Use these links to rapidly review the document
TABLE OF CONTENTS
TABLE OF CONTENTS 2

Table of Contents

As filed with the Securities and Exchange Commission on November 7, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

FDO Holdings, Inc.*
(Exact name of registrant as specified in its charter)

Delaware	**5211**	**27-3730271**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2233 Lake Park Drive, Suite 400
Smyrna, Georgia 30080
(404) 471-1634
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Trevor S. Lang
Executive Vice President and Chief Financial Officer
FDO Holdings, Inc.
2233 Lake Park Drive, Suite 400
Smyrna, Georgia 30080
(404) 471-1634
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Monica Shilling, Esq. Proskauer Rose LLP 2049 Century Park East, Suite 3200 Los Angeles, CA 90067 Tel (310) 557-2900 Fax (310) 557-2193	David V. Christopherson, Esq. Vice President and General Counsel FDO Holdings, Inc. 2233 Lake Park Drive, Suite 400 Smyrna, GA 30080 Tel (404) 471-1634 Fax (404) 393-3540	Marc D. Jaffe, Esq. Ian D. Schuman, Esq. Stelios G. Saffos, Esq. Latham & Watkins LLP 885 Third Avenue New York, NY 10022 Tel (212) 906-1297 Fax (212) 751-4864

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Class A Common Stock, $0.001 par value per share	$100,000,000	$11,620

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes additional shares the underwriters have the option to purchase. See "Underwriting."

(3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

---

* FDO Holdings, Inc. is the registrant filing this Registration Statement with the Securities and Exchange Commission. Prior to the date of effectiveness of the Registration Statement, FDO Holdings, Inc. will be renamed Floor & Decor Holdings, Inc. The securities issued to investors in connection with this offering will be shares of Class A common stock in Floor & Decor Holdings, Inc.

Table of Contents

Subject to Completion
Preliminary Prospectus dated November 7, 2014.

PROSPECTUS

Shares

Floor & Decor Holdings, Inc.

Class A Common Stock

This is Floor & Decor Holdings, Inc.'s initial public offering. We are selling shares of our Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. We expect the public offering price to be between $ and $ per share. We intend to apply to list our Class A common stock on the New York Stock Exchange under the symbol "FND."

Following this offering, we will have two classes of common stock outstanding: Class A common stock and Class C common stock. The rights of the holders of our Class A common stock and our Class C common stock are generally identical, except that shares of Class C common stock are non-voting. Our shares of Class C common stock also will automatically convert into shares of our Class A common stock upon certain circumstances. See "Description of Capital Stock—Common Stock—Conversion Rights."

We are an emerging growth company, as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act") and will be subject to reduced public reporting requirements. This prospectus complies with the requirements that apply to an issuer that is an emerging growth company.

Investing in our Class A common stock involves risks that are described in the "Risk Factors" section beginning on page 19 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds, before expenses, to us	$	$

(1) We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See "Underwriting."

The underwriters may also exercise their option to purchase up to an additional shares of Class A common stock from us, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

The shares will be ready for delivery on or about , 2014.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

BofA Merrill Lynch **Goldman, Sachs & Co.** **Barclays**
J.P. Morgan **Jefferies**
Credit Suisse **Wells Fargo Securities**

Houlihan Lokey

The date of this prospectus is , 2014.

Table of Contents

Table of Contents

Table of Contents

TABLE OF CONTENTS

	Page
PROSPECTUS SUMMARY	1
RISK FACTORS	19
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	42
FISCAL YEAR AND CERTAIN FINANCIAL MEASURES AND TERMS	44
MARKET INDUSTRY AND OTHER DATA	45
USE OF PROCEEDS	46
DIVIDEND POLICY	47
CAPITALIZATION	48
DILUTION	49
SELECTED CONSOLIDATED FINANCIAL DATA	51
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	57
BUSINESS	84
MANAGEMENT	97
EXECUTIVE AND DIRECTOR COMPENSATION	105
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	118
PRINCIPAL STOCKHOLDERS	120
DESCRIPTION OF CAPITAL STOCK	123
SHARES ELIGIBLE FOR FUTURE SALE	129
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK	131
UNDERWRITING	135
LEGAL MATTERS	142
EXPERTS	142
WHERE YOU CAN FIND ADDITIONAL INFORMATION	142
INDEX TO FINANCIAL STATEMENTS	

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares of Class A common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of such free writing prospectus.

Persons who come into possession of this prospectus and any such free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock. You should read this entire prospectus carefully, including the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes, before making an investment decision. Some of the statements in this summary constitute forward-looking statements. See "Special Note Regarding Forward-Looking Statements."

Prior to the effectiveness of the registration statement of which this prospectus is a part, we were renamed Floor & Decor Holdings, Inc. Except where the context suggests otherwise, the terms "Floor & Decor Holdings, Inc.," "Floor & Decor," the "Company," "we," "us," and "our" refer to Floor & Decor Holdings, Inc., a Delaware corporation formerly known as "FDO Holdings, Inc.," together with its consolidated subsidiaries. Because our Class C common stock generally has identical rights to our Class A common stock (except that Class C common stock is non-voting) and converts into our Class A common stock on a one-to-one basis under certain circumstances, we generally refer to our Class A common stock and Class C common stock collectively herein as our "common stock." Unless indicated otherwise, the information in this prospectus (i) has been adjusted to give effect to a -for-one stock split of our common stock effected on , 2014, (ii) assumes that all shares of our Class B common stock are automatically converted into shares of our Class A common stock upon the closing of this offering pursuant to our restated certificate of incorporation (our "certificate of incorporation") and (iii) assumes the underwriters will not exercise their option to purchase up to an additional shares of our Class A common stock.

Our Company

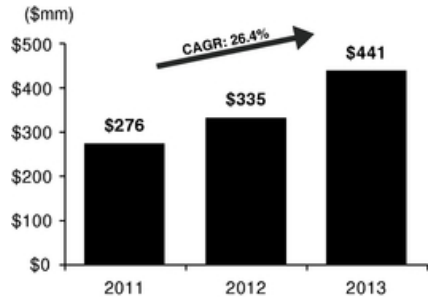
Floor & Decor is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories with 45 warehouse-format stores across 12 states. We offer what we believe is the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses ("Pro"), Do it Yourself customers ("DIY") and customers who buy the products for professional installation ("Buy it Yourself" or "BIY"). The combination of our category and product breadth, low prices, in-stock inventory in project-ready quantities and highly engaged customer service positions us to gain share in the growing and fragmented hard surface flooring market. Based on these characteristics, we believe Floor & Decor is redefining the hard surface flooring category and that we have an opportunity to significantly expand our store base to over 350 stores nationwide within the next 15 years, as described in more detail below.

Our warehouse-format stores, which average approximately 70,000 square feet, are typically larger than any of our specialty retail flooring competitors' stores. When our customers walk into a Floor & Decor store for the first time, we believe they are amazed by its size, our everyday low prices and the breadth and depth of our merchandise. Our stores are easy to navigate and designed to interactively showcase the wide array of designs and product styles a customer can create with our flooring and decorative accessories. We engage our customers through our trained store associates and designers, as well as our staff dedicated to serving Pro customers. In addition to our stores, our merchandise is also available at *FloorandDecor.com* for store pick-up or delivery. We believe these factors position Floor & Decor as the leading one stop destination for Pro, DIY and BIY hard surface flooring customers in our markets.

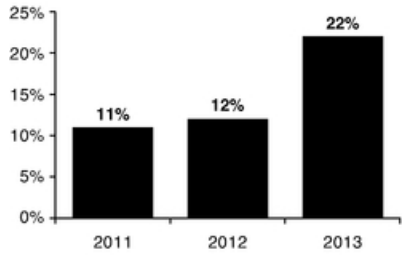
We believe our differentiated business model and culture have created competitive advantages that are responsible for our success, as evidenced by the following:

- five consecutive years of double digit comparable store sales growth averaging 14.2% per year, ending with a 22.1% increase in fiscal 2013;
- store base expansion from 28 warehouse-format stores at the end of fiscal 2011 to 38 at the end of fiscal 2013, representing a CAGR of 16.5%;
- total net sales growth from $276.4 million to $441.4 million from fiscal 2011 to fiscal 2013, representing a CAGR of 26.4%; and
- Adjusted EBITDA growth from $29.8 million to $41.8 million from fiscal 2011 to fiscal 2013, representing a CAGR of 18.4%, which includes significant investments in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future growth. For a reconciliation of net income to Adjusted EBITDA, see Note 8 to the information contained in "—Summary Consolidated Financial and Other Data."

Net Sales
(FY2011 - FY2013)



Comparable Store Sales Growth
(FY2011 - FY2013)



Our Competitive Strengths

We believe our strengths, described below, set us apart from our competitors and are the key drivers of our success.

Unparalleled Customer Value Proposition. Our customer value proposition is a critical driver of our business. The key components include:

Broadest Assortment Across a Wide Variety of Hard Surface Flooring Categories Our stores are generally larger than those of our specialty retail flooring competitors. We believe we have the most comprehensive in-stock product assortment in the industry within our categories with on average approximately 3,400 SKUs in each store. Additionally, we customize our product assortment at the store level for the regional preferences of each market. We appeal to a wide range of customers through our "good/better/best" merchandise selection, as well as through our broad range of product styles from classic to modern.

Lowest Prices. We strive to provide the lowest prices in the retail hard surface flooring market. Our merchandising and individual store teams competitively shop each market so that we can offer our products at prices lower than those of our competitors. We believe we are unique in our industry in employing an "everyday low price" strategy, whereby we strive to offer our products at lower prices than our competitors and at consistently everyday low prices throughout the year instead of engaging in frequent promotional activities. We believe this strategy creates trust with our Pro, DIY and BIY customers that they will receive the lowest

prices at Floor & Decor without having to wait for a sale or negotiate to obtain the lowest price.

One-Stop Project Destination with Immediate Availability. Our stores stock job-size quantities to immediately fulfill a customer's entire flooring project. In addition, our large in-stock assortment, including decorative and installation accessories, differentiates us from our competitors. On average, each warehouse-format store carries 1.4 million square feet of flooring products and $2.6 million of inventory at cost.

Unique and Inspiring Shopping Environment. Our stores average approximately 70,000 square feet and are typically designed with warehouse features, including high ceilings, clear signage, bright lighting and industrial racking. We offer an easy to navigate store layout with clear lines of sight and departments organized by our major product categories of tile, wood, laminate, natural stone, decorative accessories and installation accessories. We encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase, an experience that is not possible in flooring stores that do not carry in-stock inventory in project-ready quantities. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and we employ experienced designers in all of our stores to provide free design consulting. We believe inspiring and educating customers within our stores provide us with a significant competitive advantage in serving our customers.

Extensive Service Offering to Enhance the Pro Customer Experience. Our focus on meeting the unique needs of the Pro customer, and by extension the BIY customer, drives our estimated sales mix of approximately 60% Pro and BIY customers, which we believe represents a significantly higher percentage than our competitors. We provide an efficient one-stop shopping experience for our Pro customers, offering low prices on a broad selection of high-quality flooring products, deep inventory levels to support immediate availability of our products, free storage for purchased inventory, the convenience of early store hours and, in most stores, separate entrances for merchandise pick-up. Additionally, each store has a dedicated Pro sales force offering a variety of services to Pro customers. We believe by serving the needs of the Pro, we drive repeat and high-ticket purchases from this attractive and loyal customer segment.

Decentralized Culture with an Experienced Store-Level Team and Emphasis on Training. We have a decentralized culture that empowers managers at the store and regional levels to make key decisions to maximize the customer experience. Our store managers, who carry the title Chief Executive Merchant, have significant flexibility to customize product mix, pricing, marketing, merchandising, visual displays and other elements in consultation with their regional senior directors and regional merchants. We tailor the merchandising assortment for each of our stores for local market preferences, which we believe differentiates us from our national competitors that tend to have standard assortments across markets. Throughout the year, we train all of our employees on a variety of topics, including product knowledge, leadership and store operations. We believe our decentralized culture and coordinated training foster an organization aligned around providing a superior customer experience, ultimately contributing to higher sales and profitability.

Sophisticated, Global Supply Chain. Our merchandising team has developed direct sourcing relationships with manufacturers and quarries in over 14 countries. We currently source our products from more than 180 vendors worldwide and have developed long-term relationships with many of them. We often collaborate with our vendors to design and manufacture products for us to address emerging customer preferences that we observe in our stores and markets. We procure the majority of our products directly from the manufacturers, which eliminates additional costs from exporters, importers, wholesalers and distributors. We believe direct sourcing is a key competitive advantage, as many of our specialty retail flooring competitors are too small to have the scale or the resources to work directly

with suppliers. Our sophisticated supply chain and collaborative history with our sourcing partners enable us to quickly introduce innovative and quality merchandise at low prices.

Highly Experienced Management Team with Proven Track Record. Led by our Chief Executive Officer, Tom Taylor, our management team brings substantial expertise from leading retailers and other companies across core functions, including store operations, merchandising, real estate, e-commerce, supply chain management, finance, legal and information technology. Tom Taylor, who joined us in 2012, spent 23 years at The Home Depot, where he most recently served as Executive Vice President of Merchandising and Marketing with responsibility for all stores in the United States and Mexico. Our Executive Vice President and Chief Merchandising Officer, Lisa Laube, has approximately 30 years of merchandising and leadership experience with leading specialty retailers, including most recently as President of Party City. Our Executive Vice President and Chief Financial Officer, Trevor Lang, brings more than 19 years of accounting and finance experience, including 15 years of Chief Financial Officer and Vice President of Finance experience at public companies, including most recently as the Chief Financial Officer and Chief Administrative Officer of Zumiez Inc.

Our Growth Strategy

We expect to continue to drive our strong sales and profit growth through the following strategies:

Open Stores in New and Existing Markets. We believe there is an opportunity to significantly expand our store base in the United States from 45 warehouse-format stores currently to over 350 stores nationwide over the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. We have a disciplined approach to new store development, based on an analytical, research-driven site selection method and a rigorous real estate approval process. We believe our new store model delivers strong financial results and returns on investment, targeting profitability in the first year, as well as pre-tax payback in the third year and year-three cash-on-cash returns of greater than 30%. The rate of future store additions and the performance of our new stores are inherently uncertain and are subject to numerous factors outside of our control. The performance of our new stores opened over the last three years, our disciplined real estate strategy and the track record of our management team in successfully opening retail stores support our belief in the significant store expansion opportunity.

Increase Comparable Store Sales. We expect to grow our comparable store sales by continuing to offer our customers a dynamic and expanding selection of compelling, value-priced hard surface flooring and accessories. Because almost half of our stores are considered less than mature, they will continue to drive comparable store sales growth as they ramp to maturity. We believe that we can continue to enhance our customer experience by focusing on service, optimizing sales and marketing strategies, investing in store staff and infrastructure, remodeling existing stores and improving visual merchandising and the overall aesthetic appeal of our stores. We also believe that growing our proprietary credit offering, further integrating omni-channel strategies and enhancing other key information technology, will contribute to increased comparable store sales. As we increase awareness of Floor & Decor's brand, we believe there is a significant opportunity to gain additional market share, especially from independent flooring retailers. We believe the combination of these initiatives plus the expected growth of the hard surface flooring category described in more detail under "Our Industry" below will continue to drive strong comparable store sales growth.

Continue to Invest in the Pro Customer. We believe our differentiated focus on Pro customers has created a competitive advantage for us and will continue to drive our sales growth. We will invest in gaining and retaining Pro customers due to their frequent and high-ticket purchases, loyalty and propensity to refer other potential customers. We plan to further invest in initiatives to increase speed of service, improve financing solutions, leverage technology and enhance the in-store experience for our

Pro customers. For example, we have recently implemented a "Pro Zone" in a few of our stores that focuses on the specific needs of the Pro customer and are planning to expand this service offering nationwide. We believe our approach in promoting Floor & Decor as a hub for the local home improvement community will drive additional Pro sales.

Expand Our Omni-Channel Experience. Extending the Floor & Decor experience online allows customers to explore our product selection and design ideas before and after visiting our stores, as well as the convenience of making online purchases. We believe our online platform reflects our brand attributes and provides a powerful tool to educate and inspire our consumers. With the recent launch of our redesigned website, *FloorandDecor.com,* we have enhanced our customer experience across our stores, call center and website. While the hard surface flooring category has a relatively low penetration of e-commerce sales due to the nature of the product, we believe our omni-channel presence represents an attractive growth opportunity to drive consumers to Floor & Decor.

Enhance Margins Through Increased Operating Leverage. Since 2011, we have invested significantly in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future growth. We expect to leverage these investments as we grow our net sales. Additionally, we believe operating margin improvement opportunities will include enhanced product sourcing processes and overall leveraging of our store-level fixed costs, existing infrastructure, supply chain, corporate overhead and other fixed costs resulting from increased sales productivity. We anticipate that the planned expansion of our store base and growth in comparable store sales will also support increasing economies of scale.

Selected Risks

In considering our competitive strengths, our growth strategy and an investment in our common stock, you should carefully consider the risks highlighted in the section entitled "Risk Factors" following this prospectus summary. In particular, we face the following challenges:

- general economic conditions and discretionary spending by our customers are affected by a variety of factors beyond our control;
- the hard surface flooring industry's dependence on home remodeling activity;
- any failures by us to successfully anticipate trends may lead to loss of consumer acceptance of our products, resulting in reduced net sales;
- challenges posed by our planned new store and distribution center growth or unexpected difficulties encountered during our expansion;
- increased competition in the highly fragmented and competitive hard surface flooring industry, which could cause price declines, decrease demand for our products and decrease our market share;
- inventory obsolescence, shrinkage and damage;
- the significant capital requirements to fund our expanding business, which may not be available to us on satisfactory terms or at all;
- our dependence on a number of suppliers, and any failure by any of them to supply us with quality products on terms and prices acceptable to us;
- any failures by us to identify and maintain relationships with a sufficient number of qualified suppliers could harm our ability to obtain products that meet our high quality standards at low prices;
- the continued retention of certain key personnel; and

- restrictions in our debt and lease agreements that limit our operating flexibility.

For information regarding how our leverage affects our business, financial condition and operating results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

Our Industry

Floor & Decor operates in the large, growing and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars), which is part of the larger $20 billion U.S. floor coverings market (in manufacturers' dollars) based on a 2013 study by Catalina Research, Inc., a leading provider of market research for the floor coverings industry (the "Catalina Floor Coverings Report"). The competitive landscape of the hard surface flooring market includes big-box home improvement centers, national and regional specialty flooring retailers, and independent flooring retailers. We believe we benefit from growth in the overall hard surface flooring market, which, based on the Catalina Floor Coverings Report, grew 7% per year from 2009 to 2013 and is expected to grow more than 5% per year through 2018. In addition, we believe we have an opportunity to increase our share in the hard surface flooring market as independent flooring retailers are unable to compete on price and in-stock assortment.

Concurrent Transactions—Common Stock Changes

Prior to or concurrently with the closing of this offering:

- we will effect a -for-one stock split of all classes of our common stock;
- all shares of our Class B common stock (which currently are not entitled to vote and which were issued as a result of the exercise of stock options) will be automatically converted into shares of our Class A common stock (and will then be entitled to one vote per share); and
- all shares of our Class C common stock (which currently are not entitled to vote and will remain non-voting shares) will remain outstanding and non-voting, but will generally participate equally with our shares of Class A common stock in all other respects.

We refer to these changes herein as the "Common Stock Changes." See "Description of Capital Stock" for more information.

Our Sponsors

Upon the closing of this offering, Ares Corporate Opportunities Fund III, L.P. ("Ares"), a fund affiliated with Ares Management, L.P. ("Ares Management"), will beneficially own, in the aggregate, approximately % of our outstanding Class A common stock and FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., funds affiliated with Freeman Spogli & Co. (collectively "Freeman Spogli" and together with Ares, our "Sponsors"), will beneficially own, in the aggregate, approximately % of our outstanding Class A common stock and 100% of our outstanding Class C common stock. These amounts compare to approximately % of our outstanding Class A common stock represented by the shares sold by us in this offering, assuming no exercise of the underwriters' option to purchase additional shares. As a result, these stockholders acting together, or Ares or Freeman Spogli acting alone, will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of us or our assets. Also, our Sponsors may acquire or hold interests in businesses that compete directly with us, or may pursue acquisition opportunities that are complementary to our business, making such acquisitions unavailable to us. The Investor Rights Agreement (as defined in "Certain Relationships and Related Party Transactions") also contains agreements among our Sponsors with respect to voting on the election of directors and board committee membership. See "Risk

Factors—Risks Related to this Offering and Ownership of Our Common Stock—Our principal stockholders will continue to have substantial control over us after this offering, will be able to influence corporate matters and may take actions that conflict with your interest and have the effect of delaying or preventing changes of control or changes in management, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest."

Ares Management

Ares Management is a leading global alternative asset manager with approximately $79 billion of assets under management and approximately 700 employees in over 15 offices in the United States, Europe and Asia as of June 30, 2014. Since its inception in 1997, Ares Management has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares Management believes each of its four distinct but complementary investment groups in Tradable Credit, Direct Lending, Private Equity and Real Estate is a market leader based on assets under management and investment performance. Ares Management was built upon the fundamental principle that each group benefits from being part of the greater whole.

The Private Equity Group has approximately $10 billion of assets under management, targeting investments in high quality franchises across multiple industries. In the consumer / retail sector, selected current investments include 99 Cents Only Stores LLC, Smart & Final Stores, Inc., Guitar Center Holdings, Inc., Neiman Marcus Group LTD LLC and the parent company of Serta International and Simmons Bedding Company. Selected prior investments include GNC Holdings, Inc., House of Blues Entertainment, LLC, Maidenform Brands, Inc. and Samsonite Corporation.

Freeman Spogli & Co.

Freeman Spogli & Co. is a private equity firm dedicated exclusively to investing and partnering with management in consumer and distribution companies in the United States. Since its founding in 1983, Freeman Spogli & Co. has invested $3.3 billion of equity in 50 portfolio companies with aggregate transaction values of $20 billion.

Corporate and Other Information

Prior to the effectiveness of the registration statement of which this prospectus is a part, we were renamed Floor & Decor Holdings, Inc. Our principal executive offices are located at 2233 Lake Park Drive, Suite 400, Smyrna, GA 30080, and our telephone number is (404) 471-1634. Our website address is *www.FloorandDecor.com*. The information contained on our website is not incorporated by reference into this prospectus, and you should not consider any information contained on, or that can be accessed through, our website as part of this prospectus or in deciding whether to purchase our common stock.

This prospectus includes our trademarks and trade names, including Floor & Decor® and our logo, which are protected under applicable intellectual property laws and are the property of our wholly owned subsidiary, Floor and Decor Outlets of America, Inc., a Delaware corporation ("F&D"). This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks, service marks and trade names referred to in this prospectus may appear without the ® or ^{TM} symbols. We do not intend our use or display of other parties' trademarks, service marks or trade names to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

Implications of Being an Emerging Growth Company

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. These provisions include, among other matters:

- a provision allowing us to provide fewer years of financial statements and other financial data in an initial public offering registration statement;
- an exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act");
- an exemption from new or revised financial accounting standards until they would apply to private companies and from compliance with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation;
- reduced disclosure about the emerging growth company's executive compensation arrangements; and
- no requirement to seek non-binding advisory votes on executive compensation or golden parachute arrangements.

We have determined to opt out of the exemption from compliance with new or revised financial accounting standards. Our decision to opt out of this exemption is irrevocable.

We have elected to adopt the reduced disclosure requirements and the exemption from the auditor attestation requirement available to emerging growth companies. As a result of these elections, the information that we provide in this prospectus may be different than the information you may receive from other public companies in which you hold, or may contemplate holding, equity interests. In addition, it is possible that some investors will find our common stock less attractive as a result of our elections, which may cause a less active trading market for our common stock and more volatility in our stock price.

We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the closing of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of the most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

The Offering

Class A common stock offered by us	shares (plus up to an additional shares of our Class A common stock that we may issue and sell upon the exercise of the underwriters' option to purchase additional shares).
Option to purchase additional shares of Class A common stock	The underwriters have the option for 30 days following the date of this prospectus to purchase up to an additional shares of Class A common stock from us at the initial public offering price less the underwriting discount.
Common stock to be outstanding after this offering	shares (including shares of Class C common stock).
Voting rights	Each holder of our Class A common stock is entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of our Class C common stock are not entitled to vote on such matters, except as required under Delaware law. Our stockholders do not have cumulative voting rights.
Use of proceeds	We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately , after deducting estimated offering expenses of approximately (or, if the underwriters exercise their option to purchase additional shares in full, approximately , after deducting the estimated offering expenses of approximately million). We intend to use the net proceeds of this offering as follows: (i) first, to repay all or a portion of the amounts outstanding under the GCI Facility (as defined below), including accrued and unpaid interest and the applicable prepayment penalty; and (ii) second, to repay $ of the outstanding indebtedness under the Wells Facility Revolving Line of Credit (as defined below) and for other general corporate purposes. Any amounts repaid under the GCI Facility will not be available for future borrowing following repayment. If all amounts outstanding under the GCI Facility are repaid with a portion of the net proceeds from this offering, the GCI Facility will be terminated.

Directed share program	The underwriters have reserved up to 2% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us and members of their respective families. The sales will be made by Merrill Lynch, Pierce, Fenner & Smith Incorporated through a directed share program. We do not know if these persons will elect to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available for sale to the general public. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock.
Dividend policy	We currently intend to retain all available funds and any future earnings for use in the operation and growth of our business, and therefore we do not currently expect to pay any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on then existing conditions, including our operating results, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may deem relevant. In addition, our Credit Facilities (as defined below) contain covenants that restrict our ability to pay cash dividends. See "Dividend Policy."
Risk factors	Investing in shares of our common stock involves a high degree of risk. See "Risk Factors" beginning on page 19 and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.
Proposed New York Stock Exchange trading symbol	"FND"

Unless otherwise indicated, all information in this prospectus:

- has been adjusted to give effect to the -for-one stock split of our common stock effected on , 2014;
- assumes that all shares of our Class B common stock are automatically converted into shares of our Class A common stock upon the closing of this offering pursuant to our certificate of incorporation; and
- assumes the underwriters will not exercise their option to purchase up to an additional shares of our Class A common stock.

The number of shares of common stock to be outstanding after this offering is based on shares of our common stock outstanding immediately prior to the closing of this offering, and excludes the following:

- shares of common stock issuable upon the exercise of stock options granted under the FDO Holding, Inc. Amended & Restated 2011 Stock Incentive Plan (as amended, the "2011 Plan") and outstanding immediately prior to the closing of this offering, at a weighted average exercise price of $ per share; and
- shares of common stock reserved for future issuance under our 2014 Stock Incentive Plan (the "2014 Plan" and, together with the 2011 Plan, the "Incentive Plans"), which we intend to adopt prior to the closing of this offering, subject to stockholder approval.

Summary Consolidated Financial and Other Data

The following tables summarize our financial data as of the dates and for the periods indicated. We have derived the consolidated statement of income and consolidated balance sheet data as of and for the fiscal years ended on December 26, 2013, December 27, 2012, and December 29, 2011 from our audited consolidated financial statements for such years and for the thirty-nine weeks ended on September 25, 2014 and September 26, 2013 from our unaudited condensed consolidated financial statements for such periods. Our audited consolidated financial statements as of and for the fiscal years ended on December 26, 2013, December 27, 2012, and December 29, 2011 have been included in this prospectus. Our unaudited condensed consolidated financial statements as of and for the thirty-nine weeks ended on September 25, 2014 and September 26, 2013 have been included in this prospectus and, in the opinion of management, include all adjustments (inclusive only of normally recurring adjustments) necessary for a fair presentation. Historical results are not indicative of the results to be expected in the future and operating results for an interim period are not necessarily indicative of results for a full year.

You should read the following information together with the more detailed information contained in "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

(in thousands, except share and per share amounts)	Fiscal year ended(1) December 26, 2013	December 27, 2012	December 29, 2011	Thirty-nine weeks ended(1) September 25, 2014	September 26, 2013
Consolidated statement of income data:					
Net sales	$ 441,394	$ 335,088	$ 276,358	$ 422,999	$ 325,000
Cost of sales	270,103	199,900	163,395	255,245	197,734
Gross profit	171,291	135,188	112,963	167,754	127,266
Selling and store operating expenses	107,097	86,025	73,340	105,658	78,741
General and administrative expenses	31,736	21,572	16,352	28,906	23,077
Pre-opening expenses	5,196	1,544	2,250	5,609	3,494
Executive severance(2)	—	—	—	2,975	—
Casualty gain(3)	—	(1,421)	—	—	—
Operating income	27,262	27,468	21,021	24,606	21,954
Interest expense	7,684	6,528	7,031	6,775	5,498
Loss on early extinguishment of debt	1,638	—	1,801	—	1,638
Income before income taxes	17,940	20,940	12,189	17,831	14,818
Provision for income taxes	6,857	8,102	4,702	6,639	5,779
Net income	$ 11,083	$ 12,838	$ 7,487	$ 11,192	$ 9,039
Earnings per share:					
Basic	$ 42.92	$ 49.90	$ 29.10	$ 43.30	$ 35.00
Diluted	$ 42.55	$ 49.88	$ 29.05	$ 42.08	$ 34.84
Weighted average shares outstanding:					
Basic	258,232	257,280	257,280	258,501	258,271
Diluted	260,451	257,391	257,751	265,947	259,447
Pro forma earnings per share(4):					
Basic	$			$	
Diluted	$			$	
Pro forma weighted average shares outstanding(4):					
Basic					
Diluted					

(in thousands)	Fiscal year ended(1) December 26, 2013	December 27, 2012	December 29, 2011	Thirty-nine weeks ended(1) September 25, 2014	September 26, 2013
Consolidated statement of cash flows data:					
Net cash (used in) provided by operating activities	$ (15,428)	$ 23,336	$ 7,947	$ 43,469	$ (457)
Net cash used in investing activities	(25,056)	(10,709)	(9,561)	(30,500)	(18,694)
Net cash provided by (used in) financing activities	40,487	(15,777)	3,501	(12,983)	19,619

(in thousands)	As of December 26, 2013(1) Actual	As of December 26, 2013(1) Pro forma as adjusted(5)	As of September 25, 2014(1) Actual	As of September 25, 2014(1) Pro forma as adjusted(5)
Consolidated balance sheet data:				
Cash and cash equivalents	$ 175	$	$ 161	$
Net working capital	95,136		78,641	
Total assets	562,342		610,375	
Total debt(6)	159,667		146,367	
Total stockholders' equity	264,132		277,472	

	Fiscal year ended(1) December 26, 2013	Fiscal year ended(1) December 27, 2012	Fiscal year ended(1) December 29, 2011	Thirty-nine weeks ended(1) September 25, 2014	Thirty-nine weeks ended(1) September 26, 2013
Other financial data:					
Comparable store sales growth	22.1%	11.6%	10.6%	14.9%	24.1%
Number of stores open at the end of the period(7)	39	31	29	45	36
Adjusted EBITDA (in thousands)(8)	$ 41,845	$ 34,161	$ 29,847	$ 43,487	$ 31,257
Adjusted EBITDA margin	9.5%	10.2%	10.8%	10.3%	9.6%

(1) Our fiscal year is the 52- or 53-week period ending on the Thursday preceding December 31. The data presented contains references to fiscal 2013, fiscal 2012, and fiscal 2011, which represent our fiscal years ended December 26, 2013, December 27, 2012, and December 29, 2011, all of which were 52-week periods. The first thirty-nine weeks of fiscal 2014 ended on September 25, 2014 and the first thirty-nine weeks of fiscal 2013 ended on September 26, 2013.

(2) Represents costs incurred in connection with the separation agreement with one of our former officers.

(3) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption for one of our stores.

(4) Pro forma per share data gives effect to (i) the -for-one stock split of our common stock effected on , 2014, (ii) the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, (iii) the application of the net proceeds received by us as described under "Use of Proceeds" and (iv) the 2013 Refinancing (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities"), in each case assuming such event occurred on December 27, 2012. Basic and diluted pro forma net income per share consists of pro forma net income divided by the basic and diluted pro forma weighted average number of shares of common stock outstanding.

Pro forma net income per share reflects the net decrease in interest expense resulting from our intended repayment of debt under our Credit Facilities as described in "Use of Proceeds." Interest expense is calculated as though we engaged in the 2013 Refinancing and repaid certain outstanding indebtedness under our Credit Facilities with the net proceeds from this offering on December 27, 2012.

Pro forma net income per share does not reflect (i) the write-off of deferred financing fees of $1.4 million in connection with the use of proceeds from this offering or (ii) other costs related to operating as a public company.

The following is a reconciliation of historical net income to pro forma net income for fiscal 2013 and the thirty-nine weeks ended September 25, 2014:

(in thousands)	Fiscal year ended December 26, 2013(1)	Thirty-nine weeks ended September 25, 2014(1)
Net income, as reported	$ 11,083	$ 11,192
Decrease in interest expense(a)		
Elimination of loss on early extinguishment of debt(b)		
Pro forma net income	$	$

(a) Reflects the change in interest expense as a result of the reduction of the total debt outstanding immediately after this offering as if such reduction had occurred at the beginning of each of the reported periods. See a detailed reconciliation below in footnotes (c) and (d) to our reconciliation of historical interest expense to pro forma interest expense.

