:08

DEC 29 1998

PAGE 02

**CREDI AREEMENT  
SIGNATURE PAGE**

**IN WITNESS WHEREOF, the parties hereto have caused their duly  
authorized officers to execute and deliver this Agreement as of the date first above written.**

**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title \_\_\_\_\_

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title \_\_\_\_\_

**Name of Lender:**

**The Bank of Tokyo-Mitsubishi, Ltd., New York Branch**

By: John R. Blasi   
Title Vice President, as Power in fact

Address 1251 Avenue of Americas  
New York, NY10020

**Wire Transfer  
Information**

**The Bank of Tokyo Mitsubishi, Ltd.,**  
**New York Branch**  
**ABA# :0260-0963-2**  
**A/C# :CIF #97770191 Attn: Loan**  
**Attn: Loan Operation Department**

WLRK RightFAX Server 12/15/98 3:44: PAVE 000/00  
D:Sam Kim

**CREDIT AGREEMENT  
SIGNATURE PAGE**

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**AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

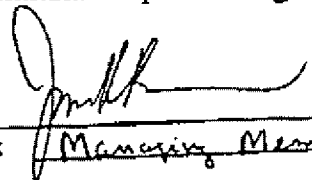
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender:

Contrarian Capital Offshore Fund Limited  
By: Contrarian Capital Management, LLC  
as agent

By:   
Title: Managing Member

Address: 411 WEST PUTNAM AVENUE  
S. 225  
GREGGVIEW, CT 06830

Wire Transfer Bank: Citibank  
Information: ABA#: 021-000-089  
A/C: Bear Stearns Securities Corp.  
A/C#: 0925-3186  
F/C to Contrarian Capital Offshore Fund, Lt  
A/C#: 102-07072-28  
Ref: Colortile

CREDIT AGREEMENT  
SIGNATURE PAGE

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AMERICAN BLIND AND WALLPAPER  
FACTORY, INC.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IBJ SCHRODER BANK & TRUST  
COMPANY, as Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Name of Lender: Credit Lyonnais New York Branch

By: Alan Silman  
Title: Senior Vice President

Address: 1301 Avenue of the Americas  
New York, NY 10019

Wire Transfer Information: Federal Reserve, NY in favor of  
CREDIT LYONNAIS, N.Y.  
NBA # 0268-2807-3  
acct # 881793701  
Reference # ABWF

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