(b) Reflects the elimination of the loss on early extinguishment of debt resulting from the 2013 Refinancing which we consider to be a one-time, non-recurring expense.

The following is a reconciliation of historical interest expense to pro forma interest expense for fiscal 2013 and the thirty-nine weeks ended September 25, 2014:

(in thousands)	Fiscal year ended December 26, 2013(1)	Thirty-nine weeks ended September 25, 2014(1)
Interest expense, as reported	$ 7,684	$ 6,775
Increase attributable to the 2013 Refinancing(c)		
Decrease attributable to this offering(d)		
Net decrease		
Pro forma interest expense	$	$

(c) Reflects the change in interest expense as a result of the increase in total debt resulting from the 2013 Refinancing as if such increase had occurred at the beginning of each of the reported periods. On May 1, 2013, our total debt consisted of $40 million outstanding under the Wells Facility Revolving Line of Credit, $10 million outstanding under the Wells Facility Term Loan A and $80 million outstanding under the GCI Facility. Interest rates for each of these facilities were %, %, and %, respectively. Total debt outstanding increased $29.5 million as a result of the 2013 Refinancing. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Our Credit Facilities" for additional detail on the 2013 Refinancing.

(d) Reflects the change in interest expense as a result of the reduction of the total debt outstanding immediately after this offering as if such reduction had occurred at the beginning of each of the reported periods. Pro forma for this offering, our total debt as of December 27, 2012 consisted of $ million and $ million under the Wells Facility Revolving Line of Credit and the Wells Facility Term Loan A, respectively. Assumes that the GCI Facility will be fully repaid. As of December 27, 2012, the interest rate for the Wells Facility Revolving Line of Credit and the Wells Facility Term Loan A was % and %, respectively.

(5) Pro forma balance sheet data as of December 26, 2013 and September 25, 2014 gives effect to (i) the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us and (ii) the application of the net proceeds received by us as described under "Use of Proceeds."

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma as adjusted total debt and total stockholders' equity after this offering by $ and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the pro forma as adjusted total debt and total stockholders' equity after this offering by $ and $, respectively, assuming the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover of this prospectus) remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

(6) Total debt consists of the current and long-term portions of our Credit Facilities, as well as our Subordinated Notes (as defined below).

(7) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(8) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our underlying business performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of the underlying business performance and facilitate a comparison of our operating performance on a consistent basis from period to period. For example, pre-opening expenses are generally incurred during the five-month period prior to a store opening and then are not incurred again for the applicable store. Unlike expenses that will generally recur as the store matures (e.g., personnel wages, supplies), we believe that these pre-opening expenses are not indicative of our underlying business performance for that store and we therefore eliminate these expenses in the adjustments made to determine Adjusted EBITDA. We also use Adjusted EBITDA as a

basis to determine covenant compliance with respect to our Credit Facilities, to evaluate the performance of our executive officers, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance, or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as pre-opening expenses, stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal year ended(1)			Thirty-nine weeks ended(1)	
(in thousands)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net income	$ 11,083	$ 12,838	$ 7,487	$ 11,192	$ 9,039
Depreciation and amortization(a)	6,354	4,641	4,060	7,760	4,280
Interest expense	7,684	6,528	7,031	6,775	5,498
Loss on early extinguishment of debt(b)	1,638	—	1,801	—	1,638
Income tax expense	6,857	8,102	4,702	6,639	5,779
EBITDA	33,616	32,109	25,081	32,366	26,234
Pre-opening expenses(c)	5,316	1,589	2,256	5,728	3,576
Stock compensation expense(d)	1,869	978	740	1,701	1,344
Loss on asset disposal(e)	656	157	14	145	49
Executive recruiting/relocation(f)	54	751	1,029	—	54
Casualty gain(g)	—	(1,421)	—	—	—
Other(h)	334	(2)	727	3,547	—
Adjusted EBITDA	$ 41,845	$ 34,161	$ 29,847	$ 43,487	$ 31,257

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the prepayment of our Subordinated Notes in 2013 and 2011, respectively, as well as the non-cash write off of certain deferred financing fees related to term and revolver borrowings outstanding at time of the refinancing.

(c) Non-capital expenditures associated with and incurred prior to opening new stores, excluding tenant improvement allowances included in depreciation and amortization above.

(d) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards.

(e) For the fiscal year ended December 26, 2013, the loss was primarily related to the write-off of certain software previously acquired, and for the fiscal year ended December 27, 2012, the loss related primarily to assets retired in connection with a significant remodel completed in one of our stores.

(f) Costs incurred to recruit and relocate members of executive management.

(g) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption at one of our stores.

(h) Other adjustments include amounts management does not consider indicative of our underlying business performance, including one-time consulting costs, costs incurred in connection with our proposed initial public offering and one-time executive severance of approximately $3.0 million for the thirty-nine weeks ended September 25, 2014.

RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this prospectus, including our consolidated financial statements and the related notes thereto, before making an investment decision. The risks and uncertainties set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and operating results. If any of the following events occur, our business, financial condition and operating results could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Our business, financial condition and operating results are dependent on general economic conditions and discretionary spending by our customers, which in turn are affected by a variety of factors beyond our control. If such conditions deteriorate, our business, financial condition and operating results may be adversely affected.

Our business, financial condition and operating results are affected by general economic conditions and discretionary spending by our customers. Such general economic conditions and discretionary spending are beyond our control and are affected by, among other things:

- consumer confidence in the economy;
- unemployment trends;
- consumer debt levels;
- consumer credit availability;
- data security and privacy concerns;
- the housing market, including housing turnover;
- energy prices;
- interest rates and inflation;
- price deflation, including due to low-cost imports;
- slower rates of growth in real disposable personal income;
- natural disasters and unpredictable weather;
- national security concerns;
- tax rates and tax policy; and
- other matters that influence consumer confidence and spending.

If such conditions deteriorate, our business, financial condition and operating results may be adversely affected. In addition, increasing volatility in financial and capital markets may cause some of the above factors to change with a greater degree of frequency and magnitude than in the past.

The hard surface flooring industry depends on home remodeling activity and other important factors.

The hard surface flooring industry is highly dependent on the remodeling of existing homes and, to a lesser extent, new home construction. In turn, remodeling and new home construction depend on a number of factors that are beyond our control, including interest rates, tax policy, employment

levels, consumer confidence, credit availability, real estate prices, existing home sales, demographic trends, weather conditions, natural disasters and general economic conditions. In particular:

- the national economy or any regional or local economy where we operate could weaken;
- home-price appreciation could slow or turn negative;
- regions where we have stores could experience unfavorable demographic trends;
- interest rates could rise;
- credit could become less available; or
- fuel costs or utility expenses could increase.

Any one or a combination of these factors could result in decreased demand for our products, reduce spending on homebuilding or remodeling of existing homes or cause purchases of new homes to decline. While the vast majority of our sales are derived from home remodeling activity as opposed to new home construction, a decrease in any of these areas would adversely affect our business, financial condition and operating results.

Any failure by us to successfully anticipate trends may lead to loss of consumer acceptance of our products, resulting in reduced net sales.

Each of our stores is stocked with a customized product mix based on consumer demands in a particular market. Our success therefore depends on our ability to anticipate and respond to changing trends and consumer demands in these markets in a timely manner. If we fail to identify and respond to emerging trends, consumer acceptance of our merchandise and our image with current or potential customers may be harmed, which could reduce our net sales. Additionally, if we misjudge market trends, we may significantly overstock unpopular products, incur excess inventory costs and be forced to reduce the sales price of such products or incur inventory write-downs, which would adversely affect our operating results. Conversely, shortages of products that prove popular could also reduce our net sales through missed sales and a loss of customer loyalty.

If we fail to successfully manage the challenges that our planned new store growth poses or encounter unexpected difficulties during our expansion, our operating results and future growth opportunities could be adversely affected.

We have 45 warehouse-format stores and one small-format standalone design center located throughout the United States. We plan to open one to two additional stores in 2014 and to significantly increase the number of new stores that we open during each of the next several years thereafter. This growth strategy and the investment associated with the development of each new store may cause our operating results to fluctuate and be unpredictable or decrease our profits. Our future operating results will depend on various factors, including the successful selection of new markets and store locations, our ability to negotiate leases on acceptable terms and our ability to attract, train and retain highly qualified managers and staff. We cannot ensure that store locations will be available to us, or that they will be available on terms acceptable to us. If additional retail store locations are unavailable on acceptable terms, we may not be able to carry out a significant part of our growth strategy.

In addition, consumers in new markets may be less familiar with our brand, and we may need to increase brand awareness in such markets through additional investments in advertising. Stores opened in new markets may have higher construction, occupancy or operating costs, or may have lower sales, than stores opened in the past. In addition, laws or regulations in these new markets may make opening new stores more difficult or cause unexpected delays. Newly opened stores may not succeed or may reach profitability more slowly than we expect, and the ramp-up to profitability may become longer in the future as we enter more markets and add stores to markets where we already have a

presence. Future markets and stores may not be successful and, even if they are successful, our comparable store sales may not increase at historical rates. To the extent that we are not able to overcome these various challenges, our operating results and future growth opportunities could be adversely affected.

Increased competition could cause price declines, decrease demand for our products and decrease our market share.

We operate in the hard surface flooring industry, which is highly fragmented and competitive. We face competition from large home improvement centers, national and regional specialty flooring chains and independent flooring retailers. Among other things, we compete on the basis of breadth of product assortment, low prices, and the in-store availability of the products we offer in project-ready quantities, as well as the quality of our customer service. As we expand into new and unfamiliar markets, we may experience different competitive conditions than in the past.

Some of our competitors are organizations that are larger, are better capitalized, have existed longer, have product offerings that extend beyond hard surface flooring and related accessories and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. In addition, while the hard surface flooring category has a relatively low threat of new internet-only entrants due to the nature of the product, the growth opportunities presented by e-commerce could outweigh these challenges and result in increased competition. Competitors may forecast market developments more accurately than we do, offer similar products at a lower cost or adapt more quickly to new trends and technologies or evolving customer requirements than we do. Further, because the barriers to entry into the hard surface flooring industry are relatively low, manufacturers and suppliers of flooring and related products, including those whose products we currently sell, could enter the market and start directly competing with us. Intense competitive pressures from any of our present or future competitors could cause price declines, decrease demand for our products and decrease our market share. Moreover, in the future, changes in consumer preferences may cause hard surface flooring to become less popular than other types of floor coverings. Such a change in consumer preferences could lead to decreased demand for our products.

All of these factors may harm us and adversely affect our net sales, market share and operating results.

Any disruption in our distribution capabilities or our related planning and control processes may adversely affect our business, financial condition and operating results.

Our success is highly dependent on our planning and distribution infrastructure, which includes the ordering, transportation and distribution of products to our stores and the ability of suppliers to meet distribution requirements. We also need to ensure that we continue to identify and improve our processes and supply chain and that our distribution infrastructure and supply chain keep pace with our anticipated growth and increased number of stores. The cost of these enhanced processes could be significant and any failure to maintain, grow, or improve them could adversely affect our business, financial condition and operating results. Our business could also be adversely affected if fuel prices increase or there are delays in product shipments due to freight difficulties, inclement weather, strikes by employees of our third-party logistics providers, or other difficulties.

Our four distribution centers have historically been operated by independent third-party logistics providers. Our utilization of these third-party logistics providers for the majority of our product deliveries and product shipments is subject to risks, including the risk that our providers will lose or damage our products, stop providing services to us on acceptable terms or otherwise fail to provide timely delivery. If we were to change the third-party logistics providers that we use, we would incur increased costs in addition to the logistical difficulties that we would face, which could adversely affect

our operating results. While we are in the process of converting our distribution centers to Company-operated facilities, which we expect to be completed prior to March 26, 2015, we have not historically operated distribution centers and cannot assure you that we will be successful in doing so. In addition, while we complete this transition, we may incur unexpected costs, and our ability to distribute our products may be adversely affected. We may also need to procure additional space for replenishment inventory due to our growth, and we may incur unexpected costs due to this expansion. Any disruption in the transition or operation of these facilities could adversely affect our business, financial condition and operating results.

Our success is also dependent on our ability to provide timely delivery to our customers. If we are unable to deliver products to our customers on a timely basis, they may decide to purchase products from our competitors instead of from us, which would adversely affect our business, financial condition and operating results.

Our operating results may be adversely affected by fluctuations in material and energy costs.

Our operating results may be affected by the wholesale prices of hard surface flooring products, setting and installation materials and the related accessories that we sell. These prices may fluctuate based on a number of factors beyond our control, including the price of raw materials used in the manufacture of hard surface flooring, energy costs, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and government regulation. In particular, energy costs have fluctuated dramatically in the past and may fluctuate in the future. These fluctuations may result in an increase in our transportation costs for distribution from the manufacturer to our distribution centers and from our distribution centers to our retail stores, utility costs for our distribution centers and retail stores and overall costs to purchase products from our suppliers.

We may not be able to adjust the prices of our products, especially in the short-term, to recover these cost increases, and a continual rise in such costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could adversely affect our business, financial condition and operating results.

Our future success is dependent on our ability to execute our business strategy effectively and deliver value to our customers.

We believe our future success will depend on our ability to execute our business strategy effectively and deliver value to our customers. We believe that our breadth of product assortment across a variety of hard surface flooring categories, low prices, and in-store availability of the products we offer in project-ready quantities, as well as the quality of our customer service, are among the key competitive advantages and important elements of our total value proposition. If we are unsuccessful in staying competitive with our current value proposition, the demand for our products would decrease, and customers may decide to purchase products from our competitors instead of us. If this were to occur, our net sales, market share and operating results would be adversely affected.

Our operating results may be adversely affected if we are not successful in managing our inventory.

We currently maintain a high level of inventory consisting of on average approximately 3,400 SKUs per store and an average inventory per store of approximately $2.6 million at cost in order to have a broad assortment of products across a wide variety of hard surface flooring categories in project-ready quantities. We also carry an additional $68.0 million of inventory outside our stores, primarily at our four distribution centers. The investment associated with this high level of inventory is substantial, and efficient inventory management is a key component of our business success and profitability. If we fail to adequately project the amount or mix of our inventory, we may miss sales

opportunities or have to take unanticipated markdowns or hold additional clearance events to dispose of excess inventory, which will adversely affect our operating results.

In the past, we have incurred costs associated with inventory markdowns and obsolescence. Due to the likelihood that we will continue to incur such costs in the future, we generally include an allowance for such costs in our projections. However, the costs that we actually incur may be substantially higher than our estimate and adversely affect our operating results.

We continue to focus on ways to reduce these risks, but we cannot assure you that we will be successful in our inventory management.

Our operating results may be adversely affected by inventory shrinkage and damage.

We are subject to the risk of inventory shrinkage and damage. We have experienced charges in the past, and we cannot assure you that the measures we are taking will effectively address the problem of inventory shrinkage and damage in the future. Although some level of inventory shrinkage and damage is an unavoidable cost of doing business, we could experience higher-than-normal rates of inventory shrinkage and damage or incur increased security and other costs to combat inventory theft and damage. If we are not successful in managing our inventory balances, our operating results may be adversely affected.

If we are unable to enter into leases for additional stores on acceptable terms or renew or replace our current store leases, or if one or more of our current leases is terminated prior to expiration of its stated term, and we cannot find suitable alternate locations, our growth and profitability could be adversely affected.

We currently lease all of our store locations and our store support center. Our growth strategy largely depends on our ability to identify and open future store locations, which can be difficult because our stores generally require at least 50,000 square feet of floor space. Our ability to negotiate acceptable lease terms for these store locations, to re-negotiate acceptable terms on expiring leases or to negotiate acceptable terms for suitable alternate locations could depend on conditions in the real estate market, competition for desirable properties, our relationships with current and prospective landlords, or on other factors that are not within our control. Any or all of these factors and conditions could adversely affect our growth and profitability.

We will require significant capital to fund our expanding business, which may not be available to us on satisfactory terms or at all. If we are unable to maintain sufficient levels of cash flow or if we do not have sufficient availability under the Wells Facility, we may not meet our growth expectations or we may require additional financing, which could adversely affect our financial health and impose covenants that limit our business activities.

We plan to continue investing for growth, including opening new stores, remodeling existing stores, adding staff and upgrading our information technology systems and other infrastructure. These investments will require significant capital, which we plan on funding with cash flow from operations and borrowings under the Wells Facility.

If our business does not generate sufficient cash flow from operations to fund these activities or if these investments do not yield cash flows in line with past performance or our expectations, we may need additional equity or debt financing. If such financing is not available to us, or is not available on satisfactory terms, our ability to operate and expand our business or respond to competitive pressures would be curtailed, and we may need to delay, limit or eliminate planned store openings or operations or other elements of our growth strategy. If we raise additional capital by issuing equity securities or securities convertible into equity securities, your ownership would be diluted.

Our net sales growth could be adversely affected if comparable store sales growth is less than we expect.

While future net sales growth will depend substantially on our plans for new store openings, our comparable store sales growth is a significant driver of our net sales, profitability and overall business results. Because numerous factors affect our comparable store sales growth, including, among others, economic conditions, the retail sales environment, the home improvement spending environment, housing turnover, the hard surface flooring industry and the impact of competition, the ability of our customers to obtain credit, changes in our product mix, the in-stock availability of products that are in demand, changes in staffing at our stores, cannibalization resulting from the opening of new stores in existing markets, lower than expected ramp-up in new store sales, changes in advertising and other operating costs, weather conditions, retail trends and our overall ability to execute our business strategy and planned growth effectively, it is possible that we will not achieve our targeted comparable store sales growth or that the change in comparable store sales could be negative. If this were to happen, it is likely that overall net sales growth would be adversely affected.

We depend on a number of suppliers, and any failure by any of them to supply us with quality products on attractive terms and prices may adversely affect our business, financial condition and operating results.

We depend on our suppliers to deliver quality products to us on a timely basis at attractive prices. However, in the future, we may not be able to acquire desired merchandise in sufficient quantities on terms acceptable to us, which may impair our relationship with our customers, impair our ability to attract new customers, reduce our competitiveness and adversely affect our business, financial condition and operating results.

We do not control the operations of our suppliers. Although we conduct an initial due diligence investigation prior to engaging our suppliers, we cannot guarantee that our suppliers will comply with applicable laws and regulations or operate in a legal, ethical and responsible manner. Violation of applicable laws and regulations by our suppliers or their failure to operate in a legal, ethical or responsible manner, could expose us to legal risks and reduce demand for our products if, as a result of such violation or failure, we attract negative publicity. In addition, the failure of our suppliers to adhere to the quality standards that we set for our products could lead to litigation and recalls, which could damage our reputation and our brand, increase our costs, and otherwise adversely affect our business.

We source the products that we sell from over 180 domestic and international suppliers. We procure the majority of our products from suppliers located outside of the United States. As a result, we are subject to risks associated with obtaining products from abroad, including:

- political unrest, acts of war, terrorism and economic instability resulting in the disruption of trade from foreign countries where our products originate;
- currency exchange fluctuations;
- the imposition of new or more stringent laws and regulations, including those relating to environmental, health and safety matters and climate change issues, labor conditions, quality and safety standards, trade restrictions and restrictions on funds transfers;
- the imposition of new or different duties (including antidumping and countervailing duties), tariffs, taxes and/or other charges on exports or imports, including as a result of errors in the classification of products upon entry;
- the risk that one or more of our foreign suppliers will not adhere to applicable legal requirements, including fair labor standards, the prohibition on child labor, product safety or manufacturing safety standards, and anti-bribery and anti-kickback laws such as the Foreign Corrupt Practices Act (the "FCPA");

- disruptions or delays in production, shipments, delivery or processing through ports of entry; and
- changes in local economic conditions in countries where our suppliers are located.

These and other factors beyond our control could disrupt the ability of our suppliers to ship certain products to us cost-effectively or at all, which could adversely affect our operations.

If we fail to identify and maintain relationships with a sufficient number of suppliers, our ability to obtain products that meet our high quality standards at attractive prices could be adversely affected.

We purchase flooring and other products directly from suppliers located around the world. However, we do not have long-term contractual supply agreements with our suppliers that obligate them to supply us with products exclusively or at specified quantities or prices. As a result, our current suppliers may decide to sell products to our competitors and may not continue selling products to us. In order to retain the competitive advantage that we believe results from these relationships, we need to continue to identify, develop and maintain relationships with qualified suppliers that can satisfy our high standards for quality and our requirements for flooring and other products in a timely and efficient manner at attractive prices. The need to develop new relationships will be particularly important as we seek to expand our operations and enhance our product offerings in the future. The loss of one or more of our existing suppliers or our inability to develop relationships with new suppliers could reduce our competitiveness, slow our plans for further expansion and cause our net sales and operating results to be adversely affected.

Our ability to offer compelling products, particularly products made of more exotic species or unique stone, depends on the continued availability of sufficient suitable natural products.

Our business strategy depends on offering a wide assortment of compelling products to our customers. We sell, among other things, flooring made from various wood species and natural stone from quarries throughout the world. Our ability to obtain an adequate volume and quality of hard-to-find products depends on our suppliers' ability to furnish those products, which, in turn, could be affected by many things, including events such as forest fires, insect infestation, tree diseases, prolonged drought, other adverse weather and climate conditions and the exhaustion of stone quarries. Government regulations relating to forest management practices also affect our suppliers' ability to harvest or export timber and other products, and changes to regulations and forest management policies, or the implementation of new laws or regulations, could impede their ability to do so. If our suppliers cannot deliver sufficient products, and we cannot find replacement suppliers, our net sales and operating results may be adversely affected.

Our success depends substantially upon the continued retention of certain key personnel.

We believe that our success has depended and continues to depend to a significant extent on the efforts and abilities of our senior management team and our board of directors. Our failure to retain members of that team could impede our ability to build on the efforts they have undertaken with respect to our business.

We do not maintain "key man" life insurance policies on our key personnel.

We do not have "key man" life insurance policies for any of our key personnel. If we were to obtain "key man" insurance for our key personnel, there can be no assurance that the amounts of such policies would be sufficient to pay losses experienced by us as a result of the loss of any of those personnel.

Our success depends upon our ability to attract, train and retain highly qualified managers and staff.

Our success depends in part on our ability to attract, hire, train and retain qualified managers and staff. Purchasing hard surface flooring is an infrequent event for BIY and DIY consumers, and the typical consumer in these groups has little knowledge of the range, characteristics and suitability of the products available before starting the purchasing process. Therefore, consumers in the hard surface flooring market expect to have sales associates serving them who are knowledgeable about the entire assortment of products offered by the retailer and the process of choosing and installing hard surface flooring.

Each of our stores is managed by a store manager who has the flexibility (with the support of regional managers) to use his or her knowledge of local market dynamics to customize each store in a way that is most likely to increase sales and profitability. Our store managers are also expected to anticipate, gauge and quickly respond to changing consumer demands in these markets. Further, it generally takes a substantial amount of time for our store managers to develop the entrepreneurial skills that we expect them to have in order to make our stores successful.

There is a high level of competition for qualified store managers and sales associates among home improvement and flooring retailers in local markets, and as a result, we may not succeed in attracting and retaining the personnel we require to conduct our current operations and support our plans for expansion. In addition, as we expand into new markets, we may find it more difficult to hire, develop and retain qualified employees. Any failure by us to attract, train and retain highly qualified managers and staff could adversely affect our operating results and future growth opportunities.

Our business exposes us to personal injury and product liability claims, which could result in negative publicity, harm our brand and adversely affect our business, financial condition and operating results.

Our stores and distribution centers are warehouse environments that involve the operation of forklifts and other machinery and the storage and movement of heavy merchandise, all of which are activities that have the inherent danger of injury or death to employees or customers despite safety precautions, training and compliance with federal, state and local health and safety regulations. While we have insurance coverage in place in addition to policies and procedures designed to minimize these risks, we may nonetheless be unable to avoid material liabilities for an injury or death arising out of these activities.

In addition, we may be subject to product liability claims for the products that we sell. We generally seek contractual indemnification and insurance coverage from our suppliers, and we carry our own insurance. However, our suppliers may not obtain the insurance coverage, the insurance coverage carried by us or our suppliers may not be adequate and/or such contractual indemnification we seek to require may not be available from or enforceable against the supplier, particularly because many of our suppliers are located outside of the United States. Any personal injury or product liability claim made against us, whether or not it has merit, could be time-consuming and costly to defend, result in negative publicity, harm our brand and could adversely affect our business, financial condition and operating results. In addition, any negative publicity involving our suppliers, employees, and other parties who are not within our control could adversely affect us.

Labor activities could cause labor relations difficulties for us.

Currently none of our employees is represented by a union; however, our employees have the right at any time to form or affiliate with a union. As we continue to grow and enter different regions, unions may attempt to organize all or part of our employee base at certain stores or within certain regions. We cannot predict the adverse effects that any future organizational activities will have on our business, financial condition and operating results. If we were to become subject to work stoppages, we

could experience disruption in our operations and increases in our labor costs, either of which could adversely affect our business, financial condition and operating results.

Federal, state or local laws and regulations, or our failure to comply with such laws and regulations, could increase our expenses, restrict our ability to conduct our business and expose us to legal risks.

We are subject to a wide range of general and industry-specific laws and regulations imposed by federal, state and local authorities in the countries in which we operate including those related to customs, foreign operations (such as the FCPA), truth-in-advertising, consumer protection, privacy, product safety, intellectual property infringement, zoning and occupancy matters as well as the operation of retail stores and distribution facilities. In addition, various federal and state laws govern our relationship with, and other matters pertaining to, our employees, including wage and hour laws, laws governing independent contractor classifications, requirements to provide meal and rest periods or other benefits, family leave mandates, requirements regarding working conditions and accommodations to certain employees, citizenship or work authorization and related requirements, insurance and workers' compensation rules and anti-discrimination laws. In recent years, there has been an increase in the number of wage and hour class action claims that allege misclassification of overtime eligible workers and/or failure to pay overtime-eligible workers for all hours worked, particularly in the retail industry. Although we believe that we have complied with these laws and regulations, there is nevertheless a risk that we will become subject to such claims or any other claim that alleges a failure by us to comply with any of the foregoing laws and regulations. In addition, other parties in the flooring industry have been or currently are parties to litigation involving such claims, including patent claims. Any claim that alleges a failure by us to comply with any of the foregoing laws and regulations may subject us to fines, penalties, injunctions, litigation and/or potential criminal violations, which could adversely affect our reputation, business, financial condition and operating results.

With regard to our products, we may spend significant time and resources in order to comply with applicable advertising, labeling, importation, exportation, environmental, health and safety laws and regulations. If we violate these laws or regulations, we could experience delays in shipments of our goods, be subject to fines or penalties, be liable for costs and damages, or suffer reputational harm, any of which could reduce demand for our merchandise and adversely affect our business, financial condition and operating results.

Any changes to the foregoing laws or regulations or any new laws or regulations that are passed or go into effect may make it more difficult for us to operate our business and in turn adversely affect our operating results.

We may also be subject to audits by various taxing authorities. Similarly, changes in tax laws in any of the multiple jurisdictions in which we operate, or adverse outcomes from tax audits that we may be subject to in any of the jurisdictions in which we operate, could result in an unfavorable change in our effective tax rate, which could adversely affect our business, financial condition and operating results.

Environmental, health and safety laws and regulations could increase the cost of doing business or restrict our ability to conduct our business.

Certain portions of our operations are subject to laws and regulations governing the environmental protection of natural resources and health and safety, including the use, storage, handling, generation, treatment, emission, release, discharge and disposal of certain hazardous materials and wastes. If we violate or are alleged to have violated such laws, we could incur significant costs, and adversely affect our business, financial condition and operating results. In addition, certain of our products are subject to laws and regulations relating to the importation, exportation, acquisition or sale of certain plants and plant products, including those illegally harvested, and the emissions of hazardous

materials. We work closely with our suppliers in order to comply with the applicable laws and regulations in these areas. We believe that we currently conduct, and in the past have conducted, our activities and operations in substantial compliance with applicable laws and regulations relating to the environment, protection of natural resources and health and safety. However, certain of our competitors have incurred significant expenses responding to allegations of violations of these laws, and there can be no assurance that such laws or regulations will not become more stringent in the future or that we will not incur additional costs in the future in order to comply with such laws or regulations.

We face risks related to protection of customers' payment card data, as well as other data related to our employees, customers, vendors and other parties.

In connection with payment card sales and other transactions, including bank cards, debit cards, credit cards and other merchant cards, we process and transmit confidential banking and payment card information. Additionally, as part of our normal business activities, we collect and store sensitive personal information related to our employees, customers, vendors and other parties. Despite our security measures, our information technology and infrastructure may be vulnerable to criminal cyber-attacks or security incidents due to employee error, malfeasance or other vulnerabilities. Any such incidents could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Third parties may have the technology and know-how to breach the security of this information, and our security measures and those of our banks, merchant card processing and other technology vendors may not effectively prohibit others from obtaining improper access to this information. The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often are not recognized until launched against a target; accordingly, we may be unable to anticipate these techniques or implement adequate preventative measures. Any security breach could expose us to risks of data loss, regulatory and law enforcement investigations, litigation and liability and could seriously disrupt our operations and any resulting negative publicity could significantly harm our reputation and relationships with our customers and adversely affect our business, financial condition and operating results.

Any disruption of our website or our call center could disrupt our business and lead to reduced sales and reputational damage.

Our website and our call center are important parts of our integrated omni-channel strategy. Customers use our website and our call center as information sources on the range of products available to them and as a way to order our products. Our website in particular is vulnerable to certain risks and uncertainties associated with the Internet, including changes or planned upgrades in required technology interfaces, website downtime and other technical failures, security breaches and consumer privacy concerns. If we cannot successfully maintain our website and call center in good working order, it could adversely affect our operating results and damage our reputation.

Our facilities and systems, as well as those of our suppliers, are vulnerable to natural disasters and other unexpected events, and as a result we may lose merchandise and be unable to effectively deliver it to our stores.

Our retail stores, store support center and distribution centers, as well as the operations of our suppliers from which we receive goods and services, are vulnerable to damage from earthquakes, tornadoes, hurricanes, fires, floods and similar events. If any of these events result in damage to our facilities or systems, or those of our suppliers, they could adversely affect our ability to stock our stores and deliver products to our customers, and could adversely affect our net sales and operating results. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage.

Material damage to, or interruptions in, our information systems as a result of external factors, staffing shortages and difficulties in updating our existing software or developing or implementing new software could adversely affect our business, financial condition and operating results.

We depend largely upon our information technology systems in the conduct of all aspects of our operations. Such systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses and security breaches. Damage or interruption to our information systems may require a significant investment to fix or replace them, and we may suffer interruptions in our operations in the interim. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology, or with maintenance or adequate support of existing systems, could also disrupt or reduce the efficiency of our operations. Further, the software programs supporting many of our systems were licensed to us by independent software developers. The inability of these developers or us to continue to maintain and upgrade these information systems and software programs would disrupt or reduce the efficiency of our operations if we were unable to convert to alternate systems in an efficient and timely manner and could adversely affect our business, financial condition and operating results. Any material interruptions or failures in our information systems may adversely affect our business, financial condition and operating results.

As we have a high concentration of stores in the southern region of the United States, we are subject to regional risks.

We have a high concentration of stores in the southern region of the United States. If this market suffers an economic downturn or other significant adverse event, our comparable store sales, net sales, profitability and the ability to implement our planned expansion could be adversely affected. Any natural disaster, extended adverse weather or other serious disruption in this market due to fire, tornado, hurricane, or any other calamity could damage inventory and could result in decreased net sales.

The effectiveness of our advertising strategy is a driver of our future success.

We believe that our growth was in part a result of our successful investment in local advertising. Historically, a significant portion of our advertising spending was directed at Pro and DIY customers. As we enter new markets, we may need to increase our advertising expenses to broaden the reach and frequency of our advertising to increase the recognition of our brand. If our advertisements fail to draw customers in the future, or if the cost of advertising or other marketing materials increases significantly, we could experience declines in our net sales and operating results.

Our intellectual property rights are valuable, and any failure to protect them could reduce the value of our products and brand and harm our business.

We regard our intellectual property as having significant value, and our brand is an important factor in the marketing of our products. However, we cannot assure you that the steps we take to protect our trademarks or intellectual property will be adequate to prevent others from copying or using our trademarks or intellectual property without authorization. If our trademarks or intellectual property are copied or used without authorization, the value of our brand, its reputation, our competitive advantages and our goodwill could be harmed.

We may be involved in disputes from time to time relating to our intellectual property and the intellectual property of third parties.

We may become parties to disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties may raise claims against

us alleging infringement or violation of the intellectual property of that third party. Even if we prevail in such disputes, the costs we incur in defending such dispute may be material and costly. Some third party intellectual property rights may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid violating those intellectual property rights. Any such intellectual property claim could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether such claim has merit. The liability insurance we maintain may not adequately cover potential claims of this type, and we may be required to pay monetary damages or license fees to third parties, which could have a material adverse effect on our business, financial condition and operating results.

Our ability to control higher health care costs is limited and could adversely affect our business, financial condition and operating results.

With the passage in 2010 of the U.S. Patient Protection and Affordable Care Act (as amended, the "Affordable Care Act"), we are required to provide affordable coverage, as defined in the Affordable Care Act, to all employees, or otherwise be subject to a payment per employee based on the affordability criteria in the Affordable Care Act. Provisions of this law have become and will become effective at various dates over the next several years and many of the regulations and guidance for the law have not been implemented. While the most significant provisions of the Affordable Care Act that seek to decrease the number of uninsured individuals mostly became effective January 1, 2014, the shared responsibility provisions that require companies with 50-99 or greater than 100 employees to provide health insurance or pay fines have been delayed until January 1, 2015 and 2016, respectively.

Due to the breadth and complexity of the Affordable Care Act, the lack of implementing regulations and interpretive guidance and the phased-in nature of new requirements, we cannot predict with any assurance the ultimate effect of the Affordable Care Act and related regulations and interpretive legislation on our business. Additionally, some states and localities have passed state and local laws mandating the provision of certain levels of health benefits by some employers. These increased health care and insurance costs could adversely affect our business, financial condition and operating results.

We are a holding company with no business operations of our own and depend on cash flow from our subsidiaries to meet our obligations.

We are a holding company with no business operations of our own or material assets other than the equity of our subsidiaries. All of our operations are conducted by our subsidiaries. As a holding company, we will require dividends and other payments from our subsidiaries to meet cash requirements.

We have entered into a $125 million asset-based revolving credit facility (the "Wells Facility Revolving Line of Credit" and a $10 million term loan facility (the "Wells Facility Term Loan A"), each with Wells Fargo Bank, National Association as Administrative Agent, Collateral Agent, Swing Line Lender and Term Loan Agent, Suntrust Bank, as Syndication Agent, and Wells Fargo Capital Finance, LLC, as Sole Lead Arranger and Sole Bookrunner (collectively, the "Wells Facility"). We have also entered into an $80 million senior secured term loan facility with GCI Capital Markets LLC, as Agent, GCI Capital Markets LLC, as Sole Bookrunner and Co-Lead Arranger, and MCS Capital Markets LLC, as Co-Lead Arranger and Syndication Agent, which will be terminated in connection with this offering (the "GCI Facility" and together with the Wells Facility and any credit facilities we may enter into in the future, our "Credit Facilities"). The terms of our Credit Facilities restrict our subsidiaries from paying dividends and otherwise transferring cash or other assets to us except in certain limited circumstances. If we become insolvent or there is a liquidation or other reorganization of any of our subsidiaries, our stockholders likely will have no right to proceed against their assets. Creditors of those subsidiaries will be entitled to payment in full from the sale or other disposal of the

assets of those subsidiaries before we, as an equity holder, would be entitled to receive any distribution from that sale or disposal. If our subsidiaries are unable to pay dividends or make other payments to us when needed, we will be unable to satisfy our obligations.

We face risks related to our indebtedness.

As of September 25, 2014, we were highly leveraged and the principal amount of our total indebtedness was approximately $146.4 million (including $67.2 million of indebtedness outstanding under the Wells Facility). In addition, as of September 25, 2014, we had the ability to access $38.6 million of unused borrowings then available under the Wells Facility Revolving Line of Credit without violating any covenants thereunder and had $3.4 million in outstanding letters of credit.

As set forth under "Use of Proceeds," after giving effect to our use of the net proceeds from this offering, the principal amount of our total indebtedness would have been approximately $ million as of September 25, 2014. If all amounts outstanding under the GCI Facility are repaid with a portion of the net proceeds from this offering, the GCI Facility will be terminated. Voluntary prepayments of the GCI Facility are generally subject to a prepayment premium of 1.0% (which will be reduced to 0.5% for prepayments of the GCI Facility using the proceeds from this offering).

Our indebtedness, combined with our lease and other financial obligations and contractual commitments, could adversely affect our business, financial condition and operating results by:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including restrictive covenants and borrowing conditions, which may lead to an event of default under agreements governing our debt;
- making us more vulnerable to adverse changes in general economic, industry and competitive conditions and government regulation;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of cash flows to fund current operations and future growth;
- exposing us to the risk of increased interest rates as our borrowings under our Credit Facilities are at variable rates;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- requiring us to comply with financial and operational covenants, restricting us, among other things, from placing liens on our assets, making investments, incurring debt, making payments to our equity or debt holders and engaging in transactions with affiliates;
- limiting our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business and growth strategies or other purposes; and
- limiting our ability to obtain credit from our suppliers and other financing sources on acceptable terms or at all.

We may also incur substantial additional indebtedness in the future, subject to the restrictions contained in our Credit Facilities. If such new indebtedness is in an amount greater than our current debt levels, the related risks that we now face could intensify. However, we cannot assure you that any such additional financing will be available to us on acceptable terms or at all.

Significant amounts of cash are required to service our indebtedness and operating lease obligations, and any failure to meet our debt service obligations could adversely affect our business, financial condition and operating results.

Our ability to pay interest on and principal of our debt obligations will primarily depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling our assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms. See "Description of Certain Indebtedness."

Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations at all or on acceptable terms, could have an adverse effect on our business, financial condition and operating results.

We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in amounts sufficient to enable us to make payments on our indebtedness or to fund our operations.

Our debt agreements contain restrictions that may limit our flexibility in operating our business.

We are a holding company, and accordingly, substantially all of our operations are conducted through our subsidiaries. The credit agreements governing our Credit Facilities contain, and any future indebtedness would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions, including restrictions on our ability to engage in acts that may be in our best long-term interests. The credit agreements governing our Credit Facilities include covenants that, among other things, restrict our and our subsidiaries' ability to:

- incur additional indebtedness;
- create liens;
- make investments, loans or advances;
- merge or consolidate;
- sell assets, including capital stock of subsidiaries or make acquisitions;
- pay dividends on capital stock or redeem, repurchase or retire capital stock or make other restricted payments;
- enter into transactions with affiliates;
- repurchase certain indebtedness; and
- exceed a certain total net leverage ratio or, in certain cases, maintain less than a certain fixed charge coverage ratio.

Based on the foregoing factors, the operating and financial restrictions and covenants in our current debt agreements and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to engage in other business activities.

In addition, a breach of any of the restrictive covenants in our Credit Facilities may constitute an event of default, permitting the lenders to declare all outstanding indebtedness under both our Credit Facilities to be immediately due and payable or to enforce their security interest, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default under any of the agreements governing our Credit Facilities, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the credit agreements. If any of our indebtedness under either Credit Facility were to be accelerated, there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could adversely affect our ability to continue to operate as a going concern. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities" for more information.

Our fixed lease obligations could adversely affect our operating results.

We are required to use a significant portion of cash generated by our operations to satisfy our fixed lease obligations, which could adversely affect our ability to obtain future financing to support our growth or other operational investments. We will require substantial cash flows from operations to make our payments under our operating leases, all of which provide for periodic increases in rent. As of September 25, 2014, our minimum annual rental obligations under long-term operating leases for the thirteen weeks ending December 25, 2014 and the fiscal year ending December 31, 2015 are approximately $8.0 million and $36.0 million, respectively. If we are not able to make payments under our operating leases, this could trigger defaults under other leases or, in certain circumstances, under our Credit Facilities, which could cause the counterparties or lenders under those agreements to accelerate the obligations due thereunder.

Changes to accounting rules or regulations could adversely affect our operating results.

Our consolidated financial statements are prepared in accordance with GAAP. New accounting rules or regulations and changes to existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, such as changes to lease accounting guidance or a requirement to convert to international financial reporting standards, could adversely affect our operating results through increased cost of compliance.

Risks Related to this Offering and Ownership of Our Common Stock

You may not be able to resell your shares at or above the offering price or at all, and our stock price may be volatile, which could result in a significant loss or impairment of your investment.

Prior to this offering, there has been no public market for our common stock. An active public market for our common stock may not develop or be sustained after this offering, in which case it may be difficult for you to sell your shares of our common stock at a price that is attractive to you or at all. The price of our common stock in any such market may be higher or lower than the price that you pay in this offering. If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay the price that we negotiated with the representatives of the underwriters, which may not be indicative of prices that will prevail in the trading market.

The trading price of our common stock may be volatile and subject to wide price fluctuations in response to various factors, many of which are beyond our control, including those described above in "—Risks Related to Our Business" and the following:

- actual or anticipated fluctuations in our quarterly or annual financial results;
- the financial guidance we may provide to the public, any changes in such guidance or our failure to meet such guidance;
- failure of industry or securities analysts to maintain coverage of us, changes in financial estimates by any industry or securities analysts that follow us or our failure to meet such estimates;
- downgrades in our credit ratings or the credit ratings of our competitors;
- market factors, including rumors, whether or not correct, involving us or our competitors;
- fluctuations in stock market prices and trading volumes of securities of similar companies;
- sales or anticipated sales of large blocks of our stock;
- short selling of our common stock by investors;
- limited "public float" in the hands of a small number of persons whose sales or lack of sales of our common stock could result in positive or negative pricing pressure on the market price for our common stock;
- additions or departures of key personnel;
- announcements of new store openings, commercial relationships, acquisitions or entry into new markets by us or our competitors;
- failure of any of our initiatives, including our growth strategy, to achieve commercial success;
- regulatory or political developments;
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the JOBS Act;
- changes in accounting principles or methodologies;
- litigation or governmental investigations;
- negative publicity about us in the media and online; and
- general financial market conditions or events.

Furthermore, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations sometimes have been unrelated or disproportionate to the operating performance of those companies. These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise adversely affect the price or liquidity of our common stock.

In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, we could incur substantial costs defending it or paying for settlements or damages. Such a lawsuit could also divert the time and attention of our management from our operating business. As a result, such litigation may adversely affect our business, financial condition and operating results.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market, or our competitors, or if they change their recommendations regarding our common stock in a negative way, the price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who cover us change their recommendation regarding our common stock in a negative way, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who covers us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

The large number of shares eligible for public sale in the future, or the perception of the public that these sales may occur, could depress the market price of our common stock.

The market price of our common stock could decline as a result of (i) sales of a large number of shares of our common stock in the market after this offering, particularly sales by our directors, employees (including our executive officers) and significant stockholders, and (ii) a large number of shares of our common stock being registered or offered for sale. These sales, or the perception that these sales could occur, may depress the market price of our common stock. We will have shares of common stock outstanding after this offering (or shares if the underwriters' exercise their option to purchase additional shares in full). Of these shares, the common stock sold in this offering will be freely tradable.

Additionally, as of the closing of this offering, shares of our common stock will be issuable upon exercise of stock options that vest and are exercisable at various dates through , 2019, with an average weighted exercise price of $ per share. Of such options, are currently exercisable. As soon as practicable after the closing of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under the Incentive Plans. The Form S-8 registration statement will become effective immediately upon filing, and shares covered by that registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described below and the limitations of Rule 144 under the Securities Act ("Rule 144") applicable to affiliates.

We and certain of our stockholders, directors and officers have agreed to a "lock-up," pursuant to which neither we nor they will sell any shares without the prior consent of the representatives of the underwriters for 180 days after the date of this prospectus, subject to certain exceptions and extensions under certain circumstances. Following the expiration of the applicable lock-up period, all of our shares of common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. In addition, our Sponsors have certain demand registration rights, and all of our stockholders have "piggy-back" registration rights with respect to the common stock that they will retain following this offering. See "Shares Eligible for Future Sale" and "Description of Capital Stock—Registration Rights" for a discussion of the shares of common stock that may be sold into the public market in the future, including common stock held by Ares and Freeman Spogli.

You will incur immediate and substantial dilution in your investment because our earlier investors paid less than the initial public offering price when they purchased their shares.

If you purchase shares in this offering, you will incur immediate dilution of $ in net tangible book value per share (or $ if the underwriters exercise their option to purchase additional shares in full), based on an assumed initial public offering price of $ per share, the

midpoint of the price range set forth on the cover page of this prospectus, because the price that you pay will be greater than the net tangible book value per share of the shares acquired. This dilution arises because our earlier investors paid less than the initial public offering price when they purchased their shares of our common stock. Furthermore, there will be options to purchase shares of common stock outstanding upon the closing of this offering that have exercise prices below the initial public offering price. To the extent such options are exercised in the future, there may be further dilution to new investors. See "Dilution."

In the future, we expect to issue stock options, restricted stock and/or other forms of stock-based compensation, which have the potential to dilute stockholders' value and cause the price of our common stock to decline.

In the future, we expect to offer stock options, restricted stock and/or other forms of stock-based compensation to our eligible employees, consultants and Non-Employee Directors (as defined in "Executive and Director Compensation—Compensation of our Directors for Fiscal 2013—Director Compensation"). If any options that we issue are exercised or any restrictions on restricted stock that we issue lapse and those shares are sold into the public market, the market price of our common stock may decline. In addition, the availability of shares of common stock for award under the Incentive Plans or the grant of stock options, restricted stock or other forms of stock-based compensation may adversely affect the market price of our common stock.

Our dual-class capitalization structure and the conversion features of our Class C common stock may dilute the voting power of the holders of our Class A common stock.

Following the closing of this offering, we will have a dual-class capitalization structure, which may pose a significant risk of dilution to our Class A common stockholders. The shares of our Class C common stock are automatically converted into shares of our Class A common stock on the basis of one share of Class A common stock for each share of Class C common stock in the event that the holder of such Class C common stock is not Freeman Spogli or any of its affiliates. In addition, Freeman Spogli or any of its affiliates may convert their shares of Class C common stock into shares of our Class A Common Stock, in whole or in part, at any time and from time to time at their option, on the basis of one share of Class A common stock for each share of Class C common stock so long as at such time either Ares and its affiliates or Freeman Spogli and its affiliates do not own more than 24.9% of our Class A common stock after giving effect to any such conversion. Conversion of our Class C common stock into Class A common stock would dilute the voting power of the holders of Class A common stock, including holders of shares purchased in this offering.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to holders of our common stock to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities or securities convertible into equity securities, existing stockholders will experience dilution and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, you bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Our principal stockholders will continue to have substantial control over us after this offering, will be able to influence corporate matters and may take actions that conflict with your interests and have the effect of delaying or preventing changes of control or changes in management, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.

Upon the closing of this offering, our directors, executive officers and holders of more than 5% of our Class A common stock, together with their affiliates, will beneficially own, in the aggregate, approximately % of our outstanding Class A common stock, assuming no exercise of the underwriters' option to purchase additional shares. Ares will beneficially own, in the aggregate, approximately % of our outstanding Class A common stock and Freeman Spogli will beneficially own, in the aggregate, approximately % of our outstanding Class A common stock and 100% of our outstanding Class C common stock. These amounts compare to approximately % of our outstanding Class A common stock represented by the shares sold by us in this offering, assuming no exercise of the underwriters' option to purchase additional shares. As a result, these stockholders acting together, or Ares or Freeman Spogli acting alone, will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of us or our assets. The Investor Rights Agreement (as defined in "Certain Relationships and Related Party Transactions") also contains agreements among our Sponsors with respect to voting on the election of directors and board committee membership. See also "—Our dual class capitalization structure and the conversion features of our Class C common stock may dilute the voting power of the holders of our Class A common stock." The interests of Ares or Freeman Spogli could conflict in material respects with yours, and this concentration of ownership could limit your ability to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us. Messrs. Kaplan, Sarin and Stein serve as officers and principals of certain Ares affiliated entities. In addition, NAX 18, LLC, a consulting entity controlled by Mr. Axelrod, provides consulting services to certain Ares affiliated entities. Messrs. Brutocao and Roth serve as officers and principals of certain Freeman Spogli affiliated entities. In addition, Peter Starrett Associates, a consulting entity controlled by Mr. Starrett, provides consulting services to certain Freeman Spogli affiliated entities. Our certificate of incorporation provides that no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of our Sponsors will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to our Sponsors instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to our Sponsors.

Although we do not expect to rely on the "controlled company" exemption, since we will qualify as a "controlled company" within the meaning of the rules of the New York Stock Exchange upon completion of this offering, we will qualify for exemptions from certain corporate governance requirements.

Under the rules of the New York Stock Exchange, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a "controlled company" and may elect not to comply with certain rules of the New York Stock Exchange regarding corporate governance, including:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

These requirements will not apply to us as long as we remain a "controlled company." Although we will qualify as a "controlled company" upon completion of this offering, we do not expect to rely on this exemption, and we intend to fully comply with all corporate governance requirements under the rules of the New York Stock Exchange. However, if we were to utilize some or all of these exemptions, you may not have the same protections afforded to stockholders of companies that are subject to all of the rules of the New York Stock Exchange regarding corporate governance.

Our management will have broad discretion over the use of the proceeds we receive in this offering and might not apply the proceeds in ways that increase the value of your investment.

Our management will have broad discretion to use the net proceeds from this offering and you will be relying on the judgment of our management regarding the application of such proceeds. Our management might not apply the net proceeds from this offering in ways that increase the value of your investment. We expect to use the net proceeds from this offering to pay down indebtedness and for general corporate purposes. Our management might not be able to generate a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence management's decisions regarding how to use the net proceeds from this offering.

We do not currently expect to pay any cash dividends.

The continued operation and growth of our business will require substantial funding. Accordingly, we do not currently expect to pay any cash dividends on shares of our common stock. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon our operating results, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deem relevant. Additionally, under our Credit Facilities, our subsidiaries are currently restricted from paying cash dividends except in limited circumstances, and we expect these restrictions to continue in the future. Accordingly, if you purchase shares in this offering, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. See "Dividend Policy."

We will incur significant expenses as a result of becoming a public company, which will negatively impact our financial performance and could cause our results of operations or financial condition to suffer.

As a public company, we will incur significant legal, accounting, insurance and other expenses that we have not incurred as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the Securities and Exchange Commission ("SEC"). The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. In estimating these costs, we took into account expenses related to insurance, legal, accounting, and compliance activities, as well as other expenses not currently incurred. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Taking advantage of the reduced disclosure requirements applicable to "emerging growth companies" may make our common stock less attractive to investors.

The JOBS Act provides that, so long as a company qualifies as an "emerging growth company," it will, among other things:

- be exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that its independent registered public accounting firm provide an attestation report on the effectiveness of its internal control over financial reporting;
- be exempt from the "say on pay" and "say on golden parachute" advisory vote requirements of the Dodd-Frank Wall Street Reform and Customer Protection Act (the "Dodd-Frank Act");
- be permitted to omit certain disclosure requirements of the Dodd-Frank Act relating to compensation of its executive officers and the detailed compensation discussion and analysis from proxy statements and reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- be permitted to provide a reduced level of disclosure concerning executive compensation and be exempt from any rules that may be adopted by the Public Company Accounting Oversight Board requiring mandatory independent registered public accounting firm rotations or a supplement to the auditor's report on the financial statements.

We currently intend to take advantage of the reduced disclosure requirements regarding executive compensation. We have irrevocably elected not to take advantage of the extension of time to comply with new or revised financial accounting standards available under Section 107(b) of the JOBS Act. If we remain an "emerging growth company" after fiscal 2014, we expect to take advantage of other exemptions, including the exemptions from the advisory vote requirements and executive compensation disclosures under the Dodd-Frank Act and the exemption from the provisions of Section 404(b) of the Sarbanes-Oxley Act. We cannot predict if investors will find our common stock less attractive if we elect to rely on these exemptions, or if taking advantage of these exemptions would result in less active trading or more volatility in the price of our common stock. Also, as a result of our intention to take advantage of some or all of the reduced regulatory and reporting requirements that will be available to us as long as we qualify as an "emerging growth company," our financial statements may not be comparable to companies that fully comply with regulatory and reporting requirements upon the public company effective dates.

Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have an adverse effect on our business and stock price.

We are not currently required to comply with the rules of the SEC implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal controls over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, we will not be required to make our first annual assessment of our internal controls over financial reporting pursuant to Section 404 until the year following our first annual report required to be filed with the SEC. However, as an "emerging growth company," our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 until the later of the year following our first annual report required to be filed with the SEC or the date we are no

longer an "emerging growth company." At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we may need to undertake various actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal controls can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal controls over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify material weaknesses in our internal controls over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the New York Stock Exchange, the SEC or other regulatory authorities, which could require additional financial and management resources.

Anti-takeover provisions could impair a takeover attempt and adversely affect existing stockholders and the market value of our common stock.

Certain provisions of our certificate of incorporation and bylaws that will be in effect upon the closing of this offering and applicable provisions of Delaware law may have the effect of rendering more difficult, delaying or preventing an acquisition of our company, even when this would be in the best interest of our stockholders. These provisions include:

- a classified board of directors;
- the sole power of a majority of our board of directors to fix the number of directors;
- the requirement that certain advance notice procedures be followed for our stockholders to submit nominations of candidates for election to our board of directors and to bring other proposals before a meeting of the stockholders;
- the sole power of our board of directors to amend our bylaws without stockholder approval;
- limitations on the removal of directors nominated by our Sponsors;
- the sole power of the board of directors, or our Sponsors in the case of a vacancy of one of their respective board nominees, to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise;
- the ability of a majority of our board of directors (even if less than a quorum) to designate one or more series of preferred stock and issue shares of preferred stock without stockholder approval;
- the inability of stockholders to act by written consent if our Sponsors collectively own less than a majority of our outstanding Class A common stock;
- a requirement that, to the fullest extent permitted by law, certain proceedings against or involving us or our directors, officers or employees be brought exclusively in the Court of Chancery in the State of Delaware;
- the requirement that participating stockholders reimburse us for all fees, costs and expenses incurred in connection with a proceeding in which such stockholders do not obtain a judgment on the merits that substantially achieves the full remedy sought;

- the lack of cumulative voting rights for the holders of our Class A common stock with respect to the election of directors; and
- the inability of stockholders to call special meetings if our Sponsors collectively own less than a majority of our outstanding Class A common stock.

Further, Delaware law imposes conditions on the voting of "control shares" and on certain business combination transactions with "interested stockholders."

Our issuance of shares of preferred stock could delay or prevent a change of control of the Company. Our board of directors has the authority to cause us to issue, without any further vote or action by our stockholders, up to shares of preferred stock, par value $0.001 per share, in one or more series, to designate the number of shares constituting any series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by our stockholders, even where stockholders are offered a premium for their shares.

In addition, the issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

These provisions could delay or prevent hostile takeovers and changes in control or changes in our management. Also, the issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in our common stock less attractive. For example, a conversion feature could cause the trading price of our common stock to decline to the conversion price of the preferred stock. Any provision of our certificate of incorporation or bylaws or Delaware law that has the effect of delaying or deterring a change in control or otherwise makes an investment in our common stock less attractive could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock. See "Description of Capital Stock."

Provisions in our certificate of incorporation that require participating stockholders to reimburse us and our directors, officers, employees and affiliates for unsuccessful claims may have the effect of discouraging lawsuits against us or our directors, officers, employees or affiliates.

Our certificate of incorporation provides that, to the fullest extent permitted by law, a current or prior stockholder, or person acting on their behalf, that initiates, asserts, joins, assists or has a direct financial interest in an action, suit or proceeding against us or any of our directors, officers, employees or affiliates and who does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy or relief sought in such claim will be jointly and severally obligated to reimburse all fees, costs and expenses (including attorneys' fees and other litigation expenses) that are incurred by us or our directors, officers, employees or affiliates in connection with such claim. This provision may have the effect of discouraging lawsuits against us or our directors, officers, employees or affiliates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including statements regarding our future operating results and financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "budget," "potential" or "continue" or the negative of these terms or other similar expressions. The forward-looking statements in this prospectus are only predictions. Although we believe that the expectations reflected in the forward-looking statements in this prospectus are reasonable, we cannot guarantee future events, results, performance or achievements. A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements in this prospectus, including, without limitation, those factors described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the key factors that could cause actual results to differ from our expectations include the following:

- an overall decline in the health of the economy, the hard surface flooring industry, consumer spending, and the housing market;
- fluctuations in material and energy costs;
- our failure to execute our business strategy effectively and deliver value to our customers;
- competition from other stores and internet-based competition;
- any disruption in our distribution capabilities resulting from our reliance upon independent third-party logistics providers or our inability to convert or operate our distribution centers going forward;
- our failure to successfully anticipate consumer preferences and demand;
- our inability to manage our growth;
- our inability to maintain sufficient levels of cash flow to meet growth expectations;
- our inability to manage costs and risks relating to new store openings;
- our inability to manage our inventory obsolescence, shrinkage and damage;
- our inability to obtain merchandise on a timely basis at prices acceptable to us;
- our dependence on foreign imports for the products we sell;
- suppliers may sell similar or identical products to our competitors;
- our inability to find, train and retain key personnel;
- violations of laws and regulations applicable to us and our suppliers;
- our vulnerability to natural disasters and other unexpected events;
- our failure to adequately protect against security breaches involving our information technology systems and customer information;
- our inability to find available locations for our stores on terms acceptable to us; and

- restrictions imposed by our indebtedness on our current and future operations.

Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The forward-looking statements contained in this prospectus speak only as of the date hereof. New risks and uncertainties arise over time, and it is not possible for us to predict those events or how they may affect us. If a change to the events and circumstances reflected in our forward-looking statements occurs, our business, financial condition and operating results may vary materially from those expressed in our forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein after we distribute this prospectus, whether as a result of any new information, future events or otherwise.

FISCAL YEAR AND CERTAIN FINANCIAL MEASURES AND TERMS

Fiscal Year

Our fiscal year is the 52- or 53-week period ending on the Thursday preceding December 31. Each of our fiscal years consists of thirteen-week periods in the first, second, third and fourth quarters of the fiscal year. Our last three completed fiscal years consisted of 52 weeks and ended on December 26, 2013, December 27, 2012 and December 29, 2011, respectively.

Certain Financial Measures and Terms

In this prospectus, in addition to presenting our financial data in accordance with accounting principles generally accepted in the United States (referred to as "GAAP"), we present certain other financial measures, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, CAGR, comparable store sales and net working capital. We define these terms, other than EBITDA and Adjusted EBITDA, as follows:

"Adjusted EBITDA margin" means, for any period, the Adjusted EBITDA for that period divided by the net sales for that period.

"CAGR" means compound annual growth rate.

"Comparable store sales" include net sales from our stores beginning on the first day of the thirteenth full fiscal month following the store's opening. Because our e-commerce sales are fulfilled by individual stores, they are included in comparable store sales only to the extent such fulfilling store meets the above mentioned store criteria.

"Net working capital" means, as of any date, current assets (excluding cash and cash equivalents) less current liabilities (excluding the current portion of long-term debt and revolving lines of credit).

For definitions of EBITDA and Adjusted EBITDA and reconciliations of those measures to the most directly comparable GAAP measures, see "Prospectus Summary—Summary Consolidated Financial and Other Data" and "Selected Consolidated Financial Data." The use of certain of these measures is also discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Performance Indicators." These financial measures are intended to provide additional information only and do not have any standard meanings prescribed by GAAP. Use of these terms differs among companies in the retail industry, and therefore measures disclosed by us may not be comparable to measures disclosed by other companies. Each of these financial measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

In addition, when used in this prospectus, unless the context otherwise requires:

"Cash-on-cash returns" means, for any period for a given store, four-wall Adjusted EBITDA for that period for that store, divided by the total initial cash investment for that store.

"Four-wall Adjusted EBITDA" means, for any period for a given store, the Adjusted EBITDA for that period before corporate general and administrative and distribution center expenses.

"Pre-tax payback" means, for a given store, starting with the first day it is open, the date on which cumulative four-wall Adjusted EBITDA for such store equals our total initial cash investment for such store.

"Total initial cash investment" means, for a given store, our initial cash investment in that store, which consists of initial inventory (net of payables), pre-opening expenses and capital investment (net of tenant improvement allowances).

MARKET, INDUSTRY AND OTHER DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations, such as Catalina Research, Inc., and other industry publications, surveys and forecasts, and management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of our industry and markets, which we believe to be reasonable. In addition, projections, assumptions and estimates of the future performance of our industry and our future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause our results to differ materially from those expressed in the estimates made by the independent industry analysts and other third party sources and by us.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from selling common stock in this offering will be approximately $, after deducting estimated offering expenses of approximately $ (or, if the underwriters exercise their option to purchase additional shares in full, approximately $, after deducting the estimated offering expenses of approximately $), based on an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds of this offering by approximately $ (or, if the underwriters exercise their option to purchase additional shares in full, approximately $). Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, at the assumed initial public offering price of $ per share would increase (decrease) the net proceeds of this offering by approximately $ million (or, if the underwriters exercise their option to purchase additional shares in full, approximately $).

We intend to use the net proceeds of this offering as follows:

(i) first, to repay all or a portion of the amounts outstanding under the GCI Facility, including accrued and unpaid interest and the applicable prepayment penalty; and

(ii) second, to repay $ of the outstanding indebtedness under the Wells Facility Revolving Line of Credit and for other general corporate purposes.

Our management will have broad discretion to use the net proceeds from this offering designated for general corporate purposes, and you will be relying on the judgment of our management regarding the application of such proceeds. Our management might not be able to generate a significant return, if any, on any investment of these net proceeds.

As of , 2014, we had approximately $ million of indebtedness outstanding under the GCI Facility and approximately $ million of indebtedness outstanding under the Wells Facility. The interest rate on the GCI Facility and the Wells Facility Revolving Line of Credit as of , 2014 was % and %, respectively. The GCI Facility matures on May 1, 2019 and the Wells Facility Revolving Line of Credit matures on the earliest of (i) July 2, 2019, (ii) the maturity date of the Wells Facility Term Loan A (unless the Wells Facility Term Loan A is repaid prior to its maturity date) and (iii) the date that is 90 days prior to the maturity date of the GCI Facility (unless the GCI Facility is repaid prior to its maturity date). Any amounts repaid under the GCI Facility will not be available for future borrowing following repayment. If all amounts outstanding under the GCI Facility are repaid with a portion of the net proceeds from this offering, the GCI Facility will be terminated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities" for more information. An affiliate of Wells Fargo Securities, LLC is the administrative agent, the collateral agent and a lender, and an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated is a lender, under the Wells Facility Revolving Line of Credit and as such will receive a portion of the proceeds from this offering. See "Underwriting."

DIVIDEND POLICY

We currently intend to retain all available funds and any future earnings for use in the operation and growth of our business, and therefore we do not currently expect to pay any cash dividends on our common stock. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on then existing conditions, including our operating results, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may deem relevant. In addition, our Credit Facilities contain covenants that restrict our ability to pay cash dividends.

CAPITALIZATION

The following table sets forth our capitalization as of September 25, 2014 on:

- an actual basis; and
- a pro forma basis, giving effect to the closing of this offering, including the application of the estimated net proceeds from this offering as described under "Use of Proceeds" and the Common Stock Changes.

The table below should be read in conjunction with "Use of Proceeds," "Selected Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Capital Stock," and our consolidated financial statements and the related notes included in this prospectus.

	As of September 25, 2014	
	Actual	Pro Forma
	(in thousands, except share data)	
Cash and cash equivalents	$ 161	$
Debt(1):		
Wells Facility Revolving Line of Credit	$ 58,000	$
Wells Facility Term Loan A	9,167	
GCI Facility	79,200	
Total debt	146,367	
Stockholders' equity:		
Undesignated preferred stock, par value $0.001 per share; 100,000 shares authorized, no shares issued and outstanding, actual; and shares authorized, no shares issued and outstanding, pro forma	—	
Class A common stock, par value $0.001 per share; 500,000 shares authorized, 238,789 shares issued and outstanding, actual; and shares authorized, shares issued and outstanding, pro forma	—	
Class B common stock, par value $0.001 per share; 100,000 shares authorized, 356 shares issued and outstanding, actual; and shares authorized, no shares issued and outstanding, pro forma	—	
Class C common stock, par value $0.001 per share; 500,000 shares authorized, 19,500 shares issued and outstanding, actual; and shares authorized, shares issued and outstanding, pro forma	—	
Additional paid-in capital	260,256	
Accumulated other comprehensive loss	(165)	
Retained earnings(2)	17,381	
Total stockholders' equity	277,472	
Total capitalization	$ 423,839	$

(1) The above table reflects debt outstanding as of September 25, 2014 and does not include approximately $3.4 million of outstanding letters of credit as of September 25, 2014 that will not be reflected on the balance sheet unless drawn upon. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities." As of , 2014, the Company's total debt outstanding was $ million.

(2) Pro forma retained earnings reflects the write-off of $ million ($ million net of tax) in deferred financing fees and prepayment penalties related to the repayment of the GCI Facility. See "Use of Proceeds."

DILUTION

If you invest in our common stock, your interest will be immediately diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering.

The historical net tangible book value of our common stock as of September 25, 2014 was $ million, or $ per share. Historical net tangible book value is the amount of our total tangible assets less our total liabilities. Historical net tangible book value per share is our historical net tangible book value, divided by the number of outstanding shares of common stock, after giving effect to the -for-one stock split of our common stock effected on , 2014.

The pro forma net tangible book value of our common stock as of September 25, 2014 was approximately $ million, or approximately $ per share. Pro forma net tangible book value and pro forma net tangible book value per share give effect to the -for-one stock split of our common stock effected on , 2014.

Pro forma as adjusted net tangible book value gives effect to (i) the -for-one stock split of our common stock effected on , 2014, (ii) the sale by us of shares of common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, and (iii) the application of the net proceeds received by us as described under "Use of Proceeds." As of September 25, 2014, our pro forma as adjusted net tangible book value would have been approximately $ million, or approximately $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis to new investors:

Assumed initial public offering price per share	$
Historical net tangible book value per share as of September 25, 2014	
Increase in pro forma net tangible book value per share attributable to new investors purchasing shares in this offering	
Pro forma as adjusted net tangible book value per share after this offering	
Dilution per share to new investors purchasing shares in this offering	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma as adjusted net tangible book value after this offering by $ per share and increase (decrease) the dilution to new investors by approximately $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value after this offering by approximately $ per share and increase (decrease) the dilution to new investors by $ per share, assuming the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover of this prospectus) remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

The table below summarizes, as of September 25, 2014, on a pro forma as adjusted basis described above, the number of shares of our common stock, the total consideration and the average

price per share (i) paid to us by our existing stockholders and (ii) to be paid by new investors purchasing our common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, before deducting the underwriting discount and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%	$	%	$
New investors		%		%	
Total		100.0%		100.0%	
			$		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) total consideration paid by new investors by $ and increase (decrease) the percentage of total consideration paid by new investors by %, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and before deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) total consideration paid by new investors by $ and increase (decrease) the percent of total consideration paid by new investors by %, assuming the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover of this prospectus) remained the same and before deducting the underwriting discount and estimated offering expenses payable by us.

If the underwriters' option to purchase additional shares in this offering is exercised in full, the percentage of shares of our common stock held by existing stockholders will be reduced to % of the total number of shares of our common stock outstanding after this offering, and the number of shares held by new investors will increase to shares, or % of the total number of shares of our common stock outstanding after this offering.

The discussion and tables above are based on shares of our common stock outstanding as of September 25, 2014, assuming the -for-one stock split of our common stock effected on , 2014, and exclude the following:

- shares of common stock issuable upon the exercise of stock options outstanding as of September 25, 2014 at a weighted average exercise price of $ per share; and
- shares of common stock reserved for future issuance under the Incentive Plans.

If all of these options were exercised, then our existing stockholders, including the holders of these options, would own % and our new investors would own % of the total number of shares of our common stock outstanding upon the closing of this offering. In such event, the total consideration paid by our existing stockholders, including the holders of these options, would be approximately $ million, or %, the total consideration paid by our new investors would be $ million, or %, the average price per share paid by our existing stockholders would be $, and the average price per share paid by our new investors would be $.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial data. You should read the following selected consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto and other financial data included elsewhere in this prospectus.

We have derived the selected consolidated financial data as of December 26, 2013 and December 27, 2012 and for the fiscal years ended December 26, 2013, December 27, 2012 and December 29, 2011 from our audited consolidated financial statements, which are included elsewhere in this prospectus. We have derived the selected consolidated financial data as of and for the thirty-nine weeks ended September 25, 2014 and September 26, 2013 from our unaudited condensed consolidated financial statements, which are included elsewhere in this prospectus. Our unaudited condensed consolidated financial statements as of September 25, 2014 and for the thirty-nine weeks ended September 25, 2014 and September 26, 2013, in the opinion of management, include all adjustments (inclusive only of normally recurring adjustments) necessary for a fair presentation. Historical results are not indicative of the results to be expected in the future and results of operations for an interim period are not necessarily indicative of results for a full year.

	Fiscal year ended(1)			Thirty-nine weeks ended(1)	
(in thousands, except share and per share amounts)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net sales	$ 441,394	$ 335,088	$ 276,358	$ 422,999	$ 325,000
Cost of sales	270,103	199,900	163,395	255,245	197,734
Gross profit	171,291	135,188	112,963	167,754	127,266
Selling and store operating expenses	107,097	86,025	73,340	105,658	78,741
General and administrative expenses	31,736	21,572	16,352	28,906	23,077
Pre-opening expenses	5,196	1,544	2,250	5,609	3,494
Executive severance(2)	—	—	—	2,975	—
Casualty gain(3)	—	(1,421)	—	—	—
Operating income	27,262	27,468	21,021	24,606	21,954
Interest expense	7,684	6,528	7,031	6,775	5,498
Loss on early extinguishment of debt	1,638	—	1,801	—	1,638
Income before income taxes	17,940	20,940	12,189	17,831	14,818
Provision for income taxes	6,857	8,102	4,702	6,639	5,779
Net income	$ 11,083	$ 12,838	$ 7,487	$ 11,192	$ 9,039
Earnings per share:					
Basic	$ 42.92	$ 49.90	$ 29.10	$ 43.30	$ 35.00
Diluted	$ 42.55	$ 49.88	$ 29.05	$ 42.08	$ 34.84
Weighted average shares outstanding:					
Basic	258,232	257,280	257,280	258,501	258,271
Diluted	260,451	257,391	257,751	265,947	259,447
Pro forma earnings per share(4):					
Basic	$			$	
Diluted	$			$	
Pro forma weighted average shares outstanding(4):					
Basic					
Diluted					

(in thousands)	Fiscal year ended(1) December 26, 2013	December 27, 2012	December 29, 2011	Thirty-nine weeks ended(1) September 25, 2014	September 26, 2013
Consolidated statement of cash flows data:					
Net cash (used in) provided by operating activities	$ (15,428)	$ 23,336	$ 7,947	$ 43,469	$ (457)
Net cash used in investing activities	(25,056)	(10,709)	(9,561)	(30,500)	(18,694)
Net cash provided by (used in) financing activities	40,487	(15,777)	3,501	(12,983)	19,619

(in thousands)	As of(1) December 26, 2013 Actual	Pro forma as adjusted(5)	December 27, 2012	December 29, 2011	As of(1) September 25, 2014 Actual	Pro forma as adjusted(5)	September 26, 2013
Consolidated balance sheet data:							
Cash and cash equivalents	$ 175	$	$ 172	$ 3,322	$ 161	$	$ 640
Net working capital	95,136		51,441	47,897	78,641		70,945
Total assets	562,342		483,440	458,646	610,375		560,269
Total debt(6)	159,667		90,543	103,464	146,367		138,834
Total stockholders' equity	264,132		275,186	261,370	277,472		261,466

	Fiscal year ended(1) December 26, 2013	December 27, 2012	December 29, 2011	Thirty-nine weeks ended(1) September 25, 2014	September 26, 2013
Other financial data:					
Comparable store sales growth	22.1%	11.6%	10.6%	14.9%	24.1%
Number of stores open at the end of the period(7)	39	31	29	45	36
Adjusted EBITDA (in thousands)(8)	$ 41,845	$ 34,161	$ 29,847	$ 43,487	$ 31,257
Adjusted EBITDA margin	9.5%	10.2%	10.8%	10.3%	9.6%

(1) Our fiscal year is the 52- or 53-week period ending on the Thursday preceding December 31. The data presented contains references to fiscal 2013, fiscal 2012, and fiscal 2011, which represent our fiscal years ended December 26, 2013, December 27, 2012, and December 29, 2011, all of which were 52-week periods. The first thirty-nine weeks of fiscal 2014 ended on September 25, 2014 and the first thirty-nine weeks of fiscal 2013 ended on September 26, 2013.

(2) Represents costs incurred in connection with the separation agreement with one of our former officers.

(3) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption for one of our stores.

(4) Pro forma per share data gives effect to (i) the -for-one stock split of our common stock effected on , 2014, (ii) the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us, (iii) the application of the net proceeds received by us as described under "Use of Proceeds" and (iv) the 2013 Refinancing (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Our Credit Facilities"), in each case assuming such event occurred on December 27, 2012. Basic and diluted pro forma net income per share consists of pro forma net income divided by the basic and diluted pro forma weighted average number of shares of common stock outstanding.

Pro forma net income per share reflects the net decrease in interest expense resulting from our intended repayment of debt under our Credit Facilities as described in "Use of Proceeds." Interest expense is calculated as though we engaged in the 2013 Refinancing and repaid certain outstanding indebtedness under our Credit Facilities with the net proceeds from this offering on December 27, 2012.

Pro forma net income per share does not reflect (i) the write-off of deferred financing fees of $1.4 million in connection with the use of proceeds from this offering or (ii) other costs related to operating as a public company.

The following is a reconciliation of historical net income to pro forma net income for fiscal 2013 and the thirty-nine weeks ended September 25, 2014:

(in thousands)	Fiscal year ended December 26, 2013(1)	Thirty-nine weeks ended September 25, 2014(1)
Net income, as reported	$ 11,083	$ 11,192
Decrease in interest expense(a)		
Elimination of loss on early extinguishment of debt(b)		
Pro forma net income	$	$

(a) Reflects the change in interest expense as a result of the reduction of the total debt outstanding immediately after this offering as if such reduction had occurred at the beginning of each of the reported periods. See a detailed reconciliation below in footnotes (c) and (d) to our reconciliation of historical interest expense to pro forma interest expense.

(b) Reflects the elimination of the loss on early extinguishment of debt resulting from the 2013 Refinancing which we consider to be a one-time, non-recurring expense.

The following is a reconciliation of historical interest expense to pro forma interest expense for fiscal 2013 and the thirty-nine weeks ended September 25, 2014:

(in thousands)	Fiscal year ended December 26, 2013(1)	Thirty-nine weeks ended September 25, 2014(1)
Interest expense, as reported	$ 7,684	$ 6,775
Increase attributable to the 2013 Refinancing(c)		
Decrease attributable to this offering(d)		
Net decrease		
Pro forma interest expense	$	$

(c) Reflects the change in interest expense as a result of the increase in total debt resulting from the 2013 Refinancing as if such increase had occurred at the beginning of each of the reported periods. On May 1, 2013, our total debt consisted of $40 million outstanding under the Wells Facility Revolving Line of Credit, $10 million outstanding under the Wells Facility Term Loan A and $80 million outstanding under the GCI Facility. Interest rates for each of these facilities were %, %, and %, respectively. Total debt outstanding increased $29.5 million as a result of the 2013 Refinancing. See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Our Credit Facilities" for additional detail on the 2013 Refinancing.

(d) Reflects the change in interest expense as a result of the reduction of the total debt outstanding immediately after this offering as if such reduction had occurred at the beginning of each of the reported periods. Pro forma for this offering, our total debt as of December 27, 2012 consisted of $ million and $ million under the Wells Facility Revolving Line of Credit and the Wells Facility Term Loan A, respectively. Assumes that the GCI Facility will be fully repaid. As of December 27, 2012, the interest rate for the Wells Facility Revolving Line of Credit and the Wells Facility Term Loan A was % and %, respectively.

(5) Pro forma balance sheet data as of December 26, 2013 and September 25, 2014 gives effect to (i) the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting the underwriting discount and estimated offering expenses payable by us and (ii) the application of the net proceeds received by us as described under "Use of Proceeds."

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the pro forma as adjusted total debt and total stockholders' equity after this offering by $ and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

Similarly, a one million share increase (decrease) in the number of shares offered by us, as set forth on the cover of this prospectus, would increase (decrease) the pro forma as adjusted total debt and total stockholders' equity after this offering by $ and $, respectively, assuming the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover of this prospectus) remained the same and after deducting the underwriting discount and estimated offering expenses payable by us.

(6) Total debt consists of the current and long-term portions of our Credit Facilities, as well as our Subordinated Notes.

(7) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(8) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain other items that we do not consider indicative of our underlying business performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of the underlying business performance and facilitate a comparison of our operating performance on a consistent basis from period to period. For example, pre-opening expenses are generally incurred during the five-month period prior to a store opening and then are not incurred again for the applicable store. Unlike expenses that will generally recur as the store matures (e.g., personnel wages, supplies), we believe that these pre-opening expenses are not indicative of our underlying business performance for that store and we therefore eliminate these expenses in the adjustments made to determine Adjusted EBITDA. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to evaluate the performance of our executive officers, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as pre-opening expenses, stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal year ended			Thirty-nine weeks ended	
(in thousands)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net income	$ 11,083	$ 12,838	$ 7,487	$ 11,192	$ 9,039
Depreciation and amortization(a)	6,354	4,641	4,060	7,760	4,280
Interest expense	7,684	6,528	7,031	6,775	5,498
Loss on early extinguishment of debt(b)	1,638	—	1,801	—	1,638
Income tax expense	6,857	8,102	4,702	6,639	5,779
EBITDA	33,616	32,109	25,081	32,366	26,234
Pre-opening expenses(c)	5,316	1,589	2,256	5,728	3,576
Stock compensation expense(d)	1,869	978	740	1,701	1,344
Loss on asset disposal(e)	656	157	14	145	49
Executive recruiting/relocation(f)	54	751	1,029	—	54
Casualty gain(g)	—	(1,421)	—	—	—
Other(h)	334	(2)	727	3,547	—
Adjusted EBITDA	$ 41,845	$ 34,161	$ 29,847	$ 43,487	$ 31,257

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the prepayment of our Subordinated Notes in 2013 and 2011, respectively, as well as the non-cash write off of certain deferred financing fees related to term and revolver borrowings outstanding at time of the refinancing.

(c) Non-capital expenditures associated with and incurred prior to opening new stores, excluding tenant improvement allowances included in depreciation and amortization above.

(d) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards.

(e) For the fiscal year ended December 26, 2013, the loss was primarily related to the write-off of certain software previously acquired, and for the fiscal year ended December 27, 2012, the loss related primarily to assets retired in connection with a significant remodel completed in one of our stores.

(f) Costs incurred to recruit and relocate members of executive management.

(g) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption at one of our stores.

(h) Other adjustments include amounts management does not consider indicative of our underlying business performance, including one-time consulting costs, costs incurred in connection with our proposed initial public offering and one-time executive severance of approximately $3.0 million for the thirty-nine weeks ended September 25, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes thereto and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus includes forward-looking statements that involve risks and uncertainties. You should review the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Our fiscal year is the 52- or 53-week period ending on the Thursday preceding December 31. The following discussion contains references to fiscal 2013, fiscal 2012, and fiscal 2011, which represent our fiscal years ended December 26, 2013, December 27, 2012, and December 29, 2011, all of which were 52-week periods. The first thirty-nine weeks of fiscal 2014 ended on September 25, 2014 and the first thirty-nine weeks of fiscal 2013 ended on September 26, 2013.

Overview

General

Floor & Decor is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories with 44 warehouse-format stores across 12 states as of September 25, 2014. We offer a broad assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including our Pro, DIY and BIY customers. Our warehouse-format stores average approximately 70,000 square feet and carry on average approximately 3,400 flooring and decorative and installation accessory SKUs, 1.4 million square feet of flooring products and $2.6 million of inventory at cost. We believe that our inspiring design centers and creative and informative visual merchandising also greatly enhance our customers' renovation experience. In addition to our stores, our merchandise is also available on our website at *FloorandDecor.com.*

We believe our differentiated business model and culture have created competitive advantages that have driven our success. We have had five consecutive years of double digit comparable store sales growth averaging 14.2% per year, with a 22.1% increase in fiscal 2013. Our total net sales increased from $276.4 million in fiscal 2011 to $441.4 million in fiscal 2013, representing a CAGR of 26.4%. We have expanded our store base from 28 warehouse-format stores at the end of fiscal 2011 to 38 at the end of fiscal 2013, representing a CAGR of 16.5%.

During fiscal 2013, we continued to make long-term key strategic investments, including:

- opening eight new warehouse-format stores (26.7% unit growth);
- further increasing our in-stock inventory position across our store base;
- augmenting the management team with new hires in e-commerce, supply chain, merchandising, real estate, information technology and inventory management;
- implementing our new enterprise resource planning system, which includes integrated replenishment, merchandising, e-commerce, business intelligence, point of sale and financial planning and analysis;
- enhancing our product assortment and upgrading our visual merchandising and store training program;

- adding more resources dedicated to serving our Pro customers; and
- investing capital to continue enhancing the in-store shopping experience for our customers.

We believe that our compelling business model, plus the projected growth of the large and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars), provides us with an opportunity to significantly expand our store base in the U.S. from 44 warehouse-format stores as of September 25, 2014 to over 350 stores nationwide within the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. Over the next three years, we plan to grow our store base by approximately 20% to 25% per year. Our ability to open profitable new stores depends on many factors, including the successful selection of new markets and store locations, our ability to negotiate leases on acceptable terms and our ability to attract highly qualified managers and staff. For further information see "Risk Factors—Risks Related to Our Business."

Key Performance Indicators

We consider a variety of performance and financial measures in assessing the performance of our business. The key measures we use to determine how our business is performing are comparable store sales, the number of new store openings, gross profit and gross margin and EBITDA and Adjusted EBITDA.

Comparable Store Sales

Our comparable store sales growth is a significant driver of our net sales, profitability, cash flow and overall business results. We believe that comparable store sales growth is generated by continued focus on providing a dynamic and expanding product assortment in addition to other merchandising initiatives, quality of customer service, enhancing sales and marketing strategies, improving visual merchandising and overall aesthetic appeal of stores, effectively serving our Pro customers, continued investment in store staff and infrastructure, growing our proprietary credit offering, and further integrating omni-channel strategies and other key information technology enhancements.

Comparable store sales refer to period-over-period comparisons of our sales among the comparable store base. A store is included in the comparable store sales calculation on the first day of the thirteenth full fiscal month following a store's opening, which is when we believe comparability has been achieved. Since our e-commerce sales are fulfilled by individual stores, they are included in comparable store sales only to the extent such fulfilling store meets the above mentioned store criteria. Changes in our comparable store sales between two periods are based on net sales for stores that were in operation during both of the two periods. Any change in square footage of an existing comparable store, including remodels and relocations, does not eliminate that store from inclusion in the calculation of comparable store sales. Additionally, any stores that were closed during the current or prior fiscal year are excluded from the definition of comparable stores.

Definitions and calculations of comparable store sales differ among companies in the retail industry, and therefore comparable store metrics disclosed by us may not be comparable to the metrics disclosed by other companies.

Comparable store sales allow us to evaluate how our retail stores are performing by measuring the change in period-over-period net sales in stores that have been open for thirteen months or more. Various factors affect comparable store sales, including:

- national and regional economic conditions;
- the retail sales environment and other retail trends;

- the home improvement spending environment;
- the hard surface flooring industry trends;
- the impact of competition;
- changes in our product mix;
- changes in staffing at our stores;
- cannibalization resulting from the opening of new stores in existing markets;
- changes in pricing;
- changes in advertising and other operating costs; and
- weather conditions.

Number of New Stores

The number and timing of new store openings, and the costs and fixed lease obligations associated therewith, have had, and are expected to continue to have, a significant impact on our results of operations. The number of new stores reflects the number of stores opened during a particular reporting period. Before we open new stores, we incur pre-opening expenses, which are defined below. While sales at new stores are generally lower than sales at our stores that have been open for more than one year, our new stores have historically been profitable in their first year. We believe that our new stores mature over a three- to five-year time frame, depending on the maturity and number of our other stores in the same geographic market as the new store. Generally, our newer stores have also averaged higher comparable store sales growth than our mature stores.

Gross Profit and Gross Margin

Our gross profit is variable in nature and generally follows changes in net sales. Our gross profit and gross margin can also be impacted by changes in our prices, our merchandising assortment, shrink, damage, selling of discontinued products, the cost to transport our products from the manufacturer to our stores and our distribution center costs. With respect to our merchandising assortment, certain of our products tend to generate somewhat higher margins than other products within the same product categories or among different product categories. We have experienced modest inflation increases in certain of our product categories, but historically have been able to source from a different manufacturer or pass increases onto our consumers with modest impact on our gross margin. Our gross profit and gross margin, which reflect our net sales and our cost of sales and any changes to the components thereof, allow us to evaluate our profitability and overall business results.

Gross profit is calculated as net sales less cost of sales. Gross profit as a percentage of net sales is referred to as gross margin. Cost of sales consists of merchandise costs, as well as capitalized freight costs to transport inventory to our distribution centers and stores, and duty and other costs that are incurred to distribute the merchandise to our stores. Cost of sales also includes shrinkage, damage product disposals, distribution and warehousing costs. The Company receives cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction of costs of sales as the inventory is sold or as a reduction of the carrying value of inventory while the inventory is still on hand. The components of our cost of sales may not be comparable to the components of cost of sales, or similar measures, of other retailers. As a result, data in this prospectus regarding our gross profit and gross margin may not be comparable to similar data made available by other retailers.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our underlying business performance.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of the underlying business performance and facilitate a comparison of our operating performance on a consistent basis from period to period. For example, pre-opening expenses are generally incurred during the five-month period prior to a store opening and then are not incurred again for the applicable store. Unlike expenses that will generally recur as the store matures (e.g., personnel wages, supplies), we believe that these pre-opening expenses are not indicative of our underlying business performance for that store and we therefore eliminate these expenses in the adjustments made to determine Adjusted EBITDA. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to evaluate the performance of our executive officers, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as pre-opening expenses, stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

Other Key Financial Definitions

Net Sales

The retail sector in which we operate is cyclical, and consequently our sales are affected by general economic conditions. Purchases of our products are sensitive to trends in the levels of consumer spending, which are affected by a number of factors such as consumer disposable income, housing market conditions, unemployment trends, stock market performance, consumer debt levels and consumer credit availability, interest rates and inflation, tax rates and overall consumer confidence in the economy.

Net sales reflect our sales of merchandise, less discounts and estimated returns and include our in-store sales and e-commerce sales. Revenue is recognized when both collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, revenue is recognized at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment.

Selling and Store Operating Expenses

We expect that our selling and store operating expenses will increase in future periods with future growth. Selling and store operating expenses consist primarily of store personnel wages, bonuses and benefits, infrastructure expenses, supplies, depreciation and amortization, training expenses and advertising costs. Credit card fees, insurance, personal property taxes and other miscellaneous operating costs are also included.

With regard to the freight component of e-commerce sales, the Company arranges and pays the freight for customers and bills the customers for the estimated freight cost unless the customers choose to pick up their merchandise at one of our retail locations, in which case no freight is charged. Shipping costs and any collections from customers are reported on a net basis in selling and store operating expenses.

The components of our selling and store operating expenses may not be comparable to the components of similar measures of other retailers.

General and Administrative Expenses

We expect that our general and administrative expenses will increase in future periods with future growth and in part due to additional legal, accounting, insurance and other expenses that we expect to incur as a result of being a public company, including compliance with the Sarbanes-Oxley Act. General and administrative expenses include both fixed and variable components, and therefore, are not directly correlated with net sales.

General and administrative expenses consist primarily of costs incurred outside of our stores and include administrative personnel wages in our store support center and regional offices, bonuses and benefits, supplies, depreciation and amortization, and store support center expenses. Insurance, legal expenses, information technology costs, consulting and other miscellaneous operating costs are also included.

The components of our general and administrative expenses may not be comparable to the components of similar measures of other retailers.

Pre-Opening Expenses

The Company accounts for non-capital operating expenditures incurred prior to opening a new store as "pre-opening" expenses in its consolidated statements of income. Our pre-opening expenses generally begin on average five months in advance of a store opening due to, among other things, us taking possession of the store property. Pre-opening expenses primarily include the following: rent, training costs, staff recruiting, utilities, personnel, advertising and equipment rental.

Impact of New Enterprise Resource Planning System

As noted elsewhere in this prospectus, we completed the implementation of a new enterprise resource planning system in fiscal 2013. Our new enterprise resource planning system changed the way we calculate certain transactions and, as a result, certain metrics that would ordinarily be reviewed by management, such as store customer transactions and store average ticket, are not calculated in a way that we can quantify comparisons of periods with precision. While a comparison of the information

obtained from the different enterprise resource planning systems provides us with general directional information so that we are able to identify certain changes and trends, we cannot currently quantify certain metrics in a way that facilitates precise comparisons of periods that used different enterprise resource planning systems. As a result, in order to provide investors relevant information, we have included the general directional information for a comparison of certain metrics to the extent determinable without quantifying the comparison of such metrics from period to period when amounts are calculated differently between the systems.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated, in dollars and as a percentage of net sales:

	Fiscal year ended			Thirty-nine weeks ended	
(in thousands)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net sales	$ 441,394	$ 335,088	$ 276,358	$ 422,999	$ 325,000
Cost of sales	270,103	199,900	163,395	255,245	197,734
Gross profit	171,291	135,188	112,963	167,754	127,266
Selling and store operating expenses	107,097	86,025	73,340	105,658	78,741
General and administrative expenses	31,736	21,572	16,352	28,906	23,077
Pre-opening expenses	5,196	1,544	2,250	5,609	3,494
Executive severance	—	—	—	2,975	—
Casualty gain	—	(1,421)	—	—	—
Operating income	27,262	27,468	21,021	24,606	21,954
Interest expense	7,684	6,528	7,031	6,775	5,498
Loss on early extinguishment of debt	1,638	—	1,801	—	1,638
Income before income taxes	17,940	20,940	12,189	17,831	14,818
Provision for income taxes	6,857	8,102	4,702	6,639	5,779
Net income	$ 11,083	$ 12,838	$ 7,487	$ 11,192	$ 9,039

	Fiscal year ended			Thirty-nine weeks ended	
(percentage of net sales)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	61.2%	59.7%	59.1%	60.3%	60.8%
Gross profit	38.8%	40.3%	40.9%	39.7%	39.2%
Selling and store operating expenses	24.3%	25.7%	26.5%	25.0%	24.2%
General and administrative expenses	7.2%	6.4%	5.9%	6.9%	7.1%
Pre-opening expenses	1.2%	0.5%	0.8%	1.3%	1.1%
Executive severance	0.0%	0.0%	0.0%	0.7%	0.0%
Casualty gain	0.0%	(0.4)%	0.0%	0.0%	0.0%
Operating income	6.1%	8.1%	7.7%	5.8%	6.8%
Interest expense	1.7%	1.9%	2.5%	1.6%	1.7%
Loss on early extinguishment of debt	0.4%	0.0%	0.7%	0.0%	0.5%
Income before income taxes	4.0%	6.2%	4.5%	4.2%	4.6%
Provision for income taxes	1.6%	2.4%	1.7%	1.6%	1.8%
Net income	2.4%	3.8%	2.8%	2.6%	2.8%

Thirty-nine Weeks Ended September 25, 2014 Compared to Thirty-nine Weeks Ended September 26, 2013

Net Sales

The following table summarizes our change in net sales for the first thirty-nine weeks of fiscal 2014 compared to the same period in fiscal 2013:

	Thirty-nine weeks ended			
	September 25, 2014	September 26, 2013	$ Change	% Change
Net sales	$ 422,999	$ 325,000	$ 97,999	30.2%

Net sales in the thirty-nine weeks ended September 25, 2014 increased $98.0 million, or 30.2%, compared to the thirty-nine weeks ended September 26, 2013. We experienced net sales increases across all product categories during the period, driven by increases in wood, decorative accessories and tile of 42.9%, 41.8% and 31.7%, respectively. Our comparable store sales increased 14.9%, or $48.5 million, while our non-comparable store sales increased $49.5 million. We believe the increase in comparable store sales was driven by increases in average ticket and to a lesser extent an increase in customer transactions. We believe the increase in net sales and average ticket is due to our customers responding to our merchandising and marketing initiatives by buying better products that offer more value, features and benefits, which also tend to have higher product margins. Non-comparable store sales increases were primarily driven by the opening of nine new stores since September 26, 2013.

Gross Profit and Gross Margin

The following table summarizes our gross profit and gross margin for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
Gross profit	$ 167,754	$ 127,266	$ 40,488	31.8%
Gross margin	39.7%	39.2%		

Gross profit in the thirty-nine weeks ended September 25, 2014 increased $40.5 million, or 31.8%, compared to the corresponding prior year period. This increase in gross profit was primarily the result of increased sales volume and higher product margins.

Gross margin for the thirty-nine weeks ended September 25, 2014 increased approximately 50 basis points to 39.7% from 39.2% in the thirty-nine weeks ended September 26, 2013. This increase in gross margin was primarily the result of an increase of 90 basis points of higher product margins and was partially offset by 30 basis points of higher inventory shrinkage and damage.

Selling and Store Operating Expenses

The following table summarizes our selling and store operating expenses for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
Selling and store operating expenses	$ 105,658	$ 78,741	$ 26,917	34.2%
Selling and store operating expenses as a % of net sales	25.0%	24.2%		

Selling and store operating expenses increased $26.9 million, or 34.2%, due primarily to the addition of nine new stores since September 26, 2013, and to a lesser extent, increased expenses in our comparable stores, which drove an increase in comparable store sales of 14.9% and were incurred as a result of such increased sales.

As a percentage of sales, our selling and store operating expenses increased approximately 80 basis points to 25.0%, due entirely to the addition of nine new stores. This was partially offset by our comparable store selling and store operating expenses decreasing by 70 basis points as a percentage of sales. Our new stores have lower sales and higher store operating expenses as a percent of sales than do our mature stores.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
General and administrative expenses	$ 28,906	$ 23,077	$ 5,829	25.3%
General and administrative expenses as a % of net sales	6.9%	7.1%		

General and administrative expenses, which are generally expenses incurred outside of our stores, increased $5.8 million, or 25.3%, due to investments we made in personnel in our regional and store support functions and, to a lesser extent, costs incurred in connection with our proposed initial public offering. Our general and administrative expenses as a percentage of sales decreased by approximately 20 basis points primarily due to higher sales and reduced personnel and operating costs as a percentage of sales.

Pre-Opening Expenses

The following table summarizes our pre-opening expenses for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
Pre-opening expenses	$ 5,609	$ 3,494	$ 2,115	60.5%
Pre-opening expenses as a % of net sales	1.3%	1.1%		

Pre-opening expenses increased $2.1 million, or 60.5%. As a percentage of net sales, pre-opening expenses for the thirty-nine weeks ended September 25, 2014 compared to the thirty-nine weeks ended September 26, 2013 increased approximately 20 basis points primarily due to the greater number of new stores opened or expected to be opened subsequent to September 25, 2014 for which pre-opening expenses were incurred during the thirty-nine weeks ended September 25, 2014 compared to the number of new stores opened for which pre-opening expenses were incurred during the same period in 2013, the timing of pre-opening expenses incurred for certain new stores during the thirty-nine weeks ended September 25, 2014 compared to pre-opening expenses incurred during the same period in 2013, and to a lesser extent, opening new stores in new markets that have moderately higher pre-opening expenses.

Interest Expense

The following table summarizes our interest expense for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
Interest expense	$ 6,775	$ 5,498	$ 1,277	23.2%

Interest expense increased $1.3 million, or 23.2%. The increase in our average total debt for the thirty-nine weeks ended September 25, 2014 to $147.6 million compared to $111.0 million in the same period in fiscal 2013 caused the increased interest expense, partially offset by a lower effective interest rate of 6.1% compared to 6.6% for the thirty-nine weeks ended September 25, 2014 and September 26, 2013, respectively. The effective interest rate was lowered in connection with the 2013 Refinancing as more fully described in "Liquidity and Capital Resources" below.

Taxes

The following table summarizes our provision for income taxes and our effective tax rates for the first thirty-nine weeks of fiscal 2014 and fiscal 2013:

	Thirty-nine weeks ended			
(in thousands)	September 25, 2014	September 26, 2013	$ Change	% Change
Provision for income taxes	$ 6,639	$ 5,779	$ 860	14.9%
Effective tax rate	37.2%	39.0%		

The provision for income taxes increased $0.9 million, or 14.9%. The increase in the provision for income taxes for the thirty-nine weeks ended September 25, 2014 compared to the thirty-nine weeks ended September 26, 2013 is attributable to the increase in income before income taxes, partially offset by a lower effective tax rate during the period. The decrease in year-to-date effective tax rate was due to favorable discrete items.

Fiscal 2013 Compared to Fiscal 2012

Net Sales

The following table summarizes our change in net sales for fiscal 2013 compared to fiscal 2012:

	Fiscal year ended			
	December 26, 2013	December 27, 2012	$ Change	% Change
Net sales	$ 441,394	$ 335,088	$ 106,306	31.7%

Net sales in fiscal 2013 increased $106.3 million, or 31.7%, compared to fiscal 2012. We experienced net sales increases across all product categories during the period, driven by increases in laminate/luxury vinyl plank, wood and decorative accessories of 47.0%, 39.2% and 34.0%, respectively. Our comparable store sales increased 22.1%, or $74.3 million, while our non-comparable store sales increased $32.0 million. Comparable store sales were driven by investments as described in "Overview," including further increasing our in-stock inventory position across our store base and enhancing our product assortment, as well as increases in both customer transactions and average ticket. Non-comparable store sales increases were primarily driven by the opening of two new stores during fiscal 2012 and eight new stores during fiscal 2013.

Gross Profit and Gross Margin

The following table summarizes our gross profit and gross margin for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
Gross profit	$ 171,291	$ 135,188	$ 36,103	26.7%
Gross margin	38.8%	40.3%		

Gross profit for fiscal 2013 increased $36.1 million, or 26.7%, compared to fiscal 2012. This increase in gross profit was primarily the result of increased sales, somewhat offset by lower gross margins.

Gross margin for fiscal 2013 decreased approximately 150 basis points compared to fiscal 2012. This decrease in gross margin was largely attributable to higher distribution center costs due to increased investments in inventory. The strategic investments in inventory were a meaningful driver of our 31.7% sales increase and required the expansion of three of our four distribution centers, which contributed to approximately 70 basis points of margin decrease. In addition, an increase in inventory damage and shrinkage contributed to 60 basis points of gross margin decrease primarily as a result of increased inventory levels and the implementation of our enterprise resource planning system that was completed during fiscal 2013. The remaining decrease was caused by decreased margins associated with our clearance events.

Selling and Store Operating Expenses

The following table summarizes our selling and store operating expenses for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
Selling and store operating expenses	$ 107,097	$ 86,025	$ 21,072	24.5%
Selling and store operating expenses as a % of net sales	24.3%	25.7%		

Selling and store operating expenses in fiscal 2013 increased by $21.1 million, or 24.5%, due primarily to the increase of eight stores added in fiscal 2013 and a full year of expenses for the two stores opened in fiscal 2012. As a percentage of sales, our selling and store operating expenses decreased approximately 140 basis points to 24.3% due to leveraging comparable store operating expenses over a 22.1% comparable store sales increase, somewhat offset by the addition of eight new stores in fiscal 2013 and full year store expenses associated with the two stores opened in fiscal 2012. Our new stores generally have lower sales and higher store operating expenses as a percent of sales than do our mature stores.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
General and administrative expenses	$ 31,736	$ 21,572	$ 10,164	47.1%
General and administrative expenses as a % of net sales	7.2%	6.4%		

General and administrative expenses increased $10.2 million, or 47.1%, primarily due to investments we made in personnel in our regional and store support functions and higher consulting and depreciation costs associated with the completion of the implementation of our enterprise resource planning system to support our growth. As a percentage of sales, our general and administrative expenses increased approximately 80 basis points to 7.2% due to increases in expenses as described above.

Pre-Opening Expenses

The following table summarizes our pre-opening expenses for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
Pre-opening expenses	$ 5,196	$ 1,544	$ 3,652	236.5%
Pre-opening expenses as a % of net sales	1.2%	0.5%		

Pre-opening expenses in fiscal 2013 increased $3.7 million, or 236.5%, compared to fiscal 2012. Our pre-opening expenses increased due to opening eight new stores in fiscal 2013 versus two stores in fiscal 2012. As a percentage of net sales, pre-opening expenses for fiscal 2013 increased by approximately 70 basis points compared to fiscal 2012.

Interest Expense

The following table summarizes our interest expense for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
Interest expense	$ 7,684	$ 6,528	$ 1,156	17.7%

Interest expense in fiscal 2013 increased $1.2 million, or 17.7%, due to our total debt outstanding increasing by $69.1 million. Our debt increased due to the addition of eight new stores, infrastructure investments, and to a lesser extent as a result of 2013 Refinancing as more fully described in "Liquidity and Capital Resources" below.

Taxes

The following table summarizes our provision for income taxes and our effective tax rate for fiscal 2013 and fiscal 2012:

	Fiscal year ended			
(in thousands)	December 26, 2013	December 27, 2012	$ Change	% Change
Provision for income taxes	$ 6,857	$ 8,102	$ (1,245)	(15.4)%
Effective tax rate	38.2%	38.7%		

The provision for income taxes for fiscal 2013 decreased $1.2 million, or 15.4%, compared to fiscal 2012. The decrease in the provision for income taxes for fiscal 2013 compared to fiscal 2012 is attributable to the decrease in income before income taxes. Our effective income tax rate was 38.2% for fiscal year 2013 compared to 38.7% for fiscal year 2012. The decrease in the effective income tax rate is attributable to a decrease in permanent differences and an increase in state tax credits in fiscal year 2013.

Fiscal 2012 Compared to Fiscal 2011

Net Sales

The following table summarizes our change in net sales for fiscal 2012 compared to fiscal 2011:

	Fiscal year ended			
	December 27, 2012	December 29, 2011	$ Change	% Change
Net sales	$ 335,088	$ 276,358	$ 58,730	21.3%

Net sales in fiscal 2012 increased $58.7 million, or 21.3%, compared to fiscal 2011. We experienced net sales increases across all product categories during the period, driven by increases in laminate/luxury vinyl plank, accessories and decorative accessories of 28.1%, 27.2% and 25.3%, respectively. Our comparable store sales increased 11.6%, or $32.0 million, while our non-comparable store sales increased $26.7 million. The increase in comparable store sales was driven by increases in customer transactions slightly offset by a decrease in average ticket. Non-comparable store sales increases were primarily driven by the opening of three new stores during fiscal 2011 and two new stores during fiscal 2012. We believe the increase in net sales is due to continued improvement in our assortment as well as an increase in replenishment inventory.

Gross Profit and Gross Margin

The following table summarizes our gross profit and gross margin for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
Gross profit	$ 135,188	$ 112,963	$ 22,225	19.7%
Gross margin	40.3%	40.9%		

Our gross profit for fiscal 2012 increased $22.2 million, or 19.7%, compared to fiscal 2011. This increase in gross profit was primarily the result of increased sales, somewhat offset by a lower gross margin.

Gross margin for fiscal 2012 decreased approximately 60 basis points compared to fiscal 2011. This decrease in gross margin was primarily the result of an increase of 20 basis points in inventory shrinkage and damage, an increase of 20 basis points in higher transportation costs and the remainder as a result of lower product margins.

Selling and Store Operating Expenses

The following table summarizes our selling and store operating expenses for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
Selling and store operating expenses	$ 86,025	$ 73,340	$ 12,685	17.3%
Selling and store operating expenses as a % of net sales	25.7%	26.5%		

Selling and store operating expenses in fiscal 2012 increased by $12.7 million, or 17.3%, compared to fiscal 2011 primarily due to the two new stores opened in fiscal 2012 and a full year of expenses incurred in fiscal 2012 related to the three new stores opened in fiscal 2011. As a percentage of sales, our selling and store operating expenses decreased approximately 80 basis points to 25.7% due to leveraging comparable store operating expenses over an 11.6% comparable store sales increase, somewhat offset by the addition of two new stores in fiscal 2012 and full year store expenses associated with the three stores opened in fiscal 2011. Our new stores generally have lower sales and higher store operating expenses as a percent of sales than do our mature stores.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
General and administrative expenses	$ 21,572	$ 16,352	$ 5,220	31.9%
General and administrative expenses as a % of net sales	6.4%	5.9%		

General and administrative expenses increased $5.2 million, or 31.9%, due primarily to investments we made in personnel in our regional and store support functions, higher incentive compensation payments and higher travel expenses to support our growth. As a percentage of sales, our general and administrative expenses increased approximately 50 basis points to 6.4% due to increases in expenses as described above.

Pre-Opening Expenses

The following table summarizes our pre-opening expenses for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
Pre-opening expenses	$ 1,544	$ 2,250	$ (706)	(31.4)%
Pre-opening expenses as a % of net sales	0.5%	0.8%		

Pre-opening expenses for fiscal 2012 decreased $0.7 million, or 31.4%, compared to fiscal 2011. Our pre-opening expenses decreased due to opening two new stores in fiscal 2012 versus three stores in fiscal 2011. As a percentage of net sales, pre-opening expenses for fiscal 2012 compared to fiscal 2011 decreased approximately 30 basis points.

Interest Expense

The following table summarizes our interest expense for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
Interest expense	$ 6,528	$ 7,031	$ (503)	(7.2)%

Interest expense for fiscal 2012 decreased $0.5 million, or 7.2%, compared to fiscal 2011. The decrease in interest expense for fiscal 2012 compared to fiscal 2011 reflected a slight decrease in average debt outstanding and a lower interest rate due to refinancing our debt in May 2011 and paying down a portion of our higher interest rate 10% Subordinated Notes due 2017 (our "Subordinated Notes").

Taxes

The following table summarizes our provision for income taxes and our effective tax rates for fiscal 2012 and fiscal 2011:

	Fiscal year ended			
(in thousands)	December 27, 2012	December 29, 2011	$ Change	% Change
Provision for income taxes	$ 8,102	$ 4,702	$ 3,400	72.3%
Effective tax rate	38.7%	38.6%		

The provision for income taxes for fiscal 2012 increased $3.4 million, or 72.3%, compared to fiscal 2011. The increase in the provision for income taxes for fiscal 2012 compared to fiscal 2011 is primarily attributable to the increase in income before income taxes.

Seasonality

Historically, our business has had very little seasonality. Our specialty hard surface flooring and decorative home product offering makes us less susceptible to holiday shopping seasonal patterns compared to other retailers. However, we generally conduct a clearance event during our third fiscal quarter followed by a smaller clearance event towards the end of the year. The timing of these clearance events is driven by operational considerations rather than customer demand and could change from year to year.

Interim Results

The following table sets forth our historical quarterly results of operations as well as certain operating data for each of our most recent nine fiscal quarters. This unaudited quarterly information has been prepared on the same basis as our annual audited financial statements appearing elsewhere in this document and includes all adjustments, consisting only of normally recurring adjustments, that we consider necessary to present fairly the financial information for the fiscal quarters presented.

The quarterly data should be read in conjunction with our audited consolidated and unaudited condensed consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Fiscal 2014			Fiscal 2013				Fiscal 2012			
(in thousands, except operating data)	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$ 152,261	$ 143,785	$ 126,953	$ 116,394	$ 115,854	$ 110,418	$ 98,728	$ 88,762	$ 85,166	$ 84,523	$ 76,637
Year-over-year increase	31.4%	30.2%	28.6%	31.1%	36.0%	30.6%	28.8%	25.8%	22.1%	19.5%	17.3%
Gross profit	$ 59,140	$ 56,869	$ 51,745	$ 44,025	$ 43,041	$ 45,052	$ 39,173	$ 34,586	$ 34,316	$ 34,398	$ 31,888
Year-over-year increase	37.4%	26.2%	32.1%	27.3%	25.4%	31.0%	22.8%	20.4%	21.8%	19.2%	17.2%
Operating income	$ 8,641	$ 10,154	$ 5,811	$ 5,308	$ 5,036	$ 9,768	$ 7,150	$ 4,607	$ 7,238	$ 8,829	$ 6,794
Net income	$ 4,124	$ 4,880	$ 2,188	$ 2,044	$ 1,934	$ 3,718	$ 3,387	$ 1,853	$ 3,454	$ 4,375	$ 3,156

	Fiscal 2014			Fiscal 2013				Fiscal 2012			
Other financial data	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Comparable store sales growth	17.0%	15.7%	11.5%	16.6%	26.9%	23.6%	21.7%	18.8%	10.0%	9.2%	8.2%
Number of stores open at end of period(1)	45	41	39	39	36	33	32	31	31	31	30
Adjusted EBITDA (in thousands)(2)	$ 15,063	$ 15,656	$ 12,768	$ 10,588	$ 9,086	$ 12,578	$ 9,593	$ 6,950	$ 8,863	$ 9,429	$ 8,919
Adjusted EBITDA margin	9.9%	10.9%	10.1%	9.1%	7.8%	11.4%	9.7%	7.8%	10.4%	11.2%	11.6%

(1) Represents the number of our warehouse-format stores and our one small-format standalone design center.

(2) EBITDA and Adjusted EBITDA (which are shown in the reconciliations below) are supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We define EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization. We define Adjusted EBITDA as net income before interest, loss on early extinguishment of debt, taxes, depreciation and amortization, adjusted to eliminate the impact of certain items that we do not consider indicative of our underlying business performance. Reconciliations of these measures to the equivalent measures under GAAP are set forth in the table below.

EBITDA and Adjusted EBITDA are key metrics used by management and our board of directors to assess our financial performance. We believe that EBITDA and Adjusted EBITDA are useful measures, as they eliminate certain expenses that are not indicative of the underlying business performance and facilitate a comparison of our operating performance on a consistent basis from period to period. For example, pre-opening expenses are generally incurred during the five-month period prior to a store opening and then are not incurred again for the applicable store. Unlike expenses that will generally recur as the store matures (e.g., personnel wages, supplies), we believe that these pre-opening expenses are not indicative of our underlying business performance for that store and we therefore eliminate these expenses in the adjustments made to determine Adjusted EBITDA. We also use Adjusted EBITDA as a basis to determine covenant compliance with respect to our Credit Facilities, to evaluate the performance of our executive officers, to supplement GAAP measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to evaluate our executive officers and to compare our performance against that of other peer companies using similar measures. EBITDA and Adjusted EBITDA are also used by analysts, investors and other interested parties as performance measures to evaluate companies in our industry.

EBITDA and Adjusted EBITDA are non-GAAP measures of our financial performance and should not be considered as alternatives to net income as a measure of financial performance or any other performance measure derived in accordance with GAAP and they should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Additionally, EBITDA and Adjusted EBITDA are not intended to be measures of liquidity or free cash flow for management's discretionary use. In addition, these non-GAAP measures exclude certain non-recurring and other charges. Each of these non-GAAP measures has its limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we will incur expenses that are the same as or similar to some of the items eliminated in the adjustments made to determine EBITDA and Adjusted EBITDA, such as pre-opening expenses, stock compensation expense, loss (gain) on asset disposal, executive recruiting/relocation, and other adjustments. Our presentation of EBITDA and Adjusted EBITDA should not be construed to imply that our future results will be unaffected by any such adjustments. Definitions and calculations of EBITDA and Adjusted EBITDA differ among companies in the retail industry, and therefore EBITDA and Adjusted EBITDA disclosed by us may not be comparable to the metrics disclosed by other companies.

The reconciliations of net income to EBITDA and Adjusted EBITDA for the periods noted below are set forth in the table as follows:

	Fiscal 2014			Fiscal 2013				Fiscal 2012			
(in thousands)	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net income	$ 4,124	$ 4,880	$ 2,188	$ 2,044	$ 1,934	$ 3,718	$ 3,387	$ 1,853	$ 3,454	$ 4,375	$ 3,156
Depreciation and amortization(a)	2,877	2,446	2,437	2,074	1,645	1,457	1,178	1,237	1,138	1,154	1,112
Interest expense	2,164	2,346	2,265	2,186	1,865	1,990	1,643	1,584	1,604	1,692	1,648
Loss on early extinguishment of debt(b)	—	—	—	—	—	1,638	—	—	—	—	—
Income tax expense	2,353	2,928	1,358	1,078	1,237	2,422	2,120	1,170	2,180	2,762	1,990
EBITDA	11,518	12,600	8,248	7,382	6,681	11,225	8,328	5,844	8,376	9,983	7,906
Pre-opening expenses(c)	2,601	2,104	1,023	1,740	1,970	855	751	299	49	462	779
Stock compensation expense(d)	620	539	542	525	435	449	460	194	281	271	232
Loss (gain) on asset disposal(e)	—	165	(20)	607	—	49	—	—	157	—	—
Executive recruitment/relocation(f)	—	—	—	—	—	—	54	613	—	134	4
Casualty gain(g)	—	—	—	—	—	—	—	—	—	(1,421)	—
Other(h)	324	248	2,975	334	—	—	—	—	—	—	(2)
Adjusted EBITDA	$ 15,063	$ 15,656	$ 12,768	$ 10,588	$ 9,086	$ 12,578	$ 9,593	$ 6,950	$ 8,863	$ 9,429	$ 8,919

(a) Net of amortization of tenant improvement allowances and excludes deferred financing amortization, which is included as a part of interest expense in the table above.

(b) Loss recorded as a result of the prepayment of our Subordinated Notes in 2013 and 2011, respectively, as well as non-cash write off of previously capitalized deferred financing fees related to term and revolver borrowings outstanding at time of the refinancing.

(c) Non-capital expenditures incurred prior to opening new stores.

(d) Non-cash charges related to stock-based compensation programs, which vary from period to period depending on timing of awards.

(e) (Gain) loss on asset disposals. For the fourth quarter ended December 26, 2013, the primary balance related to software acquired that was deemed to no longer be useful, and for the third quarter ended September 27, 2012, the primary balance related to assets retired in connection with a significant remodel completed in one of our stores.

(f) Costs incurred to recruit and relocate members of executive management.

(g) Represents casualty gain recorded related to insurance proceeds received as a result of store damage and business interruption at one of our stores.

(h) Other adjustments include amounts management does not consider indicative of our underlying business performance, including one-time consulting costs, costs incurred in connection with our proposed initial public offering and one-time executive severance of $3.0 million for the thirty-nine weeks ended September 25, 2014.

Liquidity and Capital Resources

We rely on cash flows from operations and the Wells Facility as our primary sources of liquidity. As of September 25, 2014, we had $38.8 million in unrestricted liquidity, consisting of $0.2 million in cash and cash equivalents and $38.6 million immediately available for borrowing under the Wells Facility without violating any covenants thereunder.

Our primary cash needs are for merchandise inventories, payroll, store rent, and other operating expenses and capital expenditures associated with opening new stores and updating existing stores, as well as information technology, e-commerce and store support center infrastructure. We also use cash for the payment of taxes and interest.

The most significant components of our operating assets and liabilities are merchandise inventories, and to a lesser extent accounts receivable, prepaid expenses and other assets, accounts payable, other current and non-current liabilities, taxes receivable and taxes payable. Our liquidity is not generally seasonal, and our uses of cash are primarily tied to when we open stores and make other capital expenditures. We believe that cash expected to be generated from operations and the availability of borrowings under the Wells Facility will be sufficient to meet liquidity requirements, anticipated capital expenditures and payments due under our Credit Facilities for at least the next 12 months.

As described above, merchandise inventory is our most significant working capital asset and is considered "in-transit" or "available for sale," based on whether we have physically received the

products at an individual store location or in one of our domestic distribution centers. In-transit inventory generally varies due to contractual terms, country of origin, transit times, international holidays, weather patterns and other factors, but for the last two years, less than 10% of our inventory was in-transit while over 90% of our inventory was available for sale in our stores or at one of our four distribution centers. We measure realizability of our inventory by monitoring sales, gross margin, inventory aging, weeks of supply or inventory turns as well as by reviewing SKUs that have been determined by our merchandising team to be discontinued. Based on our analysis of these factors, we believe our inventory is realizable. Twice a year, we conduct a clearance event with the goal of selling through discontinued inventory, followed by donations of the aged discontinued inventory that we are unable to sell. We generally conduct a larger clearance event during our third fiscal quarter followed by a smaller clearance event towards the end of the year. We define aged discontinued inventory as inventory in discontinued status for more than 12 months. As of September 25, 2014, we had $0.5 million of aged discontinued inventory. As noted below, we made a large investment in inventory in fiscal 2013 to improve our in-stock inventory positions. When coupled with opening eight new stores in fiscal 2013 compared to two new stores in fiscal 2012, this investment decreased our inventory turnover ratio to 2.0 for fiscal 2013 from 2.1 for fiscal 2012, but contributed to the 31.7% increase in total sales and 22.1% increase in comparable store sales we experienced in fiscal 2013. For the twelve months ended September 25, 2014, our inventory turnover ratio stayed consistent at 2.0. Inventory turnover is calculated by dividing the last twelve months cost of sales by the average inventory over the preceeding five quarters.

Total capital expenditures in fiscal 2014 are planned to be between $38 million to $42 million and will be funded primarily by cash generated from operations. We intend to make the following capital expenditures in fiscal 2014:

- Open eight to nine stores and start construction on stores opening in early 2015 using $24 million to $26 million of cash;
- Invest in existing store remodeling projects using $8 million to $9 million of cash; and
- Invest in information technology infrastructure, e-commerce and other store support center initiatives using $6 million to $7 million of cash.

Cash Flow Analysis

A summary of our operating, investing and financing activities are shown in the following table:

	Fiscal year ended			Thirty-nine weeks ended	
(in thousands)	December 26, 2013	December 27, 2012	December 29, 2011	September 25, 2014	September 26, 2013
Net cash (used in) provided by operating activities	$ (15,428)	$ 23,336	$ 7,947	$ 43,469	$ (457)
Net cash used in investing activities	(25,056)	(10,709)	(9,561)	(30,500)	(18,694)
Net cash provided by (used in) financing activities	40,487	(15,777)	3,501	(12,983)	19,619
Increase (decrease) in cash and cash equivalents	$ 3	$ (3,150)	$ 1,887	$ (14)	$ 468

Net Cash Provided By (Used In) Operating Activities

Cash from operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, stock-based compensation, paid in-kind interest related to the Subordinated Notes that were redeemed in May 2013, deferred taxes and the effects of changes in operating assets and liabilities.

Net cash provided by operating activities was $43.5 million for the thirty-nine weeks ended September 25, 2014 and net cash used by operating activities was $0.5 million for the thirty-nine weeks ended September 26, 2013. The increase in net cash provided by operating activities for the thirty-nine weeks ended September 25, 2014 compared to the thirty-nine weeks ended September 26, 2013 reflects normalized operating activities in the period ended September 25, 2014 compared to the comparable period in 2013 where we made the strategic investment in inventory described below, and associated changes in working capital.

In fiscal 2013, we made the strategic decision to invest significant amounts in inventory to improve our store in-stock percentages for our top-selling SKUs, increase safety stock in our four distribution centers for top-selling SKUs and add inventory for our eight new stores versus our two new stores in fiscal 2012, which we believe was a major reason for the acceleration in both net sales and comparable store sales last year. This increase in inventory was the primary reason we reflected a modest amount of cash used in operations for the thirty-nine weeks ended September 26, 2013. Because of this strategic investment, we do not need to make the same level of incremental inventory investment in fiscal 2014, nor do we foresee needing to make this level of investment in the future, and therefore our cash flow from operations is much higher for the thirty-nine weeks ended September 25, 2014 than it was for the comparable period in 2013. Fiscal 2014 also benefited from the timing of income tax payments made in fiscal 2013, which reduced our initial income tax payments in the following year. We expect to have positive cash flow from operations in fiscal 2014.

Net cash used in operating activities was $15.4 million for fiscal 2013 and net cash provided by operating activities was $23.3 million for fiscal 2012. The decrease in fiscal 2013 compared to fiscal 2012 was driven primarily by cash used by operating assets and liabilities of $43.5 million due to an increase in inventory, receivables and other assets, as well as less cash provided by the change in income tax payable. As described above, the increase in assets was necessary to support the 22.1% comparable store sales increase in fiscal 2013 as well as the addition of eight new stores in fiscal 2013 and the addition of two stores in fiscal 2012.

Net cash provided by operating activities was $23.3 million and $7.9 million for fiscal 2012 and fiscal 2011, respectively. The increase in fiscal 2012 compared to fiscal 2011 was driven by the increase in net income of $5.4 million, as well as cash provided by operating assets and liabilities increasing $12.1 million primarily due to a decrease in other assets, an increase in accounts payable and an increase in tenant improvement allowances. The decrease in other assets was primarily due to the timing of rent payments that lowered our prepaid rent in fiscal 2012. The increase in accounts payable was due to the timing of inventory receipts and associated payment terms of inventory relative to the same time the previous year. Additionally, the increase in tenant improvement allowances was due to amounts received from our landlords relating to new stores, renewing existing leases and moving into a new store support center in March of 2012.

Net Cash Used in Investing Activities

Investing activities consist primarily of capital expenditures for new store openings, existing store remodels (including tenant improvements, new racking, new fixtures and new design centers), new infrastructure and information systems.

Capital expenditures were $30.5 million compared to $18.4 million for the thirty-nine weeks ended September 25, 2014 and September 26, 2013, respectively. The increase in capital expenditures for the thirty-nine weeks ended September 25, 2014 was primarily due to a larger investment in new stores and our existing store remodels. For the thirty-nine weeks ended September 25, 2014, approximately 57% of capital expenditures was for new stores, 27% was for existing store remodel investments, and the remainder was for information technology and e-commerce investments. For the thirty-nine weeks ended September 26, 2013, approximately 60% of capital expenditures was for new

stores, 17% for existing store remodel investments, and the remainder for information technology and investments in the store support center.

Capital expenditures for fiscal 2013 were $24.7 million compared to $10.7 million for fiscal 2012 and $9.6 million for fiscal 2011. The increase in capital expenditures for fiscal 2013 was primarily due to opening eight new stores in fiscal 2013 versus opening two new stores in fiscal 2012, and to a lesser extent, increased investment in existing store remodels. Approximately 60% of fiscal 2013 capital expenditures was for new stores, approximately 20% was for existing store remodel investments, 10% was for investments to complete our enterprise resource planning implementation, and the remainder was for investments in our store support center.

Capital expenditures for fiscal 2012 were $10.7 million compared to $9.6 million for fiscal 2011. The increase in capital expenditures for fiscal 2012 was primarily due to increased investment in existing store remodels and infrastructure investments in our store support center. Approximately 30% of fiscal 2012 capital expenditures was for new stores, approximately 30% was for existing store remodel investments, 30% was for investments in our enterprise resource planning implementation, and the remainder was for investments in our store support center.

Net Cash Provided By (Used In) Financing Activities

Financing activities consist primarily of borrowings and related repayments under our credit agreements, as well as dividends paid to common stockholders.

Net cash used in financing activities was $13.0 million for the thirty-nine weeks ended September 25, 2014 and net cash provided by financing activities was $19.6 million for the thirty-nine weeks ended September 26, 2013. The net cash used in financing activities for the thirty-nine weeks ended September 25, 2014 was primarily due to our use of cash available from higher cash flows from operations during the period to pay down the Wells Facility Revolving Line of Credit. The net cash provided by financing activities for the thirty-nine weeks ended September 26, 2013 was primarily driven by proceeds from borrowings under our credit agreements, partially offset by repayments of amounts outstanding under prior credit agreements (as discussed below), debt issuance costs incurred and dividends paid to common stockholders.

Net cash provided by financing activities was $40.5 million for fiscal 2013 and net cash used in financing activities was $15.8 million for fiscal 2012. The increase in fiscal 2013 compared to fiscal 2012 was driven primarily by proceeds from borrowings under our credit agreements, partially offset by repayments of amounts outstanding under prior credit agreements (as discussed below), debt issuance costs incurred and dividends paid to common stockholders.

Net cash used in financing activities was $15.8 million for fiscal 2012 and net cash provided by financing activities was $3.5 million for fiscal 2011. The change in fiscal 2012 compared to fiscal 2011 was driven by opening fewer new stores and higher cash flow provided by operations, which allowed us to pay down debt.

Our Credit Facilities

On May 1, 2013, we entered into the Wells Facility and the GCI Facility. As of September 25, 2014, the Wells Facility Term Loan A and the GCI Facility had maturity dates of May 1, 2018 and May 1, 2019, respectively, and the Wells Facility Revolving Line of Credit had a maturity date of the earliest of (i) July 2, 2019, (ii) the maturity date of the Wells Facility Term Loan A (unless the Wells Facility Term Loan A is repaid prior to its maturity date) and (iii) the date that is 90 days prior to the maturity date of the GCI Facility (unless the GCI Facility is repaid prior to its maturity date). We used the borrowings under our Credit Facilities to (i) pay off our previous term loan and revolving credit facility with Wells Fargo Bank, N.A. in the amount of $52.1 million and $15 million, respectively,

(ii) redeem all of our remaining Subordinated Notes in the amount of $33.4 million, (iii) fund a $25 million special dividend to our stockholders and (iv) pay transaction fees and expenses in connection therewith (collectively, the "2013 Refinancing").

The indebtedness outstanding under our Credit Facilities is secured by substantially all the assets of the Company. In particular, the indebtedness outstanding under (i) the Wells Facility is secured by a first-priority security interest in all of the current assets of the Company, including inventory and accounts receivable, and a second-priority security interest in the collateral that secures the GCI Facility on a first-priority basis, and (ii) the GCI Facility is secured by a first-priority security interest in all of the fixed assets and intellectual property of the Company, and a second-priority interest in the collateral that secures the Wells Facility on a first-priority basis.

The Wells Facility Term Loan A requires quarterly repayments of approximately $167 thousand, which commenced on July 1, 2013. The GCI Facility requires quarterly repayments of approximately $200 thousand, which commenced on September 30, 2013.

The Wells Facility Revolving Line of Credit initially accrued interest at LIBOR + 2.00%, and as of September 25, 2014 was subject to a pricing grid based on average daily availability under such facility ranging from LIBOR + 1.25% to 1.75%. As of September 25, 2014, the Wells Facility Term Loan A accrued interest at LIBOR + 2.75%. As of September 25, 2014, we had the ability to access $38.6 million of unused borrowings under the Wells Facility Revolving Line of Credit without violating any covenants thereunder and had $3.4 million in outstanding letters of credit. However, the Wells Facility Revolving Line of Credit allows us to borrow up to $125 million, subject to the borrowing base requirements, set forth in the credit agreement governing the Wells Facility, and includes an "accordion" feature that allows us, under certain circumstances, to increase the size of the facility by $75 million.

The GCI Facility accrues interest at LIBOR + 6.50%, subject to a LIBOR floor of 1.25%. Voluntary prepayments of the GCI Facility are generally subject to a prepayment premium of 1.0% (which will be reduced to 0.5% for prepayments of the GCI Facility using the proceeds from this offering).

The credit agreements governing our Credit Facilities contain customary restrictive covenants that, among other things and with certain exceptions, limit the ability of the Company to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets; and (vi) engage in unrelated lines of business. In addition, these credit agreements subject us to certain reporting obligations and require that we satisfy certain financial covenants, including, among other things:

- a requirement that if borrowings under the Wells Facility Revolving Line of Credit exceed 90% of availability, we will maintain a certain fixed charge coverage ratio (defined as consolidated EBITDA less non-financed capital expenditures and income taxes paid to consolidated fixed charges, in each case as more fully defined in the credit agreement governing the Wells Facility); and

- a requirement under the GCI Facility that we maintain a maximum total net leverage ratio, which was 5.0 as of December 26, 2013 and which was reduced to 4.75 beginning with the fiscal quarter ending June 26, 2014 (defined as the ratio of consolidated total debt net of unrestricted cash to consolidated EBITDA, in each case as more fully defined in the credit agreement governing the GCI Facility).

As of September 25, 2014, we were in compliance in all material respects with the covenants of the Credit Facilities and no Event of Default (as defined in the credit agreements governing our Credit Facilities) had occurred.

For more information on our Credit Facilities, including the anticipated termination of the GCI Facility, see "Use of Proceeds."

Contractual Obligations

We enter into long-term obligations and commitments in the normal course of business, primarily debt obligations and non-cancelable operating leases. As of December 26, 2013, without giving effect to this offering, our contractual cash obligations over the next several periods were as follows:

	Payments due by period						
(in thousands)	Total	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Thereafter
Term loans	$ 89,467	$ 1,467	$ 1,833	$ 1,100	$ 1,467	$ 7,800	$ 75,800
Revolving loan	70,200	—	—	—	—	70,200	—
Estimated interest(1)	42,729	8,082	7,987	7,910	7,798	7,523	3,429
Operating leases(2)	190,869	25,504	26,419	25,624	20,694	16,903	75,725
Letters of credit	2,555	2,555	—	—	—	—	—
Container commitments(3)	1,108	1,108	—	—	—	—	—
Purchase obligations(4)	44,567	44,567	—	—	—	—	—
Total	$ 441,495	$ 83,283	$ 36,239	$ 34,634	$ 29,959	$ 102,426	$ 154,954

(1) For purposes of this table, interest has been estimated based on interest rates in effect for our indebtedness as of December 26, 2013, and estimated borrowing levels in the future. Actual borrowing levels and interest costs may differ.

(2) We enter into operating leases during the normal course of business. Most lease arrangements provide us with the option to renew the leases at defined terms. The future operating lease obligations would change if we were to exercise these options, or if we were to enter into additional operating leases.

(3) In the normal course of business, we have committed to minimum volumes of shipments with different ocean freight carriers.

(4) Purchase obligations related primarily to merchandise inventory.

Off-Balance Sheet Arrangements

We do not have any relationship with unconsolidated entities or financial partnerships for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ under different assumptions and conditions, and such differences could be material to the consolidated financial statements.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are the most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. More information on all of our significant account policies can be found in Note 1—*Nature of Business* and Note 2—*Summary of Significant Accounting Policies* to our audited consolidated financial statements included elsewhere in this prospectus.

Revenue Recognition

Retail sales at our stores are recorded at the point of sale and are net of sales discounts and estimated returns. We recognize revenue and the related cost of sales when both collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, we recognize revenue and the related cost of sales at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment. Sales taxes collected are not recognized as revenue as these amounts are ultimately remitted to the appropriate taxing authorities.

We reserve for future returns of previously sold merchandise based on historical experience and various other assumptions that we believe to be reasonable. This reserve reduces sales and cost of sales, accordingly. Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve.

Gift Cards and Merchandise Credits

We sell gift cards to our customers in our stores and through our website and issue merchandise credits in our stores. We account for the programs by recognizing a liability at the time the gift card is sold or the merchandise credit is issued. The liability is relieved and revenue is recognized upon redemption. Prior to February 1, 2013, we recognized revenue on unredeemed gift cards based on the estimated rate of gift card breakage, which was applied over the period of estimated performance. Net sales related to the estimated breakage are included in net sales in the consolidated statement of income. On February 1, 2013, we entered into an agreement with an unrelated third party who became the issuer of our gift cards going forward and also assumed the existing liability for unredeemed gift cards for which there were no currently existing claims under unclaimed property statutes. We are no longer the primary obligor for the third party issued gift cards and are therefore not subject to claims under unclaimed property statutes, as the agreement effectively transfers the ownership of such unredeemed gift cards and the related future escheatment liability, if any, to the third party. Accordingly, gift card breakage income of $0.6 million and $0.1 million was recognized in fiscal 2013 and fiscal 2011, respectively, for such unredeemed gift cards. No income related to gift card breakage was recorded in fiscal 2012.

Inventory Valuation and Shrinkage

Inventories consist of merchandise held for resale and are stated at the lower of cost or market. We determined inventory costs using a first-in, first-out method until April 2013, at which time we converted to a weighted-average cost method (the effects of this change were not material). We capitalize the cost of transportation, duties and other costs to get product to our retail locations. We provide provisions for losses related to shrinkage and other amounts that are otherwise not expected to be fully recoverable. These provisions are calculated based on historical shrinkage, selling price, margin and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability and profitability of inventory, historical

percentages that can be affected by changes in our merchandising mix, customer preferences, rates of sell through and changes in actual shrinkage trends. We do not believe there is a reasonable likelihood that there will be a material change in the assumptions we use to calculate our inventory provisions. However, if actual results are not consistent with our estimates and assumptions, we may be exposed to losses or gains that could be material.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the period that includes the enactment date of such a change.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. On a quarterly basis, we evaluate whether it is more likely than not that our deferred tax assets will be realized in the future and conclude whether a valuation allowance must be established.

We include any estimated interest and penalties on tax-related matters in income taxes payable and income tax expense. Current guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under the relevant authoritative literature, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50 percent likelihood of being sustained.

Goodwill and Other Indefinite-Lived Intangible Assets

We have identified each of the four geographic regions (the East, Southeast, Central and West) of our operating segment as separate components and have determined that these components have similar economic characteristics and therefore should be aggregated into one reporting unit. We reached this conclusion based on the level of similarity of a number of quantitative and qualitative factors, including sales, gross profit margin percentage, the manner in which we operate our business, the similarity of hard surface flooring products, operating procedures, marketing initiatives, store layout, employees, customers and methods of distribution, as well as the level of shared resources between the components.

We complete an impairment test of goodwill and other indefinite-lived intangible assets at least annually or more frequently if indicators of impairment are present. We obtain independent third-party valuation studies to assist us with determining the fair value of goodwill and indefinite-lived intangible assets. Our goodwill and other indefinite-lived intangible assets subject to impairment testing arose primarily as a result of our acquisition of F&D in November 2010.

We qualitatively assess goodwill to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. We also perform a two-step quantitative impairment test on goodwill. In the first step, we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired, and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of

the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

We estimate the fair value of our reporting unit using a combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management's expectations for future revenue, operating expenses, earnings before interest, taxes, depreciation and amortization, taxes and capital expenditures. We discount the related cash flow forecasts using our estimated weighted-average cost of capital at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies in our industry and with similar growth prospects, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to our historical and projected earnings and cash flow in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts, the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Based on the goodwill asset impairment analysis performed quantitatively on October 25, 2013, we determined that the fair value of our reporting unit is substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test to indicate that the fair value of a reporting unit would be less than its carrying amount.

We annually evaluate whether indefinite-lived assets continue to have an indefinite life or have impaired carrying values due to changes in the asset(s) or their related risks. The impairment review is performed by comparing the carrying value to the estimated fair value, determined using a discounted cash flow methodology. If the recorded carrying value of the indefinite-lived asset exceeds its estimated fair value, an impairment charge is recorded to write the asset down to its estimated fair value.

Our goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make significant judgments estimating the fair value of our reporting unit and indefinite-lived intangible assets, including the projection of future cash flows, assumptions about which market participants are the most comparable, the selection of discount rates and the weighting of the income and market approaches. These calculations contain uncertainties because they require management to make assumptions such as estimating economic factors and the profitability of future business operations and, if necessary, the fair value of a reporting unit's assets and liabilities among others. Further, our ability to realize the future cash flows used in our fair value calculations is affected by factors such as changes in economic conditions, changes in our operating performance and changes in our business strategies. Significant changes in any of the assumptions involved in calculating these estimates could affect the estimated fair value of our reporting unit and indefinite-lived intangible assets and could result in impairment charges in a future period.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use in our goodwill or other tests of impairment. Based on the results of our annual impairment tests for goodwill and other indefinite-lived intangible assets, no impairment was recorded. Based on this assessment, we believe that our goodwill and other indefinite-lived intangible assets are not at risk of impairment. However, if actual results are not consistent with our estimates or assumptions or there are significant changes in any of these estimates, projections or

assumptions, it could have a material effect on the fair value of these assets in future measurement periods and result in an impairment, which could materially affect our results of operations.

Long-Lived Assets

Long-lived assets, such as fixed assets and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action by a regulator. If the sum of the estimated undiscounted future cash flows related to the asset is less than the asset's carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated undiscounted cash flow analysis of the asset.

Since there is typically no active market for our definite-lived intangible assets, we estimate fair values based on expected future cash flows at the time they are identified. We estimate future cash flows based on store-level historical results, current trends and operating and cash flow projections. We amortize these assets with finite lives over their estimated useful lives on a straight-line basis. This amortization methodology best matches the pattern of economic benefit that is expected from the definite-lived intangible assets. We evaluate the useful lives of its intangible assets on an annual basis.

Stock-Based Compensation

We account for employee stock options in accordance with relevant authoritative literature. We obtain independent third-party valuation studies to assist us with determining the grant date fair value of our stock price. Stock options are granted with exercise prices equal to or greater than the estimated fair market value on the date of grant as authorized by our board of directors or compensation committee. Options granted have vesting provisions ranging from three to five years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. We have selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards granted. We have considered the retirement and forfeiture provisions of the options and utilized our historical experience to estimate the expected life of the options. We base the risk-free interest rate on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. We estimate the volatility of the share price of our common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption we considered a number of factors, including the entity's life cycle stage, growth profile, size, financial leverage and products offered. Stock-based compensation cost is measured at the grant date based on the value of the award, net of estimated forfeitures, and is recognized as expense over the requisite service period based on the number of years for which the requisite service is expected to be rendered.

Self-Insurance Reserves

The Company is partially self-insured for workers' compensation and general liability claims less than certain dollar amounts and maintains insurance coverage with individual and aggregate limits. The Company also has a stop-loss limit to protect against losses exceeding $1.8 million for workers' compensation claims and $1.7 million for general liability claims. Our liabilities represent estimates of the ultimate cost for claims incurred, including loss adjusting expenses, as of the balance sheet date. The estimated liabilities are not discounted and are established based upon analysis of historical data, actuarial estimates, regulatory requirements, an estimate of claims incurred but not yet reported and other relevant factors. The liabilities are reviewed by management utilizing third-party actuarial studies on a regular basis to ensure that they are appropriate. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity or frequency of

claims, medical cost inflation or fluctuations in premiums, differ from our estimates, our results of operations could be impacted. As of December 26, 2013, self-insurance reserves for individual workers compensation and individual general liability claims were less than $0.2 million and less than $0.1 million, respectively.

Recently Issued Accounting Pronouncements

Presentation of Comprehensive Income

In June 2011, the Financial Accounting Standards Board ("FASB") issued "Presentation of Comprehensive Income." The standard revises the presentation and prominence of the items reported in other comprehensive income and is effective retrospectively for fiscal years beginning after December 15, 2011. We adopted this standard in 2013 and have presented comprehensive income in our Consolidated Statements of Comprehensive Loss.

Periodic Testing of Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued updated guidance on the periodic testing of indefinite-lived intangible assets for impairment. This guidance provides companies the option to first assess qualitative factors to determine if it is more likely than not that an indefinite-lived intangible asset is impaired and whether it is necessary to perform an annual quantitative impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this guidance in fiscal year 2014 and its adoption did not have a material impact on our consolidated results of operations, financial position or cash flows.

Presentation of Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements and Property, Plant and Equipment—Reporting Discontinued Operations and Disclosures of Disposals of an Entity." ASU 2014-08 provides new guidance related to the definition of a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This new guidance is effective for fiscal years beginning on or after December 15, 2014 and interim periods within those years. The adoption of ASU 2014-08 is not expected to have a material impact on the Company's financial position, results of operations or liquidity.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 provides new guidance related to the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The Company is still evaluating what impact, if any, the adoption of ASU 2014-09 will have on the Company's financial position, results of operations or cash flows.

Jumpstart Our Business Startups Act of 2012

As described above under the heading "Implications of Being an Emerging Growth Company," the JOBS Act permits us, as an "emerging growth company," to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have determined to opt out of this exemption. As a result, we will comply with new or revised financial accounting standards on the relevant dates on which adoption of such standards is required for

companies that are not "emerging growth companies." Our decision to opt out of this exemption is irrevocable.

Quantitative and Qualitative Disclosure of Market Risk

Foreign Currency Risk

We contract for production with third parties primarily in Asia and Europe. While substantially all of these contracts are stated in U.S. dollars, there can be no assurance that the cost for the future production of our products will not be affected by exchange rate fluctuations between the U.S. dollar and the local currencies of these contractors. Due to the number of currencies involved, we cannot quantify the potential impact of future currency fluctuations on net income (loss) in future years. To date, such exchange fluctuations have not had a material impact on our financial condition or results of operations.

Interest Rate Risk

Our operating results are subject to risk from interest rate fluctuations on our Credit Facilities, which carry variable interest rates. As of September 25, 2014, our outstanding variable rate debt aggregated approximately $146.4 million. Based on September 25, 2014 debt levels, an increase or decrease of 1% in the effective interest rate would cause an increase or decrease in interest cost of approximately $1.5 million over the next twelve months. To lessen our exposure to changes in interest rate risk, we entered into $35.0 million notional value interest rate swap agreements on June 27, 2013 and June 28, 2013, with Wells Fargo, N.A. and SunTrust Bank (collectively, the "Swap Agreements") that fix LIBOR at 1.137% beginning in May 2014. The Swap Agreements terminate upon a termination of the Wells Facility.

Impact of Inflation/Deflation

We do not believe that inflation has had a material impact on our net sales or operating results for the past three fiscal years. However, substantial increases in costs, including the price of raw materials, labor, energy and other inputs used in the production of our merchandise, could have a significant impact on our business and the industry in the future. Additionally, while deflation could positively impact our merchandise costs, it could have an adverse effect on our average unit retail price, resulting in lower sales and operating results.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Internal Control Over Financial Reporting

The process of improving our internal controls has required and will continue to require us to expend significant resources to design, implement and maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. There can be no assurance that any actions we take will be completely successful. We will continue to evaluate the effectiveness of our disclosure controls and procedures and internal control over financial reporting on an ongoing basis. As part of this process, we may identify specific internal controls as being deficient.

We have begun documenting and testing internal control procedures in order to comply with the requirements of Section 404(a) of the Sarbanes-Oxley Act. Section 404 requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent auditors addressing these assessments; however, for so long as we may qualify as an emerging growth company, we will not be required to engage an auditor to report on our internal controls over financial reporting. We must comply with Section 404 no later than the time we file our annual report for fiscal 2015 with the SEC.

BUSINESS

Our Company

Floor & Decor is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories with 45 warehouse-format stores across 12 states. We offer what we believe is the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including Pro, DIY and BIY. The combination of our category and product breadth, low prices, in-stock inventory in project-ready quantities and highly engaged customer service positions us to gain share in the growing and fragmented hard surface flooring market. Based on these characteristics, we believe Floor & Decor is redefining the hard surface flooring category and that we have an opportunity to significantly expand our existing store base to over 350 stores nationwide within the next 15 years, as described in more detail below.

Our warehouse-format stores, which average approximately 70,000 square feet, are typically larger than any of our specialty retail flooring competitors' stores. When our customers walk into a Floor & Decor store for the first time, we believe they are amazed by its size, our everyday low prices and the breadth and depth of our merchandise. We believe that our inspiring design centers, creative and informative visual merchandising, and accessible price points greatly enhance our customers' renovation experience. Our stores are easy to navigate and designed to interactively showcase the wide array of product styles a customer can create with our flooring and decorative accessories. We engage our customers through our trained store associates and designers, as well as our staff dedicated to serving Pro customers. By carrying a deep level of hard surface flooring inventory and wide range of tools and accessories, we seek to offer our customers immediate availability on everything they need to complete their entire flooring or remodeling project. In addition to our stores, our merchandise is also available at *FloorandDecor.com* for store pick-up or delivery. We believe these factors position Floor & Decor as the leading one stop destination for Pro, DIY and BIY hard surface flooring customers in our markets.

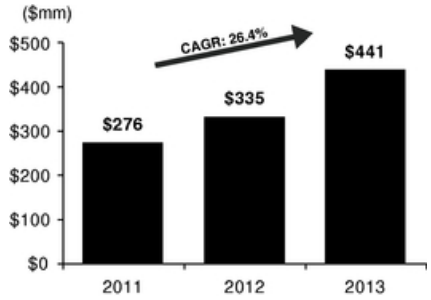
Our company was founded in 2000 by our Vice Chairman Vincent West, who opened the first Floor & Decor store in Atlanta, Georgia, with the vision of being the low-price leader for hard surface flooring. As we have grown, we have implemented a customer-focused and decentralized approach to managing our business. We provide our store leadership and regional operating teams with regular training and sophisticated information technology systems. We also train and incentivize our store associates to deliver a superior experience to our customers. Taken together, these elements create a customer-centric culture that helps us achieve our operational and financial goals.

We believe our differentiated business model and culture have created competitive advantages that are responsible for our success, as evidenced by the following:

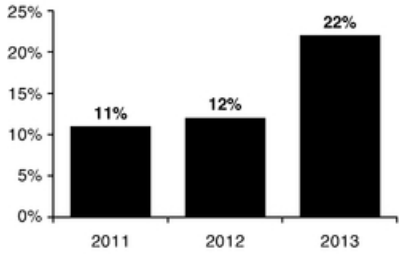
- five consecutive years of double digit comparable store sales growth averaging 14.2% per year, ending with a 22.1% increase in fiscal 2013;
- store base expansion from 28 warehouse-format stores at the end of fiscal 2011 to 38 at the end of fiscal 2013, representing a CAGR of 16.5%;
- total net sales growth from $276.4 million to $441.4 million from fiscal 2011 to fiscal 2013, representing a CAGR of 26.4%; and
- Adjusted EBITDA growth from $29.8 million to $41.8 million from fiscal 2011 to fiscal 2013, representing a CAGR of 18.4%, which includes significant investments in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future

growth. For a reconciliation of net income to Adjusted EBITDA, see Note 5 to the information contained in "Selected Consolidated Financial Data."

Net Sales
(FY2011 - FY2013)



Comparable Store Sales Growth
(FY2011 - FY2013)



Our Competitive Strengths

We believe our strengths, described below, set us apart from our competitors and are the key drivers of our success.

Unparalleled Customer Value Proposition. Our customer value proposition is a critical driver of our business. The key components include:

Broadest Assortment Across a Wide Variety of Hard Surface Flooring Categories. Our stores are generally larger than those of our specialty retail flooring competitors and carry in-stock, project-ready quantities across a wide variety of hard surface flooring SKUs. We believe we have the most comprehensive in-stock product assortment in the industry within our categories with an average of approximately 3,400 SKUs in each store, which based on our market experience is a far greater in-stock offering than any other flooring retailer. Additionally, we customize our product assortment at the store level for the regional preferences of each market. We appeal to a wide range of customer preferences through our "good/better/best" merchandise selection, as well as through our broad range of product styles from classic to modern.

Lowest Prices. We strive to provide the lowest prices in the retail hard surface flooring market. Our merchandising and individual store teams competitively shop each market so that we can offer our products at prices lower than those of our competitors. Our ability to provide these low prices to our customers is supported by our direct-sourcing model, which largely eliminates the cost of third party intermediaries. We believe we are unique in our industry in employing an "everyday low price" strategy, whereby we strive to offer our products at lower prices than our competitors and at consistently everyday low prices throughout the year instead of engaging in frequent promotional activities. We believe this strategy creates trust with our Pro, DIY and BIY customers that they will receive the lowest prices at Floor & Decor without having to wait for a sale or negotiate to obtain the lowest price.

One-Stop Project Destination with Immediate Availability. We carry an extensive range of products, from flooring and decorative accessories to thin set, underlayment, grout and tools, to fulfill a customer's entire flooring project. Our stores stock job-size quantities to immediately fulfill a customer's entire flooring project. In addition, our large in-stock assortment, including decorative and installation accessories, differentiates us from our competitors. In the instance where product is not available in the store, our four regional distribution centers and

neighboring stores can quickly ship a product to meet a customer's needs. On average, each warehouse-format store carries 1.4 million square feet of flooring products and $2.6 million of inventory at cost.

Unique and Inspiring Shopping Environment. Our stores average approximately 70,000 square feet and are typically designed with warehouse features including high ceilings, clear signage, bright lighting and industrial racking. We offer an easy to navigate store layout with clear lines of sight and departments organized by our major product categories of tile, wood, laminate, natural stone, decorative accessories and installation accessories. We use merchandise displays and point of sale marketing throughout our stores to highlight product features, benefits and design elements. These features educate and enable customers to visualize how the product would look in their homes or businesses. Furthermore, we encourage customers to interact with our merchandise, to experiment with potential designs and to see the actual product they will purchase, an experience that is not possible in flooring stores that do not carry in-stock inventory in project-ready quantities. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and we employ experienced designers in all of our stores to provide free design consulting. For our DIY customers, we also offer weekly "how-to" installation classes on Saturdays. We believe inspiring and educating customers within our stores provides us with a significant competitive advantage in serving our customers.

Extensive Service Offering to Enhance the Pro Customer Experience. Our focus on meeting the unique needs of the Pro customer, and by extension the BIY customer, drives our estimated sales mix of approximately 60% Pro and BIY customers, which we believe represents a significantly higher percentage than our competitors. We provide an efficient one-stop shopping experience for our Pro customers, offering low prices on a broad selection of high-quality flooring products, deep inventory levels to support immediate availability of our products, free storage for purchased inventory, the convenience of early store hours and, in most stores, separate entrances for merchandise pick-up. Additionally, each store has a dedicated Pro sales force offering a variety of services to Pro customers. We believe by serving the needs of the Pro, we drive repeat and high-ticket purchases from this attractive and loyal customer segment.

Decentralized Culture with an Experienced Store-Level Team and Emphasis on Training. We have a decentralized culture that empowers managers at the store and regional levels to make key decisions to maximize the customer experience. Our store managers, who carry the title Chief Executive Merchant, have significant flexibility to customize product mix, pricing, marketing, merchandising, visual displays and other elements in consultation with their regional senior directors and regional merchants. We tailor the merchandising assortment for each of our stores for local market preferences, which we believe differentiates us from our national competitors that tend to have standard assortments across markets. Our store managers and store department managers are an integral part of our company and have on average over 20 years of relevant industry experience in retail. We train prospective store managers at our Floor & Decor University, which is part of an extensive, multi-week training program. Throughout the year, we train all of our employees on a variety of topics, including product knowledge, leadership and store operations. Once a year, we hold a four day training session with our senior management, regional directors and store managers, where we focus on the upcoming year's strategic priorities to keep our entire business aligned. We believe our decentralized culture and coordinated training foster an organization aligned around providing a superior customer experience, ultimately contributing to higher sales and profitability.

Sophisticated, Global Supply Chain. Our merchandising team has developed direct sourcing relationships with manufacturers and quarries in over 14 countries. Through these relationships, we believe we understand the best places to procure our various product categories. We currently source our products from more than 180 vendors worldwide and have developed long-term relationships with

many of them. We often collaborate with our vendors to design and manufacture product for us to address emerging customer preferences that we observe in our stores and markets. We procure the majority of our products directly from the manufacturers, which eliminates additional costs from exporters, importers, wholesalers and distributors. We believe direct sourcing is a key competitive advantage, as many of our specialty retail flooring competitors are too small to have the scale or the resources to work directly with suppliers. Our sophisticated supply chain and collaborative history with our sourcing partners enables us to quickly introduce innovative and quality merchandise at low prices.

Highly Experienced Management Team with Proven Track Record. Led by our Chief Executive Officer, Tom Taylor, our management team brings substantial expertise from leading retailers and other companies across core functions, including store operations, merchandising, real estate, e-commerce, supply chain management, finance, legal and information technology. Tom Taylor, who joined us in 2012, spent 23 years at The Home Depot, where he most recently served as Executive Vice President of Merchandising and Marketing with responsibility for all stores in the United States and Mexico. Over the course of his career at The Home Depot, Tom Taylor helped expand the store base from fewer than 15 stores to over 2,000 stores. Our Executive Vice President and Chief Merchandising Officer, Lisa Laube, has approximately 30 years of merchandising and leadership experience with leading specialty retailers, including most recently as President of Party City. Our Executive Vice President and Chief Financial Officer, Trevor Lang, brings more than 19 years of accounting and finance experience, including 15 years of Chief Financial Officer and Vice President of Finance experience at public companies, including most recently as the Chief Financial Officer and Chief Administrative Officer of Zumiez Inc. Our entire management team drives our organization with a focus on strong merchandising, superior customer experience, expanding our store footprint, and fostering a strong, decentralized culture. We believe our management team is an integral component of our achieving strong financial results.

Our Growth Strategy

We expect to continue to drive our strong sales and profit growth through the following strategies:

Open Stores in New and Existing Markets. We believe there is an opportunity to significantly expand our store base in the United States from 45 warehouse-format stores currently to over 350 stores nationwide over the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. Over the next three years, we plan to grow our store base by approximately 20% to 25% per year, with approximately half being opened in existing geographies and approximately half being opened in new markets. We have a disciplined approach to new store development, based on an analytical, research-driven site selection method and a rigorous real estate approval process, targeting profitability in the first year, as well as pre-tax payback in the third year and year-three cash-on-cash returns of greater than 30%. The rate of future store additions and the performance of our new stores are inherently uncertain and are subject to numerous factors outside of our control. We believe our new store model delivers strong financial results and returns on investment. The performance of our new stores opened over the last three years, our disciplined real estate strategy and the track record of our management team in successfully opening retail stores support our belief in the significant store expansion opportunity.

Increase Comparable Store Sales. We expect to grow our comparable store sales by continuing to offer our customers a dynamic and expanding selection of compelling, value-priced hard surface flooring and accessories. Because almost half of our stores are considered less than mature, they will continue to drive comparable store sales growth as they ramp up to maturity. We believe that we can continue to enhance our customer experience by focusing on service, optimizing sales and marketing

strategies, investing in store staff and infrastructure, remodeling existing stores and improving visual merchandising and the overall aesthetic appeal of our stores. We also believe that growing our proprietary credit offering, further integrating omni-channel strategies and enhancing other key information technology, will contribute to increased comparable store sales. As we increase awareness of Floor & Decor's brand, we believe there is a significant opportunity to gain additional market share, especially from independent flooring retailers. We believe the combination of these initiatives plus the expected growth of the hard surface flooring category described in more detail under "Our Industry" below will continue to drive strong comparable store sales growth.

Continue to Invest in the Pro Customer. We believe our differentiated focus on Pro customers has created a competitive advantage for us and will continue to drive our sales growth. We will invest in gaining and retaining Pro customers due to their frequent and high-ticket purchases, loyalty and propensity to refer other potential customers. We plan to further invest in initiatives to increase speed of service, improve financing solutions, leverage technology and enhance the in-store experience for our Pro customers. For example, we have recently implemented a "Pro Zone" in a few of our stores that focuses on the specific needs of the Pro customer and are planning to expand this service offering nationwide. Additionally, we communicate our value proposition and various Pro-focused offerings by hosting a number of Pro networking events. We believe our approach in promoting Floor & Decor as a hub for the local home improvement community will drive additional Pro sales as well as sales in connection with commercial jobs. Through these initiatives, we believe Pro customers will continue to be an integral part of our sales growth.

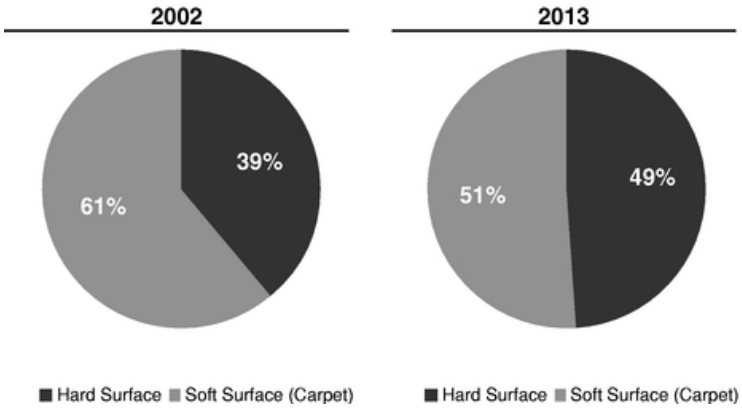
Expand Our Omni-Channel Experience. Extending the Floor & Decor experience online allows customers to explore our product selection and design ideas before and after visiting our stores, as well as the convenience of making online purchases. We believe our online platform reflects our brand attributes and provides a powerful tool to educate and inspire our consumers. With the recent launch of our redesigned website, *FloorandDecor.com*, we have enhanced our customer experience across our stores, call center and website. We believe this reinforces our unique customer value proposition and ultimately drives sales. Currently, e-commerce sales represent less than 4% of our total sales. While the hard surface flooring category has a relatively low penetration of e-commerce sales due to the nature of the product, we believe our omni-channel presence represents an attractive growth opportunity to drive consumers to Floor & Decor.

Enhance Margins Through Increased Operating Leverage. Since 2011, we have invested significantly in our sourcing and distribution network, integrated IT systems and corporate overhead to support our future growth. We expect to leverage these investments as we grow our net sales. Additionally, we believe operating margin improvement opportunities will include enhanced product sourcing processes and leveraging of our store-level fixed costs, existing infrastructure, supply chain, corporate overhead and other fixed costs resulting from increased sales productivity. We anticipate that the planned expansion of our store base and growth in comparable store sales will also support increasing economies of scale.

Our Industry

Floor & Decor operates in the large, growing and highly fragmented $10 billion hard surface flooring market (in manufacturers' dollars), which is part of the larger $20 billion U.S. floor coverings market (in manufacturers' dollars) based on the Catalina Floor Coverings Report. The competitive landscape of the hard surface flooring market includes big-box home improvement centers, national and regional specialty flooring retailers, and independent flooring retailers. We believe we benefit from growth in the overall hard surface flooring market, which, based on the Catalina Floor Coverings Report, grew 7% per year from 2009 to 2013 and is expected to grow at more than 5% per year through 2018. In addition, we believe we have an opportunity to increase our share in the hard surface flooring market as independent flooring retailers are unable to compete on price and in-stock assortment.

Based on our internal market research, key long-term industry trends include increasing spend on home renovations, aging of the existing housing stock, rising level of home ownership, growing average size of homes and favorable demographic trends. Based on the NAHB (National Association of Home Builders) Remodeling Market Index, current market conditions and future market indicators suggest that remodeling demand is accelerating in a strengthening home remodel cycle, and industry growth is coming from retail sales. Within the floor coverings market, hard surface flooring has taken share from carpet as a percentage of the total floor coverings market, increasing from 39% of the market in 2002 to 49% in 2013 based on the Catalina Floor Coverings Report. This mix shift towards hard surface flooring has been driven by decreasing price points, product innovation, improved aesthetics, increasing ease of installation and higher durability.



We believe we have an opportunity to continue to gain share in the hard surface flooring market with the largest selection of tile, wood, laminate, natural stone, decorative accessories and installation accessories. Our strong focus on the customer experience drives us to remain innovative and locally relevant while maintaining low prices and in-stock merchandise in a one-stop shopping destination.

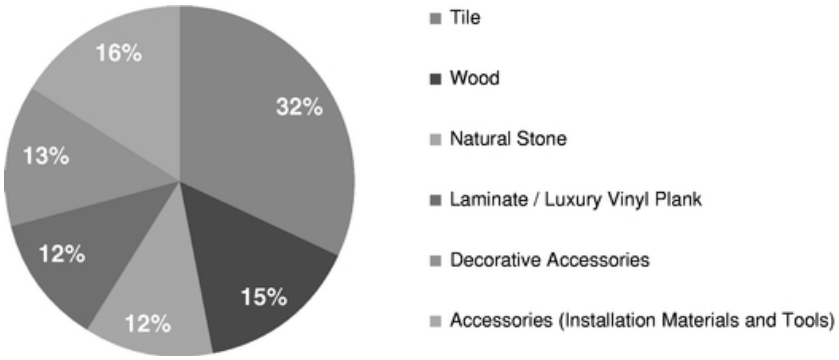
Our Products

We offer an assortment of tile, wood, laminate and natural stone flooring, along with decorative and installation accessories at everyday low prices. Our objective is to carry a broad and deep product offering in order to be the one-stop destination for our customer's entire project needs. We seek to showcase products in our stores and online to provide multiple avenues for inspiration throughout a customer's decision-making process.

Our strategy is to fulfill the product needs of our Pro, DIY and BIY customers with our extensive assortment, in-stock inventory and merchandise selection across a broad range of price points. We offer best seller products in addition to the more unique, hard to find items that we believe our customers have come to expect from us. We source our products from around the world, constantly seeking new and exciting merchandise to offer our customers. Our goal is to be at the forefront of hard surface flooring trends in the market, while offering low prices given our ability to source directly from manufacturers and quarries.

We utilize a regional merchandising strategy in order to carry products in our stores that cater to the preferences of our local customer base. This strategy is executed by our experienced merchandising team, which consists of store support center merchants and regional merchants, who work with our individual stores to ensure they have the appropriate product mix for their location. Our store support center merchants are constantly seeking new products and following trends by attending trade shows and conferences, as well as by shopping the competition, while our store associates are in touch with customers in the store. We schedule weekly and monthly regular meetings to review information gathered and make future product development decisions. This constant connectivity between our stores, regional merchants, store support center merchants and our vendors allows us to quickly bring new and compelling products to market.

Our 2013 net sales by key product categories are set forth below:

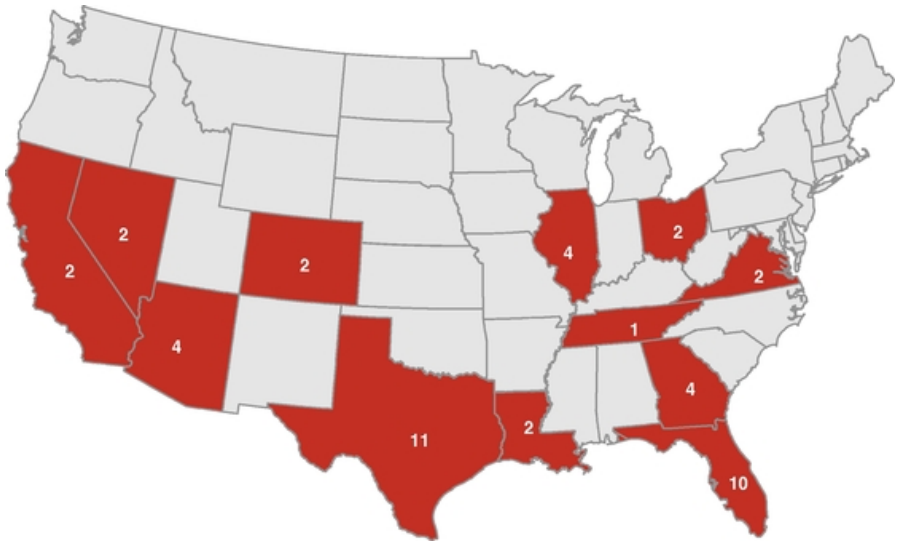


Category	Products Offered	Select Product Highlights
Tile	Porcelain, White Body, Ceramic	We offer a wide selection of Porcelain, White Body and Ceramic tiles from 4"x4" all the way up to 36"x36". We source many products directly from Italy, where many design trends in tile originate. We offer traditional stone looks as well as wood-looking planks and more contemporary linen, cement and vein cut styles. We work with many factories in the United States, China, Italy, Mexico, Brazil and other countries to bring the most in-demand styles at low prices.
Wood	Solid Prefinished Hardwood, Solid Unfinished Hardwood, Engineered Hardwood, Bamboo, Cork	We sell common species such as Oak, Walnut, Birch and Maple but also exotics such as Bamboo, Brazilian Cherry, African Mahogany and Taun, all in multiple colors. Our wood flooring comes in multiple widths from $2\frac{1}{4}$" up to $9\frac{3}{4}$" wide planks. Customers have the option of buying prefinished or unfinished flooring in many of our stores.
Natural Stone	Natural Stone, Granite, Travertine, Marble, Slate	Natural stone is quarried around the world and we buy direct from the source. For example, we buy travertine from Turkey, Peru and Mexico, marble from Italy, Spain, Turkey and China, and slate from India. We work with factories in these countries and others to cut stone tiles in many sizes, finishes and colors.
Laminate/Luxury Vinyl Plank ("LVP")	Laminate Flooring, Luxury Vinyl Wood Plank, Vinyl Composite Tile	Wood look Laminate and Luxury Vinyl Plank flooring is offered in styles that mimic our bestselling wood species, colors and finishes. Our product offers easy locking installation and is great for customers who want the beauty of real hardwood but the ease and convenience that laminate and LVP offers.
Decorative Accessories	Glass Tile, Mosaics, Decoratives, Prefabricated Countertops, Medallions	With over 500 choices in glass, stone mosaics and decoratives, we can customize nearly any look or style a customer desires. This high margin, distinctive category is a favorite of our designers and offers customers an inexpensive way to quickly update a backsplash or shower.
Accessories (Installation Materials and Tools)	Grout, Adhesives, Mortar, Backer Board, Power Tools, Wood Moldings	This category offers everything a customer needs to complete his or her project, including backer board, mortar, grout, wood glues, molding and tools. We sell top brands, which are highly valued by our customers.

Stores

We operate 45 warehouse-format stores across 12 states and one small 5,500 square foot design center. Most of our stores are situated in highly visible retail and industrial locations. Our warehouse-format stores average approximately 70,000 square feet and carry on average approximately 3,400 flooring, decorative and installation accessory SKUs, 1.4 million square feet of flooring products and $2.6 million of inventory at cost.

The map below reflects our store base:



Each of our stores is led by a store manager who holds the title Chief Executive Merchant and is supported by an operations manager, department managers and a Pro sales manager. Our store managers focus on providing superior customer service and creating customized store offerings that are tailored to meet the specific needs of their stores. Beyond the store managers, each store is staffed with associates, the number of whom vary depending on sales volume and size of the store. We dedicate significant resources to training all of our new store managers through Floor & Decor University and in the field across all product areas, with store-level associates receiving certification on specific product areas. Ongoing training and continuing education is provided for all employees throughout the year.

We believe there is an opportunity to significantly expand our store base in the United States from our 45 warehouse-format stores currently to over 350 stores nationwide within the next 15 years based on our internal research with respect to housing density, demographic data, competitor concentration and other variables in both new and existing markets. Over the next three years, we plan to grow our store base by approximately 20% to 25% per year, with approximately half being opened in existing geographies and approximately half being opened in new markets. We have developed a disciplined approach to new store development, based on an analytical, research-driven method to site selection and a rigorous real estate review and approval process. By focusing on key demographic characteristics for new site selection, such as aging of homes, length of home ownership and median income, we expect to open stores with attractive returns.

When opening new stores, inventory orders are placed several months prior to a new store opening. Significant investment is made in building out or constructing the site, hiring and training employees in advance, and advertising and marketing the new store through pre-opening events to draw the flooring industry community together. Each new store is thoughtfully designed with store interiors

that include interchangeable displays on wheels, racking to access products and stand-up visual displays to allow ease of shopping and an exterior highlighted by a large, bold Floor & Decor sign. The majority of our stores have design centers that showcase project ideas to further inspire our customers, and in all of our stores, we employ experienced designers to provide design consulting to our customers free of charge.

Our new store model targets a store size of 60,000-80,000 square feet, total initial cash investment of approximately $4 million, pre-tax payback in the third year and year-three cash-on-cash returns of greater than 30%. Since 2010, we have opened 20 new stores, 10 of which have been open for at least a full year. We estimate these 10 stores on average will achieve a pre-tax payback of less than three years and exceed their cash-on-cash return targets. We believe the success of our stores across geographies and vintages supports the portability of Floor & Decor into a wide range of markets. The performance of our new stores is inherently uncertain and is subject to numerous factors that are outside of our control. As a result, we cannot assure you that our new stores will achieve our target results.

Omni-Channel and E-Commerce

Our website and our call center are important parts of our integrated omni-channel strategy. We aim to elevate the customer experience through our website *FloorandDecor.com.* Growing our e-commerce sales provides us with additional opportunity to enhance our omni-channel experience for our customers. Home renovation and remodeling projects typically require significant investments of time and money from our customers, and they consequently plan their projects carefully and conduct extensive research online. *FloorandDecor.com* is an important tool for engaging our customers throughout this process, educating them on our product offerings and providing them with design ideas. In addition, sales associates at our call center are available to assist our customers with their projects and questions. We designed the website to be a reflection of our stores and to promote our wide selection and low prices. To this end, we believe the website provides the same region-specific product selection that customers can expect in our stores, but also the opportunity to extend our assortment by offering the entire portfolio of products.

In addition to highlighting our broad product selection, we believe *FloorandDecor.com* offers a convenient opportunity for customers to purchase products online and pick them up in our stores. As we continue to grow, we believe omni-channel will become an increasingly important part of our strategy.

Marketing and Advertising

We use a multi-platform approach to increasing Floor & Decor's brand awareness, while historically maintaining a low average advertising to sales ratio of less than 3%. We use traditional advertising media, combined with social media and online marketing, to share the Floor & Decor story with a growing audience. We take the same customized approach with our marketing as we do with our product selection; each region has a varied media mix based on local trends and what we believe will most efficiently drive sales. To further enhance our targeting efforts, our store managers have significant input into the store's marketing spend.

A key objective of our messaging is to make people aware of our stores, products and services. Based on internal research, we estimate the conversion rate from a customer visiting one of our stores to purchasing our products to be over 60%.

As part of our focus on local markets, our stores have events that promote Floor & Decor as a hub for the local home improvement community. We feature networking events for Pro customers, giving them a chance to meet our sales teams, interact with others in the home improvement industry and learn about our newest products. For DIY customers, we regularly offer how-to classes on product installation. We believe these events serve to raise the profile of the Floor & Decor stores in our communities while showcasing our tremendous selection of products and services.

We want our customers to have a great experience at their local Floor & Decor store. With our TV and radio commercials, print and outdoor ads, in-store flyers, online messaging and community events, we show our customers that we are a trusted resource with a vast selection, all at a low price.

Sourcing

Floor & Decor has a well-developed and geographically diverse supplier base. We source our industry leading merchandise assortment from over 180 suppliers in over 14 countries, and maintain good relationships with our vendors. No supplier accounts for more than 10% of our net sales. We continue to increase our sourcing from suppliers outside of the United States, and where appropriate, we are focused on bypassing agents, brokers, distributors and other middlemen in our supply chain in order to reduce costs and lead time. We believe that our direct sourcing model and the resulting relationships we have developed with our suppliers are distinct competitive advantages. The cost savings we achieve by directly sourcing our merchandise enable us to offer our customers lower prices versus our competitors. Additionally, our close relationships with suppliers allow us to collaborate with them directly to develop and quickly introduce innovative and quality products that meet our customers' evolving tastes and preferences at low prices. We plan to continue increasing the percentage of merchandise that we directly source from suppliers.

Distribution and Order Fulfillment

We have invested significant resources to develop and enhance our distribution network. We have four distribution centers strategically located across the United States in port cities near Savannah, Georgia; Miami, Florida; Houston, Texas; and Los Angeles, California. Third party brokers arrange the shipping of our international and domestic purchases to our distribution centers and stores and bill us for shipping costs according to the terms of the purchase agreements with our suppliers. We are typically able to transport inventory from our distribution centers to our stores in less than one week. This quick turnaround time enhances our ability to maintain project-ready quantities of the products stocked in our stores. To further strengthen our distribution capabilities, we are in the process of converting all of our distribution centers to Company-operated facilities. In conjunction with the change in responsibility, we will be implementing a new warehouse management and transportation management system tailored to our unique needs across all four distribution centers. Once implemented, we believe the system will increase service levels, reduce shrinkage and damage, help us better manage our inventory, lower our distribution costs as a percentage of net sales and allow us to better implement our omni-channel initiatives. We believe that our current distribution network, along with planned expansions, is sufficient to support our growth over the next few years. However, we continue to seek opportunities to enhance our distribution capabilities and align them with our strategic growth initiatives.

Management Information Systems

We believe that technology plays a crucial role in the continued growth and success of our business. We have sought to integrate technology into all facets of our business, including supply chain, merchandising, store operations, point-of-sale, e-commerce, finance, accounting and human resources. The integration of technology allows us to analyze the business in real time and react accordingly. Our sophisticated inventory management system is our primary tool for forecasting, placing orders and managing in-stock inventory. The data-driven platform includes sophisticated forecasting tools based on historical trends in sales, inventory levels and vendor lead times at the store level by SKU, allowing us to support store managers in their regional merchandising efforts. We rely on the forecasting accuracy of our system to maintain the in-stock, project-ready quantities that our customers rely on. In addition, our employee training certifications are entirely electronic, allowing us to effectively track the competencies of our staff and manage talent across stores. We believe that our systems are sufficiently scalable to support the continued growth of the business.

Competition

The retail hard surface flooring market is highly fragmented and competitive. We face significant competition from large home improvement centers, national and regional specialty flooring chains and independent flooring retailers. Some of our competitors are organizations that are larger, are better capitalized, have existed longer, have product offerings that extend beyond hard surface flooring and related accessories, and have a more established market presence with substantially greater financial, marketing, personnel and other resources than we have. In addition, while the hard surface flooring category has a relatively low threat of new internet-only entrants due to the nature of the product, the growth opportunities presented by e-commerce could outweigh these challenges and result in increased competition in this portion of our omni-channel strategy. Further, because the barriers to entry into the hard surface flooring industry are relatively low, manufacturers and suppliers of flooring and related products, including those whose products we currently sell, could enter the market and start directly competing with us.

We believe that the key competitive factors in the retail hard surface flooring industry include:

- product assortment;
- in-store availability of products in project-ready quantities;
- product sourcing;
- product presentation;
- customer service;
- store management;
- store location; and
- low prices.

We believe that we compete favorably with respect to each of these factors by providing a highly diverse selection of products to our customers, at an attractive value, in appealing and convenient retail stores.

Our Structure

Floor & Decor Holdings, Inc. was incorporated as a Delaware corporation in October 2010 in connection with our Sponsors' acquisition of F&D in November 2010, which in turn converted from a Georgia corporation into a Delaware corporation in connection therewith.

The following chart illustrates our current corporate structure:

Employees

As of September 25, 2014, we had 2,568 employees, 1,523 of whom were full-time and none of whom were represented by a union. Of these employees, 2,315 work in our stores, 219 work in corporate, store support, infrastructure, e-commerce or similar functions, and 34 work in distribution centers. We believe that we have good relations with our employees.

Properties

We have 45 U.S. warehouse-format stores located in twelve states, as shown in the chart below:

State	Number of Stores
Arizona	4
California	2
Colorado	2
Florida	10
Georgia	4
Illinois	4
Louisiana	1
Nevada	2
Ohio	2
Tennessee	1
Texas	11
Virginia	2
Total:	**45**

We opened eight new stores during our fiscal year ended December 26, 2013, have opened seven new stores since then and currently plan to open one to two additional stores prior to December 25, 2014. In addition to our warehouse-format stores, we operate one separate small 5,500 square foot design center located in New Orleans, Louisiana. Our headquarters, which we refer to as our store support center, is approximately 47,500 square feet and is located in Smyrna, Georgia.

We lease our store support center, all of our stores and our distribution centers. Our leases generally have a term of ten to fifteen years, and generally have at least two renewal options for five years. Most of our leases provide for a minimum rent and typically include escalating rent increases. Our leases also generally require us to pay insurance, utilities, real estate taxes and repair and maintenance expenses.

Government Regulation

We are subject to extensive and varied federal, state and local laws and regulations, including those relating to employment, the environment, public health and safety, product safety, zoning and fire codes. We operate each of our stores and distribution centers in accordance with standards and procedures designed to comply with applicable laws and regulations.

Our operations and properties are also subject to federal, state and local laws and regulations relating to the use, storage, handling, generation, transportation, treatment, emission, release, discharge and disposal of hazardous materials, substances and wastes and relating to the investigation and clean-up of contaminated properties, including off-site disposal locations at which we may have disposed of wastes. We do not incur significant costs complying with such environmental laws and regulations. However, we could be subject to material environmental costs, liabilities or claims in the future, especially in the event new laws or regulations are adopted or there are changes in existing laws and regulations or in their interpretation. Our suppliers are also subject to the laws and regulations of their home countries, including in particular laws regulating forestry and the environment. We consult

with our suppliers as appropriate to ensure that they are in compliance with applicable home country laws. We also support social and environmental responsibility among our supplier community, and the majority of our major suppliers have entered into a vendor responsibility buying agreement with us. These agreements contain our expectations concerning environmental, labor and health and safety matters, which includes among its guidelines an understanding that our suppliers must comply with the laws, rules and regulations of the countries in which they operate.

Insurance and Risk Management

We use a combination of insurance and self-insurance to provide for potential liability for workers' compensation, general liability, product liability, director and officers' liability, team member healthcare benefits, and other casualty and property risks. Changes in legal trends and interpretations, variability in inflation rates, changes in workers' compensation and general liability premiums and deductibles, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers, and changes in discount rates could all affect ultimate settlements of claims. We evaluate our insurance requirements on an ongoing basis to ensure we maintain adequate levels of coverage.

Legal Proceedings

We are engaged in various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment related matters resulting from our business activities. As with most actions such as these, an estimation of any possible and/or ultimate liability cannot always be determined. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Trademarks and other Intellectual Property

We have 28 registered marks and several pending trademark applications marks in the United States. We regard our intellectual property as having significant value, and our brand is an important factor in the marketing of our products. Accordingly, we have taken, and continue to take, appropriate steps to protect our intellectual property.

MANAGEMENT

Executive Officers and Directors

The following table sets forth certain information regarding our executive officers and directors as of , 2014:

Name	Age	Position
Executive Officers		
Thomas Taylor	48	Chief Executive Officer
Trevor Lang	43	Executive Vice President and Chief Financial Officer
Lisa Laube	51	Executive Vice President and Chief Merchandising Officer
Brian Robbins	57	Senior Vice President—Supply Chain
David Christopherson	40	Vice President, Secretary and General Counsel
James Davis	45	Senior Vice President—Store Operations
Kevin Wiederhold	46	Senior Vice President—Human Resources
Board of Directors		
Norman Axelrod	62	Chairman of the Board
George Vincent West	60	Vice Chairman of the Board
Brad Brutocao	41	Director
David Kaplan	47	Director
Pamela Knous	60	Director
John Roth	56	Director
Ravi Sarin	33	Director
Peter Starrett	67	Director
Adam Stein	38	Director
Thomas Taylor	48	Director

Executive Officers

Each of our executive officers serves at the direction of our board of directors and holds office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. There are no family relationships among any of our directors or executive officers.

Thomas V. Taylor, Jr., 48, has served as our Chief Executive Officer and a member of our board of directors since December 2012. Prior to joining us, Mr. Taylor began his career at age 16 in 1983 at a Miami Home Depot store. He worked his way up through various manager, district manager, vice president, president, and senior vice president roles to eventually serve as the Executive Vice President of Operations with responsibility for all 2,200 Home Depot stores and then the Executive Vice President of Merchandising and Marketing, again for all stores. After leaving Home Depot in 2006, for the next six years, Mr. Taylor was a Managing Director at Sun Capital Partners. During his tenure, he was a board member for over twenty portfolio companies in the United States and Europe. Mr. Taylor's significant experience as a board member and his expertise in the home improvement retail industry led to the conclusion that he should serve as a member of our board of directors.

Trevor S. Lang, 43, is our Executive Vice President and Chief Financial Officer. Mr. Lang joined the Company as Senior Vice President and Chief Financial Officer in 2011, and was promoted to Executive Vice President and Chief Financial Officer in October 2014. From 2007 to 2011, he served as the Chief Financial Officer of Zumiez Inc. and also served as its Chief Administrative Officer beginning in April 2010. Previously, he had served as Vice President of Finance for Carter's, Inc. since 2003. At Carter's, Mr. Lang was responsible for the management of the corporate accounting and finance functions. From 1999 until joining Carter's in 2003, Mr. Lang served in a progressive series of Vice President roles in the finance area at Blockbuster Inc., culminating in his role as Vice President

Operations Finance where he was responsible for accounting and reporting for over 5,000 company-owned and franchised stores. From 1994 until 1999, Mr. Lang worked in the audit division of Arthur Andersen reaching the level of audit manager. Mr. Lang is a 1993 graduate of Texas A&M University with a B.B.A. in Accounting. He is also a Certified Public Accountant.

Lisa G. Laube, 51, has served as our Executive Vice President and Chief Merchandising Officer since 2012. She is responsible for Merchandising, Marketing, Inventory and E-Commerce. From 2005 to 2011, Ms. Laube was President of Party City where she was responsible for Merchandising, Marketing and E-Commerce and prior to that she was the company's Chief Merchandising Officer. From 2002 to 2004, she was the Vice President of Merchandising for White Barn Candle Company, a division of Bath and Body Works. Prior to that, Ms. Laube worked from 1996 to 2002 at Linens 'n Things beginning as a Buyer and progressing to General Merchandising Manager. From 1988 to 1996, she was a Buyer at Macy's in the Textiles division. Ms. Laube began her career at Rich's department store in the Executive Training Program. She graduated from the Terry School of Business, University of Georgia in 1985 with a B.B.A. in Marketing.

Brian K. Robbins, 57, has served as our Senior Vice President of Supply Chain since 2013. Prior to joining us, Mr. Robbins was a senior supply chain or merchandising executive with three portfolio companies of Cerberus Capital Management since 2009. He had also held senior supply chain roles with GE and DuPont, and was a Merchandise Vice President with Home Depot. Early in his career, Mr. Robbins received his CPA certificate and held various accounting positions with Grant Thornton, Scripps Howard and PricewaterhouseCoopers. Mr. Robbins is a graduate of Miami University with a B.S. degree in Education, majoring in Industrial Management.

David V. Christopherson, 40, has served as our Vice President, General Counsel and Secretary since 2013. Mr. Christopherson was the Vice President, General Counsel and Secretary of Teavana Holdings, Inc. from 2011 to 2013 and the Deputy General Counsel of Swett & Crawford from 2007 to 2011. He was previously an attorney with the law firms King & Spalding and Sullivan & Cromwell. Mr. Christopherson received an A.B., magna cum laude, in Political Science from Davidson College and a J.D., cum laude, from Harvard Law School.

James L. Davis, 45, has served as our Senior Vice President of Store Operations since September 2014. Prior to joining us, Mr. Davis served as the Senior Vice President, Sales from January 2014 to July 2014, as the Vice President, Sales from March 2011 to January 2014 and as regional manager from 2009 to 2011 at Lumber Liquidators, a specialty retailer of hardwood flooring. Prior to joining Lumber Liquidators, he held various director-level roles at Circuit City Stores from 1999 to 2009. Earlier in his career, Mr. Davis served in customer-facing and management-level positions for Tire Kingdom and Sears Holdings Corporation.

Kevin G. Wiederhold, 46, has served as Senior Vice President of Human Resources since July 2014. From 2012 to June 2014, he served as Vice President of Human Resources for Meijer, Inc. From 2008 to 2012, he served as Vice President of Human Resources for Advance Auto Parts. Mr. Wiederhold spent from 2002 to 2008 at The Home Depot where he worked in multiple Human Resources roles, including as the Director of Human Resources for Northern Plains region. Mr. Wiederhold also spent 12 years with Gateway Computer Inc. where he served in multiple Human Resources and Operations roles from 1990 to 2002. Mr. Wiederhold spent 17 years in the United States Army Reserve and reached the rank of Captain. Mr. Wiederhold is a graduate of the University of South Dakota where he earned a Bachelor of Arts degree in Criminal Justice and a Master's Degree in Public Administration.

Board of Directors

Information pertaining to Mr. Taylor may be found in the section entitled "Management—Executive Officers."

Norman Axelrod, 62, has served as our Chairman since December 2011 and as a member of our board of directors since November 2010. Beginning in 1988, Mr. Axelrod served as Chief Executive Officer and a member of the board of directors of Linens 'n Things, Inc., a retailer of home textiles, housewares and decorative home accessories, was appointed as Chairman of its board of directors in 1997, and served in such capacities until its acquisition in February 2006. Mr. Axelrod is also the Chairman of the board of directors of Guitar Center Holdings, Inc. and serves on the boards of directors of the parent entities of Smart & Final, LLC, a warehouse-style food and supply retailer, 99 Cents Only Stores LLC, a deep-discount retailer, Jaclyn, Inc., a handbags and apparel company and Neiman Marcus Group LTD LLC, a luxury retailer. Mr. Axelrod has also previously served as the Chairman of the boards of directors of GNC Holdings, Inc., National Bedding Company LLC, and Simmons Company and as a member of the boards of directors of Reebok International Ltd. and Maidenform Brands, Inc. Mr. Axelrod, through his consulting entity, NAX 18, LLC, has provided consulting services to certain Ares affiliated entities. Mr. Axelrod received a B.S. in Management and Marketing from Lehigh University where he graduated summa cum laude and an M.B.A. from New York University. Mr. Axelrod's vast experience led to the conclusion that he should serve as a member of our board of directors.

George Vincent West, 60, has served on our board of directors since he founded us in 2000. He served as as our Chief Executive Officer from 2000 to 2002, as co-Chief Executive Officer from 2008 to 2010 and as Chief Executive Officer from 2010 through 2012. Currently, Mr. West serves as the Vice Chairman of our board of directors, a position that he has held since December 2012. Mr. West began his business career starting a successful retail glassware business in Atlanta. He was eventually recruited to work for his family building materials business, West Building Materials, which operated in five southeastern states, and eventually became its President. Mr. West also developed and sold a multistate billboard company and has developed several real estate projects across the state of Georgia, the most recent being Utana Bluffs, a boutique mountain home community in the north Georgia Mountains. Mr. West graduated from the Terry College of Business at the University of Georgia in 1977. Mr. West's experience and intimate knowledge of the Company led to the conclusion that he should serve as a member of our board of directors.

Brad J. Brutocao, 41, has served as a member of our board of directors since November 2010. Mr. Brutocao joined Freeman Spogli in 1997 and has been a General Partner since 2008. Prior to joining Freeman Spogli, Mr. Brutocao worked at Morgan Stanley & Co., a financial services firm, in the Mergers and Acquisitions and Corporate Finance departments. Mr. Brutocao currently serves on the boards of directors of the parent entities of Arhaus LLC, a home furnishings retailer, Boot Barn, Inc., a retailer of western and work footwear and apparel, and Paradies Holdings LLC, an operator of retail stores and restaurants in airports. Mr. Brutocao received a B.A. in Business Economics from the University of California, Los Angeles. Mr. Brutocao's experience managing investments in, and serving on the boards of, companies operating in the retail and consumer industries led to the conclusion that he should serve as a member of our board of directors.

David B. Kaplan, 47, has served as a member of our board of directors since October 2010, including as Chairman from October 2010 to December 2011. Mr. Kaplan is a Co-Founder of Ares and a Director and Senior Partner of Ares Management GP LLC, Ares' general partner. He is a Senior Partner of Ares, Co-Head of its Private Equity Group and a member of its Management Committee. Mr. Kaplan joined Ares in 2003 from Shelter Capital Partners, LLC, where he was a Senior Principal from June 2000 to April 2003. From 1991 through 2000, Mr. Kaplan was affiliated with, and a Senior Partner of, Apollo Management, L.P. and its affiliates, during which time he completed multiple private equity investments from origination through exit. Prior to Apollo Management, L.P., Mr. Kaplan was a member of the Investment Banking Department at Donaldson, Lufkin & Jenrette Securities Corp., an investment banking and securities firm. Mr. Kaplan currently serves as Chairman of the boards of directors of the parent entities of Neiman Marcus Group LTD LLC, a luxury retailer, 99 Cents Only Stores LLC, a deep-discount retailer, and Smart & Final, LLC, a warehouse-style food and supply

retailer, and as a member of the board of directors of Guitar Center Holdings, Inc., a musical instruments retailer. Mr. Kaplan's previous public company board of directors experience includes Maidenform Brands, Inc., an intimate apparel retailer, where he served as the company's Chairman, GNC Holdings, Inc., a specialty retailer of health and wellness products, Dominick's Supermarkets, Inc., a grocery retailer, Stream Global Services, Inc., a business process outsourcing provider, Orchard Supply Hardware Stores Corporation, a home improvement retailer, and Allied Waste Industries Inc., a waste services company. Mr. Kaplan also serves on the Board of Directors of Cedars-Sinai Medical Center, is a Trustee of the Center for Early Education, is a Trustee of the Marlborough School and serves on the President's Advisory Group of the University of Michigan. Mr. Kaplan graduated with High Distinction, Beta Gamma Sigma, from the University of Michigan, School of Business Administration with a B.B.A. concentrating in Finance. Mr. Kaplan's over 20 years of experience managing investments in, and serving on the boards of directors of, companies operating in various industries led to the conclusion that he should serve as a member of our board of directors.

Pamela K. Knous, 60, has served as a member of our board of directors since May 2011. Ms. Knous currently dedicates her time to various business and philanthropic endeavors, and recently served as the Executive Vice President-Chief Financial Officer of Chico's FAS, Inc., a clothing retailer, a position she held from June 2011 to June 2014. She also served as its Chief Accounting Officer from June 2011 to March 2014. From September 1997 to July 2010, Ms. Knous served as Executive Vice President, Chief Financial Officer and Chief Accounting Officer of SUPERVALU INC., a grocery retailer and food wholesaler, where she was responsible for finance, accounting, information technology, strategic planning, investor relations and its Bristol Farms operation. Prior to joining SUPERVALU INC., Ms. Knous was Executive Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer of The Vons Companies, Inc., a grocery retailer now part of Safeway Inc. Prior to that, Ms. Knous was a partner in the Los Angeles office of KPMG Peat Marwick, the international audit, tax and advisory firm. Ms. Knous previously served as Audit Committee Chair of the National Board of the American Heart Association from June 2011 to June 2013 and as a member of the board of directors of The Tennant Company, a cleaning equipment manufacturer, including as the Chair of its Audit Committee. Ms. Knous received a B.A. in Mathematics and a B.S. in Business Administration from the University of Arizona. Ms. Knous's extensive experience in executive leadership of companies in the retail industry led to the conclusion that she should serve as a member of our board of directors.

John M. Roth, 56, has served as a member of our board of directors since November 2010. Mr. Roth joined Freeman Spogli in 1988 and has been a General Partner since 1993, where he now serves as President and Chief Operating Officer. From 1984 to 1988, Mr. Roth was employed by Kidder, Peabody & Co. Incorporated in the Mergers and Acquisitions Group. Mr. Roth has served on the board of directors of hhgregg, Inc., an electronics and appliances retailer, since February 2005. Mr. Roth received an M.B.A. and a bachelor's degree from the Wharton School of the University of Pennsylvania. With his extensive experience as a board member of numerous retail and consumer businesses and his experience and insights into strategic expansion opportunities, capital markets and capitalization strategies, Mr. Roth is well-qualified to serve on our board of directors.

Ravi Y. Sarin, 33, has served as a member of our board of directors since November 2010. Mr. Sarin is a Principal in the Private Equity Group of Ares. Prior to joining Ares in 2009, Mr. Sarin worked at Bain Capital Private Equity, a private equity firm, in both North America and Asia, where he participated in the execution of leveraged buyout and growth equity investments in a variety of industries. Prior to joining Bain Capital, Mr. Sarin was a consultant at Bain & Company, a management consulting firm. Mr. Sarin also serves on the boards of directors of Jacuzzi Brands Corporation, a manufacturer and distributor of bath, plumbing and backyard products, and the parent entities of OB Hospitalist Group, Inc., a provider of comprehensive OB/GYN hospitalist services, and Unified Physician Management LLC, a healthcare management services company. Mr. Sarin also previously served on the board of directors of Orchard Supply Hardware Stores Corporation, a home

improvement retailer. Mr. Sarin received a B.S. in Electrical Engineering and a M.S. in Management Science & Engineering from Stanford University and an M.B.A. from Harvard Business School. Mr. Sarin's experience working with and serving as a director of various companies controlled by private equity sponsors led to the conclusion that he should serve as a member of our board of directors.

Peter Starrett, 67, has served as a member of our board of directors since November 2010. In 1998, Mr. Starrett founded Peter Starrett Associates, a retail advisory firm, and currently serves as its President. In connection with his activities at Peter Starrett Associates, Mr. Starrett also provides consulting services to certain Freeman Spogli affiliated entities. From 1990 to 1998, Mr. Starrett served as the President of Warner Bros. Studio Stores Worldwide, a specialty retailer. Previously, he was Chairman and Chief Executive Officer of The Children's Place, a specialty retailer. Prior to that, Mr. Starrett held senior executive positions at both Federated Department Stores and May Department Stores, each a department store retailer. Mr. Starrett is also Chairman of the board of directors of Pacific Sunwear, Inc. and of Boot Barn, Inc., each a specialty apparel and footwear retailer. In addition, he is a member of the board of directors of PETCO Animal Supplies, Inc., a pet food and supplies retailer, and hhgregg, Inc., an electronics and appliances retailer. Mr. Starrett has also served on the board of directors of Guitar Center Holdings, Inc., a musical instruments retailer. Mr. Starrett received a B.S.B.A. from the University of Denver and an M.B.A. from Harvard Business School. Mr. Starrett's extensive experience as an officer and a director of both public and private companies in the retail industry led to the conclusion that he should serve as a member of our board of directors.

Adam L. Stein, 38, has served as a member of our board of directors since November 2010. Mr. Stein is a Partner in the Private Equity Group of Ares. Prior to joining Ares in 2000, Mr. Stein was a member of the Global Leveraged Finance Group at Merrill Lynch & Co., a financial services firm, where he participated in the execution of leveraged loan, high yield bond and mezzanine financing transactions across various industries. Mr. Stein serves on the boards of directors of the parent entities of Neiman Marcus Group LTD LLC, a luxury retailer, 99 Cents Only Stores LLC, a deep-discount retailer, Smart & Final, LLC, a warehouse-style food and supply retailer, Marietta Corporation and as a member of the board of directors of Guitar Center Holdings, Inc., a musical instruments retailer. Mr. Stein previously served on the board of directors of Maidenform Brands, Inc. Mr. Stein also serves on the Advisory Board of the Los Angeles Food Bank. Mr. Stein received a B.B.A., with distinction, in Business Administration with a concentration in Finance from Emory University's Goizueta Business School. Mr. Stein's experience working with and serving as a director of various companies in the retail industry controlled by private equity sponsors led to the conclusion that he should serve as a member of our board of directors.

Board Composition

Our business and affairs are managed by our board of directors, which upon the closing of this offering will consist of 10 directors. The maximum size of our board of directors will be 12 members, the exact number of which will be set from time to time by our board of directors.

Pursuant to the terms of the Investor Rights Agreement, each Sponsor is entitled to nominate (a) five directors for election to our board of directors for so long as it holds 40% or more of our outstanding common stock, (b) three directors for election to our board of directors for so long as it holds 30% or more of our outstanding common stock, (c) two directors for election to our board of directors for so long as it holds 15% or more of our outstanding common stock and (d) one director for election to our board of directors for so long as it holds 5% or more of our outstanding common stock. In particular, Ares has nominated Messrs. Axelrod, Kaplan, Sarin, Stein and West for election to our board of directors, and Freeman Spogli has nominated Messrs. Brutocao and Roth for election to our board of directors. Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors.

Upon the closing of this offering, our board of directors will be divided into three classes. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, directors in that class will be elected for three-year terms, subject to our Sponsors' rights to remove their respective nominees, at the annual meeting of stockholders in the year in which their term expires. There will be no cumulative voting at the election of directors. Consequently, at each annual meeting, the successors to the directors whose terms are then expiring will be decided by a majority of the votes cast at the meeting. The classes will be composed as follows:

- will be Class I directors, whose terms will expire at the first annual meeting of stockholders following this offering;
- will be Class II directors, whose terms will expire at the second annual meeting of stockholders following this offering;
- will be Class III directors, whose terms will expire at the third annual meeting of stockholders following this offering;

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of our directors. This classification of our board of directors may have the effect of delaying or preventing changes in control.

Pursuant to the terms of the Investor Rights Agreement, directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock.

Director Independence

On , 2014, our board of directors undertook a review of the independence of our directors and considered whether any director has a material relationship with us that could compromise that director's ability to exercise independent judgment in carrying out that director's responsibilities. On such date, our board of directors affirmatively determined that each of Messrs. Axelrod, Brutocao, Kaplan, Roth, Sarin, Starrett and Stein and Ms. Knous qualifies as an "independent director," as defined in the corporate governance rules of the New York Stock Exchange.

Controlled Company Exception

Upon the closing of this offering, we will be deemed a "controlled company" under the rules of the New York Stock Exchange, and we will qualify for, but do not intend to rely on, the "controlled company" exemption to the board of directors and committee composition requirements under the rules of the New York Stock Exchange. If we were to rely on this exemption, we would be exempt from the requirements that (1) our board of directors be comprised of a majority of independent directors, (2) we have a nominating and corporate governance committee composed entirely of independent directors, (3) our compensation committee be comprised solely of independent directors and (4) we conduct an annual performance evaluation of the nominating and corporate governance committee and the compensation committee. The "controlled company" exception does not modify the independence requirements for the audit committee, and we intend to comply with the requirements of the Sarbanes-Oxley Act and the rules of the New York Stock Exchange, which require that our audit committee be composed of at least three members and entirely of independent directors within one year from the date of this prospectus.

Since we do not intend to rely on the "controlled company" exemption under the rules of the New York Stock Exchange, the board of directors will take all actions necessary to comply with such rules, including appointing a majority of independent directors to the board and establishing certain committees composed entirely of independent directors within the time frames set forth under the rules of the New York Stock Exchange.

Board Leadership Structure

Our board of directors has no policy with respect to the separation of the offices of Chief Executive Officer and Chairman of the Board. It is the board of directors' view that rather than having a rigid policy, the board of directors, with the advice and assistance of the nominating and corporate governance committee, and upon consideration of all relevant factors and circumstances, will determine, as and when appropriate, whether the two offices should be separate.

Currently, our leadership structure separates the offices of Chief Executive Officer and Chairman of the Board with Mr. Taylor serving as our Chief Executive Officer and Mr. Axelrod as Chairman of the Board. We believe this is appropriate as it provides Mr. Taylor with the ability to focus on our day-to-day operations while Mr. Axelrod focuses on oversight of our board of directors.

Risk Oversight

Our board of directors plays an active role in overseeing management of our risks. Our board of directors regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Our compensation committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and our audit committee is responsible for overseeing the management of financial risks. Upon the closing of this offering, our nominating and corporate governance committee will be responsible for managing risks associated with the independence of the board of directors. While each committee will be responsible for evaluating certain risks and overseeing the management of such risks, our full board of directors plans to keep itself regularly informed regarding such risks through committee reports and otherwise.

Board Committees

Our board of directors has the authority to appoint committees to perform certain management and administration functions. Our board of directors has an audit committee, a compensation committee and, upon the closing of this offering, will have a nominating and corporate governance committee. The composition and responsibilities of each committee are described below. Members will serve on these committees until their resignation or until otherwise determined by the board of directors.

Audit Committee

Upon the closing of this offering, the audit committee of our board of directors (the "Audit Committee") will consist of Messrs. Sarin and Starrett and Ms. Knous, who will act as its chair. On , 2014, our board of directors determined that each of qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, has the attributes set forth in such section and is financially literate, as required by the rules of the New York Stock Exchange. In addition, our board of directors determined that each of Mr. Starrett and Ms. Knous is independent as independence is defined under the rules of the New York Stock Exchange and Rule 10A-3(b)(1) under the Exchange Act. Within one year of the date of this prospectus, we expect to have a fully independent audit committee in accordance with the rules of the New York Stock Exchange and Rule 10A-3(b)(1) under the Exchange Act.

The principal duties and responsibilities of our Audit Committee are as follows:

- to monitor our financial reporting process and internal control system;
- to appoint and replace our independent registered public accounting firm from time to time, determine their compensation and other terms of engagement and oversee their work;
- to oversee the performance of our internal audit function; and
- to oversee our compliance with legal, ethical and regulatory requirements.

The Audit Committee will have the power to investigate any matter brought to its attention within the scope of its duties. It will also have the authority to retain counsel and advisors to fulfill its responsibilities and duties.

Compensation Committee

Upon the closing of this offering, the compensation committee of our board of directors (the "Compensation Committee") will consist of Messrs. Brutocao and Stein and Mr. Axelrod, who will act as its chair.

The principal duties and responsibilities of our Compensation Committee are as follows:

- to provide oversight on the development and implementation of the compensation policies, strategies, plans and programs for our key employees and outside directors and disclosure relating to these matters;
- to review and approve the compensation of our chief executive officer and the other executive officers of us and our subsidiaries; and
- to provide oversight concerning the compensation of our chief executive officer, succession planning, performance of the chief executive officer and related matters.

Nominating and Corporate Governance Committee

Upon the closing of this offering, the nominating and corporate governance committee of our board of directors will consist of and , who will act as its chair.

The principal duties and responsibilities of the nominating and corporate governance committee will be as follows:

- to establish criteria for board and committee membership and recommend to our board of directors proposed nominees for election to the board of directors and for membership on committees of the board of directors; and
- to make recommendations to our board of directors regarding board governance matters and practices.

Code of Conduct and Ethics

Our board of directors will adopt a code of conduct and ethics that applies to all of our employees, including those officers responsible for financial reporting. The code of conduct and ethics will be available on our website at *www.FloorandDecor.com*. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website to the extent required by applicable SEC rules or the rules of the New York Stock Exchange. The inclusion of our website address in this prospectus does not include or incorporate by reference the information on or accessible through our website into this prospectus.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past year has served, as a member of the board or compensation committee of any entity that has one or more executive officers serving on our board or compensation committee.

EXECUTIVE AND DIRECTOR COMPENSATION

Our named executive officers ("NEOs") for fiscal 2013, which consist of our principal executive officer and our two other most highly compensated executive officers, are:

- Thomas V. Taylor, who serves as Chief Executive Officer and a member of our board of directors and is our principal executive officer;
- Lisa G. Laube, who serves as Executive Vice President and Chief Merchandising Officer; and
- Trevor S. Lang, who serves as Executive Vice President and Chief Financial Officer.

Prior to this offering, we were privately held, and the Compensation Committee reviewed and recommended the compensation of our NEOs. Following this offering the Compensation Committee will continue to review and recommend the compensation of our NEOs and will regularly report its compensation decisions and recommendations to our board of directors. In connection with this offering, the Compensation Committee engaged the Hay Group, an independent compensation consultant, to assist in developing our approach to executive officer and director compensation.

Summary Compensation Table for Fiscal 2013

The following table contains information about the compensation paid to or earned by each of our NEOs during fiscal 2013.

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)(1)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(2)	Total ($)
Thomas V. Taylor—*Chief Executive Officer*	2013	650,000	—	546,774(3)	2,396	1,199,170
Lisa G. Laube—*Executive Vice President and Chief Merchandising Officer*	2013	462,500	11,000	194,525	54,254	722,279
Trevor S. Lang—*Executive Vice President and Chief Financial Officer*	2013	364,000	11,000	153,097	2,609	530,706

(1) Represents a one-time discretionary bonus to account for the execution of strategic priorities.

(2) Represents relocation reimbursements, taxable group term life insurance, and a 401(k) match program. Ms. Laube's relocation reimbursements were $26,999 for costs associated with her relocation to Atlanta, Georgia and a tax gross-up of $25,858 on such amounts.

(3) For fiscal 2013, Mr. Taylor was entitled to a minimum bonus of $325,000. Mr. Taylor is not entitled to a minimum bonus for fiscal year 2014 or any later year.

Narrative Disclosure to Summary Compensation Table

Elements of Compensation

Base Salary. The base salaries of our NEOs are intended to reflect the position, duties and responsibilities of each executive and the market for base salaries of similarly situated executives at other companies of similar size and in similar industries. Accordingly, in fiscal 2013, Mr. Taylor received a base salary at an annual rate of $650,000, Ms. Laube received a base salary at an annual rate of $462,500, and Mr. Lang received a base salary at an annual rate of $364,000.

Annual Incentive Bonuses. Our NEOs are eligible to receive annual incentive bonuses. The annual incentive bonuses are intended to reward our senior executives for achieving a target net

income and return on investment percentage set out by us at the beginning of the year. We define return on investment as (i) earnings before interest and taxes, adjusted for certain one-time unique expenses that the compensation committee considers appropriate, divided by (ii) the thirteen-month average of the sum of inventory and net fixed assets, less tenant improvement allowances. Mr. Taylor is eligible to receive a bonus with a target amount equal to 100% of his base salary. For fiscal 2013, Mr. Taylor had a guaranteed minimum bonus of $325,000. He does not have a guaranteed minimum bonus for any other fiscal year. Ms. Laube and Mr. Lang are each eligible to receive a bonus with a target amount equal to 50% of his or her base salary. In fiscal 2013, our target net income as calculated with respect to the annual incentive bonuses was $13.4 million, and the target return on investment percentage was 18.9%. Our actual net income performance (as calculated with respect to such annual incentive bonuses, which gave effect to certain one-time unique expense items that the compensation committee considered appropriate to exclude from net income) was $13.7 million, which was 102.1% of the target and resulted in a payout percentage of 102.1%. Our actual return on investment percentage was 18.4% (which also gave effect to certain one-time unique expense items that the compensation committee considered appropriate to exclude from net income). This performance was 96.9% of the target and resulted in a payout percentage of 30.3%. The performance measures were weighted 75% net income and 25% return on investment, resulting in a cumulative payout percentage of 84.1%. Accordingly, the NEOs received the following annual incentive bonuses:

Name	Target Annual Incentive Bonus	Actual Annual Incentive Bonus	Payout Percentage
Thomas V. Taylor	$ 650,000	$ 546,774	84.1%
Lisa G. Laube	$ 231,250	$ 194,525	84.1%
Trevor S. Lang	$ 182,000	$ 153,097	84.1%

Discretionary Incentive Bonus. Ms. Laube and Mr. Lang each received a one-time discretionary bonus of $11,000 in fiscal 2013. The compensation committee determined such bonuses were warranted to account for the execution of strategic priorities, including the opening of new stores, implementation of a Company-wide resource planning system and the achievement of certain marketing goals, among other achievements.

Signing Bonus. Mr. Taylor received a signing bonus of $600,000 in connection with his hiring in 2012. If Mr. Taylor's employment terminates for any reason other than by us without Cause or by Mr. Taylor for Good Reason (as each is defined in our employment agreement with Mr. Taylor) prior to December 3, 2014, he is required to repay us $300,000 of the signing bonus.

Stock Option Awards. We generally grant stock options to our NEOs in connection with their hiring as a way of aligning our interests with those of our employees. Stock options generally become exercisable in equal annual installments of 20% each, on each of the first five anniversaries of their effective date as long as the NEO is continuously employed by us on each vesting date. Mr. Taylor's stock options become exercisable in annual installments of 25% each on each of the first four anniversaries of their grant date so long as Mr. Taylor remains continuously employed by us on each vesting date. We did not award any stock options to our NEOs in fiscal 2013. On May 1, 2013, in connection with a one-time extraordinary dividend, we adjusted the exercise price of all outstanding stock options in accordance with the terms of the 2011 Plan to account for such dividend, including stock options held by the NEOs. There was no incremental change to the fair value of the options in connection with the adjustment of the exercise price.

Relocation Expenses. In fiscal 2013, Ms. Laube received $26,999 in reimbursement costs associated with her relocation to Atlanta, Georgia and a tax gross-up of $25,858 on such amounts. We provide gross-ups to employees of certain levels of seniority in connection with relocation benefits. We do not provide any other tax gross-ups to employees.

401(k) Plan. All full-time employees are eligible to participate in our 401(k) plan after one year of service and are eligible to receive matching contributions from us after one year of service. We match employee contributions in cash at a rate of 20% of the first 5% of base compensation that an employee contributes, with graded vesting over a six year period. Our NEOs are also eligible for our matches, subject to regulatory limits on contributions to 401(k) plans.

Employment Agreements. The following is a summary of the employment agreements that we have entered into with our NEOs. The summary below does not contain complete descriptions of all provisions of the employment agreements of our NEOs and is qualified in its entirety by reference to such employment agreements, copies of which will be filed as exhibits to the registration statement of which this prospectus forms a part. See "Where You Can Find More Information."

Thomas V. Taylor—Chief Executive Officer

We entered into an employment agreement with Mr. Taylor on December 3, 2012 pursuant to which Mr. Taylor agreed to serve as our Chief Executive Officer. Mr. Taylor's employment agreement has a term of four years, after which it will automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Taylor's employment without Cause or Mr. Taylor resigns for Good Reason, he is entitled to receive (i) any accrued and unpaid base salary and benefits and payments pursuant to the terms of any benefit plan (collectively, the "Accrued Benefits"), and (ii) subject to Mr. Taylor executing a valid release of claims, severance pay equal to (x) two times Mr. Taylor's annual base salary, payable over 24 months and (y) a pro-rated portion of the annual incentive bonus that Mr. Taylor would have earned if he had remained employed, payable at the time bonuses are paid to employees generally. In addition, any vested stock options held by Mr. Taylor at the time of his termination of employment will remain exercisable for a period of 90 days following the date of termination.

We generally may terminate Mr. Taylor's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his commission of, or being indicted for a felony, or his commission of a misdemeanor where imprisonment may be imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the board of directors, or his refusal to follow the directives of the board of directors that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Mr. Taylor generally may terminate his employment for "Good Reason" in connection with any of the following without his consent: (i) a material diminution of his authority, duties or responsibilities; (ii) a material diminution of his base salary; (iii) a relocation of his office location that is more than 50 miles from the Atlanta, Georgia metropolitan area; or (iv) any material breach of Mr. Taylor's employment agreement by us.

In the event of Mr. Taylor's death or disability, Mr. Taylor or his personal representatives or heirs will receive (i) his Accrued Benefits, (ii) his base salary for the lesser of twelve months and the remainder of his employment period, and (iii) a pro-rated portion of the annual incentive bonus that Mr. Taylor would have earned if he had remained employed, payable at the time bonuses are paid to employees generally. Additionally Mr. Taylor's vested options will be exercisable for 12 months after his termination due to death or disability.

Lisa G. Laube—Executive Vice President and Chief Merchandising Officer

We entered into an employment agreement with Ms. Laube on February 3, 2012 pursuant to which Ms. Laube agreed to serve as our Executive Vice President and Chief Merchandising Officer. Ms. Laube's employment agreement has a term of three years, after which it will automatically renew each year for successive one-year terms unless either party provides written notice of non-renewal or her employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Ms. Laube's employment without Cause, she is entitled to receive (i) any Accrued Benefits, and (ii) subject to Ms. Laube executing a valid release of claims, continuation of her base salary for the remainder of the term. In addition, any vested stock options held by Ms. Laube at the time of her termination of employment remain exercisable for a period of 90 days following the date of termination.

We generally may terminate Ms. Laube's employment for "Cause" immediately upon written notice of any of the following reasons: (i) her conviction of, guilty plea, or plea of nolo contendere, for a felony, or a misdemeanor where imprisonment is imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of her duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) her willful failure to perform any reasonable duties assigned by the Chief Executive Officer, or her refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) her unlawful appropriation of a material corporate opportunity.

In the event that we choose not to extend or renew the term of Ms. Laube's employment and she remains continuously employed by us through the end of her employment period, any of her stock options that are scheduled to vest on the day after the last day of her employment period will accelerate and vest on the last day of her employment period. Additionally, any of Ms. Laube's options that vested as of the end of her employment period will be exercisable for 90 days after the end of her employment.

Trevor S. Lang—Executive Vice President and Chief Financial Officer

We entered into an employment agreement with Mr. Lang on June 17, 2011 pursuant to which Mr. Lang agreed to serve as our Chief Financial Officer. Mr. Lang's employment agreement had an initial term of two years, but currently automatically renews each year for successive one-year terms unless either party provides written notice of non-renewal or his employment is otherwise terminated, in each case pursuant to the terms of the employment agreement.

If we terminate Mr. Lang's employment without Cause, he is entitled to receive (i) any Accrued Benefits, and (ii) subject to Mr. Lang executing a valid release of claims, continuation of his base salary for the remainder of the term. In addition, any vested stock options held by Mr. Lang at the time of his termination of employment remain exercisable for a period of 90 days following the date of termination.

We may terminate Mr. Lang's employment for "Cause" immediately upon written notice of any of the following reasons: (i) his conviction of, guilty plea, or plea of nolo contendere, for a felony, or a misdemeanor where imprisonment is imposed (other than a traffic-related offense); (ii) any act of material misconduct or gross negligence in the performance of his duties or any act of moral turpitude; (iii) any act of theft, fraud or material dishonesty; (iv) his willful failure to perform any reasonable duties assigned by the Chief Executive Officer, or his refusal to follow the directives of the Chief Executive Officer that is not cured within 30 days; (v) any material breach of an agreement with us that is not cured within ten days; or (vi) his unlawful appropriation of a material corporate opportunity.

Restrictive Covenants

Each of the NEOs are subject to certain non-compete and non-solicitation restrictions while employed and for one year after termination of employment (or, in the case of Mr. Taylor, for three years after termination of employment). In addition, each NEO is subject to confidentiality and non-disparagement restrictions.

Outstanding Equity Awards at Fiscal Year-End 2013

The following table contains information about stock options that have not been exercised and were outstanding as of the last day of fiscal 2013 for each of our NEOs.

	Option Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Thomas V. Taylor(1)	625	1,877	1,012	December 13, 2022
	625	1,876	1,558	December 13, 2022
Lisa G. Laube(2)	230	920	916	February 23, 2022
	230	920	1,391	February 23, 2022
Trevor S. Lang(3)	428	644	916	August 25, 2021
	428	644	1,391	August 25, 2021

(1) Stock options granted to Mr. Taylor vested or vest in equal annual installments December 3, 2013, 2014, 2015 and 2016, subject to his continued employment with us.

(2) Stock options granted to Ms. Laube vested or vest in equal annual installments February 3, 2013, 2014, 2015, 2016 and 2017, subject to her continued employment with us.

(3) Stock options granted to Mr. Lang vested or vest in equal annual installments June 17, 2012, 2013, 2014, 2015 and 2016, subject to his continued employment with us.

Compensation of Our Directors for Fiscal 2013

Name	Fees Earned or Paid in Cash ($)	All Other Compensation ($)	Total ($)
Norman Axelrod (Chairman)	100,000	—	100,000
George Vincent West (Vice Chairman)	—	200,000(1)	200,000
Peter Starrett	40,000	—	40,000
Larry Castellani(2)	40,000	—	40,000
Pamela Knous	75,000	—	75,000

(1) Represents consulting fees paid to Mr. West pursuant to his consulting agreement with us.

(2) Departed from our board of directors in October 2014.

Director Compensation

For fiscal 2013, directors who were our executives or employees of Ares or Freeman Spogli did not receive compensation for their services as directors. Directors who were not our executives or employees of Ares or Freeman Spogli each earned director fees in fiscal 2013 as follows: Norman Axelrod, $100,000; Peter Starrett, $40,000; Larry Castellani, $40,000 and Pamela Knous, $75,000.

In addition, George Vincent West is party to a consulting agreement with us, pursuant to which he receives annual consulting fees of $200,000. Either party may terminate the consulting agreement at any time upon 30 days written notice. Mr. West is subject to certain non-compete and non-solicitation restrictions while a consultant and for two years after the termination of his consultancy. In addition, Mr. West is subject to confidentiality and non-disparagement restrictions.

Certain of our directors received stock options prior to fiscal 2013 in connection with their service on the board of directors, or, in the case of Mr. West, in connection with his service as our former Chief Executive Officer. See "Principal Stockholders" below for more details.

Upon the completion of this offering, our board of directors intends to establish a compensation program for our non-employee directors other than Messrs. Brutocao, Kaplan, Roth, Sarin and Stein (collectively, the "Non-Employee Directors"). Directors who are not Non-Employee Directors will not receive any compensation for their services as directors. Pursuant to this compensation program, we will pay the following fees to each of our Non-Employee Directors:

- an annual cash retainer of $;
- an additional annual cash retainer of $ to the chair of our audit committee;
- an additional annual cash retainer of $ to the chair of our compensation committee; and
- an additional annual cash retainer of $ to the chair of our nominating and corporate governance committee.

We also reimburse our directors for reasonable out-of-pocket expenses incurred in connection with the performance of their duties as directors, including travel expenses in connection with their attendance in-person at board and committee meetings.

Equity Plan Disclosure

2011 Stock Incentive Plan

We maintain a stock incentive plan, the 2011 Plan, pursuant to which, we may grant incentive stock options, non-qualified stock options and restricted stock to our employees, consultants and Non-Employee Directors. We will cease granting awards under the 2011 Plan upon the implementation of the 2014 Plan, described below.

The material terms of the 2011 Plan are summarized below. The following summary is qualified in its entirety by reference to the complete text of the 2011 Plan, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part.

Administration of the Plan

The board of directors has authority to administer the 2011 Plan. The board of directors has delegated such authority to the compensation committee (the board of directors, or compensation committee, as applicable, the "Administrator"). The compensation committee and the board of directors are authorized to grant awards to eligible employees, consultants and Non-Employee Directors. The Administrator may also delegate the authority to grant a limited number of shares (not to exceed 1,000 per person) to the Chief Executive Officer, a committee of our officers or employees

or one or more members of the board of directors. Any awards granted by such delegate must not be to any individuals subject to Section 16 of the Exchange Act or to any "covered employees" within the meaning of Section 162(m)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Number of Authorized Shares and Award Limits

The aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2011 Plan may not exceed the sum of 33,500 shares (subject to adjustment as described below).

Our shares of common stock that are subject to awards under the 2011 Plan are counted against the overall limit as one share for every share granted or covered by an award. If any award is cancelled, expires or terminates unexercised for any reason following the implementation of the 2014 Plan, the shares covered by such award will again be available for the grant of awards under the 2014 Plan.

The Administrator will, in accordance with the terms of the 2011 Plan, make appropriate adjustments to the above aggregate limits, to the number or kind of shares or other property (including cash) underlying awards and to the purchase price of shares underlying awards, in each case, to reflect any change in our capital structure or business by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, or other change in our capital structure, or an extraordinary cash dividend.

Eligibility and Participation

All of our and our affiliates' current and prospective employees and consultants, as well as our Non-Employee Directors, are eligible to be granted non-qualified stock options and restricted stock under the 2011 Plan. Only our and our subsidiaries' employees are eligible to be granted incentive stock options ("ISOs") under the 2011 Plan. Eligibility for awards under the 2011 Plan is determined by the Administrator in its sole discretion.

Types of Awards

Stock Options. The 2011 Plan authorizes the Administrator to grant ISOs to eligible employees and non-qualified stock options to purchase shares to employees, consultants, prospective employees, prospective consultants and Non-Employee Directors. The Administrator will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the shares of common stock at the time of grant, or 110 percent of fair market value in the case of ISOs granted to ten-percent stockholders), the vesting schedule and the other terms and conditions of each option. Options will be exercisable at such times and subject to such terms as are determined by the Administrator at grant. The maximum term of options under the 2011 Plan is ten years (or five years in the case of ISOs granted to ten-percent stockholders). Upon the exercise of an option, the participant must make payment of the full exercise price, either in cash or by check, bank draft or money order; solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker, reasonably acceptable to us, to promptly deliver to us an amount equal to the aggregate exercise price; or on such other terms and conditions as may be acceptable to the Administrator (including, without limitation, the relinquishment of options or by payment in full or in part in the form of shares of common stock).

Restricted Stock. The 2011 Plan authorizes the Administrator to grant restricted stock. Recipients of restricted stock enter into an agreement with us subjecting the restricted stock to transfer and other restrictions and providing the criteria or dates on which such awards vest and such restrictions lapse. The restrictions on restricted stock may lapse and the awards may vest over time, based on performance criteria or other factors, as determined by the Administrator at grant. Except as

otherwise determined by the Administrator, a holder of restricted stock has all of the attendant rights of a stockholder including the right to receive dividends, if any, subject to and conditioned upon vesting and restrictions lapsing on the underlying restricted stock, the right to vote shares and, subject to and conditioned upon the vesting and restrictions lapsing for the underlying shares, the right to tender such shares. However, the Administrator may in its discretion provide at grant that the right to receive dividends on restricted stock will not be subject to the vesting or lapsing of the restrictions on the restricted stock.

Effect of Certain Transactions; Change in Control

In the event of a change in control, as defined in the 2011 Plan, the Administrator, in its sole discretion may, but is not obligated, to (i) accelerate, vest or cause the restrictions to lapse on outstanding awards, (ii) cancel awards in exchange for the fair value of the awards (for options, the fair value means the per share value paid in connection with the change in control less the per share exercise price of such options, if any, or for no value, if none), or (iii) provide that new awards will be substituted for outstanding awards.

Non-Transferability of Awards

Except as the Administrator may permit, at the time of grant or thereafter, awards granted under the 2011 Plan are generally not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee will continue to be subject to the terms of the 2011 Plan and the applicable award agreement.

Term

Awards under the 2011 Plan may not be made after October 10, 2022, but awards granted prior to such date may extend beyond that date.

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, the board of directors may at any time amend, in whole or in part, any or all of the provisions of the 2011 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except as required to comply with applicable law, no such amendment may adversely impair the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of stockholders, no amendment may be made that would: increase the aggregate number of shares of common stock that may be issued under the 2011 Plan; change the classification of individuals eligible to receive awards under the 2011 Plan; decrease the minimum exercise price of any stock option; extend the maximum term of any option; award any stock option as a replacement for a stock option that has a higher exercise price; or require stockholder approval in order for the 2011 Plan to continue to comply with Section 422 of the Code.

2014 Stock Incentive Plan

In anticipation of this offering, our board of directors is expected to adopt the 2014 Plan contingent upon the effectiveness of this offering. Our stockholders are expected to approve the 2014 Plan contingent upon the effectiveness of this offering. We believe that a new omnibus incentive plan is appropriate in connection with a public offering of our common stock not only to continue to enable us to grant awards to management to reward and incentivize their performance and retention, but also to have a long-term equity plan that is appropriate for us as a publicly held company.

The material terms of the 2014 Plan are summarized below. The following summary is qualified in its entirety by reference to the complete text of the 2014 Plan, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part.

Administration of the Plan

The board of directors intends to appoint the compensation committee to administer the 2014 Plan (we continue to refer to the board of directors or compensation committee, as applicable, as the "Administrator"). The Administrator is authorized to grant awards to eligible employees, consultants and Non-Employee Directors.

Number of Authorized Shares and Award Limits

The aggregate number of our shares of common stock that may be issued or used for reference purposes under the 2014 Plan may not exceed shares (subject to adjustment as described below). In addition, shares previously authorized under the 2011 Plan, and shares covered by any award under the 2011 Plan that is cancelled, expires or terminates unexercised for any reason will be available for grant under the 2014 Plan.

Our shares of common stock that are subject to awards will be counted against the overall limit as one share for every share granted or covered by an award. If any award is cancelled, expires or terminates unexercised for any reason, the shares covered by such award will again be available for the grant of awards under the 2014 Plan, except that any shares that are not issued as the result of a net settlement or that are used to pay any exercise price or tax withholding obligation will not be available for the grant of awards. Shares of common stock that we repurchase on the open market with the proceeds of an option exercise price also will not be available for the grant of awards.

The maximum number of our shares of common stock that may be subject to any award of stock options, any restricted stock or other stock-based award denominated in shares that may be granted under the 2014 Plan during any fiscal year to each employee or consultant is shares per type of award; provided that the maximum number of our shares of common stock for all types of awards during any fiscal year is shares per each employee or consultant. The maximum number of our shares of common stock that may be granted pursuant to awards under the 2014 Plan during any fiscal year to any non-employee director is shares.

The foregoing individual participant limits are cumulative; that is, to the extent that shares of common stock that may be granted to an individual in a fiscal year are not granted, the number of shares of common stock that may be granted to such individual is increased in the subsequent fiscal years.

In addition, the maximum grant date value of any other stock-based awards denominated in cash and the maximum payment under any performance-based cash award granted under the 2014 Plan payable with respect to any fiscal year to an employee or consultant is $. However, the foregoing limits (other than the limit on the maximum number of our shares of common stock for all types of awards during any fiscal year) will not apply (i) to options, restricted stock or other stock-based awards that constitute "restricted property" under Section 83 of the Code to the extent granted during the Reliance Period (as described below) or (ii) to performance-based cash awards or other types of other stock-based awards to the extent paid or otherwise settled during the Reliance Period.

For companies that become public in connection with an initial public offering, the deduction limit under Section 162(m) of the Code does not apply during a "reliance period" under the Treasury Regulations under Section 162(m) of the Code that may be relied upon until the earliest of: (i) the expiration of the 2014 Plan, (ii) the date the 2014 Plan is materially amended for purposes of Treasury Regulation Section 1.162-27(h)(1)(iii); (iii) the date all shares of common stock available for issuance

under the 2014 Plan have been allocated; or (iv) the date of the first annual meeting of our stockholders at which directors are to be elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs (such period, the "Reliance Period").

The Administrator will, in accordance with the terms of the 2014 Plan, make appropriate adjustments to the above aggregate and individual limits, to the number and/or kind of shares or other property (including cash) underlying awards and to the purchase price of shares underlying awards, in each case, to reflect any change in our capital structure or business by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, any recapitalization, merger, consolidation, spin off, split off, reorganization or any partial or complete liquidation, issuance of rights or warrants to purchase any shares of common stock or securities convertible into shares of common stock, any sale or transfer of all or part of our assets or business, or any other corporate transaction or event that would be considered an "equity restructuring" within the meaning of FASB ASC Topic 718. In addition, the Administrator may take similar action with respect to other extraordinary events.

Eligibility and Participation

All of our and our affiliates' current and prospective employees and consultants, as well as our Non-Employee Directors, are eligible to be granted non-qualified stock options, restricted stock, performance-based cash awards and other stock-based awards under the 2014 Plan. Only our and our subsidiaries' employees are eligible to be granted ISOs under the 2014 Plan. Eligibility for awards under the 2014 Plan is determined by the Administrator in its sole discretion.

Types of Awards

Stock Options. The 2014 Plan authorizes the Administrator to grant ISOs to eligible employees and non-qualified stock options to purchase shares to employees, consultants, prospective employees, prospective consultants and Non-Employee Directors. The Administrator will determine the number of shares of common stock subject to each option, the term of each option, the exercise price (which may not be less than the fair market value of the shares of common stock at the time of grant, or 110 percent of fair market value in the case of ISOs granted to ten-percent stockholders), the vesting schedule and the other terms and conditions of each option. Options will be exercisable at such times and subject to such terms as are determined by the Administrator at grant. The maximum term of options under the 2014 Plan is ten years (or five years in the case of ISOs granted to ten-percent stockholders). Upon the exercise of an option, the participant must make payment of the full exercise price, either in cash or by check, bank draft or money order; solely to the extent permitted by law, through the delivery of irrevocable instructions to a broker, reasonably acceptable to us, to promptly deliver to us an amount equal to the aggregate exercise price; or on such other terms and conditions as may be acceptable to the Administrator (including, without limitation, the relinquishment of options or by payment in full or in part in the form of shares of common stock).

Restricted Stock. The 2014 Plan authorizes the Administrator to grant restricted stock. Recipients of restricted stock enter into an agreement with us subjecting the restricted stock to transfer and other restrictions and providing the criteria or dates on which such awards vest and such restrictions lapse. The restrictions on restricted stock may lapse and the awards may vest over time, based on performance criteria or other factors (including, without limitation, performance goals that are intended to comply with the performance-based compensation exception under Section 162(m) of the Code, as discussed below), as determined by the Administrator at grant. Except as otherwise determined by the Administrator, a holder of restricted stock has all of the attendant rights of a stockholder including the right to receive dividends, if any, subject to and conditioned upon vesting and restrictions lapsing on the underlying restricted stock, the right to vote shares and, subject to and conditioned upon the vesting and restrictions lapsing for the underlying shares, the right to tender such

shares. However, the Administrator may in its discretion provide at grant that the right to receive dividends on restricted stock will not be subject to the vesting or lapsing of the restrictions on the restricted stock.

Other Stock-Based Awards. The 2014 Plan authorizes the Administrator to grant awards of shares of common stock and other awards that are valued in whole or in part by reference to, or are payable in or otherwise based on, shares of common stock, including, but not limited to, shares of common stock awarded purely as a bonus in lieu of cash and not subject to any restrictions or conditions; shares of common stock in payment of the amounts due under an incentive or performance plan sponsored or maintained by us or an affiliate; stock appreciation rights; stock equivalent units; restricted stock units; performance awards entitling participants to receive a number of shares of common stock (or cash in an equivalent value) or a fixed dollar amount, payable in cash, stock or a combination of both, with respect to a designated performance period; or awards valued by reference to book value of our shares of common stock. In general, other stock-based awards that are denominated in shares of common stock will include the right to receive dividends, if any, subject to and conditioned upon vesting and restrictions lapsing on the underlying award, but the Administrator may in its discretion provide at grant that the right to receive dividends on a stock-denominated award will not be subject to the vesting or lapsing of the restrictions on the performance award.

Certain Performance-Based Awards

As noted above, following the Reliance Period, performance-based awards granted under the 2014 Plan that are intended to satisfy the performance-based compensation exception under Section 162(m) of the Code will vest based on attainment of specified performance goals established by the Administrator. These performance goals will be based on the attainment of a certain target level of, or a specified increase in (or decrease where noted), criteria selected by the Administrator.

Such performance goals may be based upon the attainment of specified levels of company, subsidiary, division or other operational unit performance under one or more of the measures described above relative to the performance of other companies. The Administrator may designate additional business criteria on which the performance goals may be based or adjust, modify or amend those criteria, to the extent permitted by Section 162(m) of the Code. Unless the Administrator determines otherwise, to the extent permitted by Section 162(m) of the Code, the Administrator will disregard and exclude the impact of special, unusual or non-recurring items, events, occurrences or circumstances; discontinued operations or the disposal of a business; the operations of any business that we acquire during the fiscal year or other applicable performance period; or a change in accounting standards required by generally accepted accounting principles.

Effect of Certain Transactions; Change in Control

In the event of a change in control, as defined in the 2014 Plan, except as otherwise provided by the Administrator, unvested awards will not vest. Instead, the Administrator may, in its sole discretion provide that outstanding awards will be: assumed and continued; purchased based on the price per share paid in the change in control transaction (less, in the case of options and SARs, the exercise price), as adjusted by the Administrator for any contingent purchase price, escrow obligations, indemnification obligations or other adjustments to the purchase price; and/or in the case of stock options or other stock-based appreciation awards where the change in control price is less than the applicable exercise price, cancelled. However, the Administrator may in its sole discretion provide for the acceleration of vesting and lapse of restrictions of an award at any time including in connection with a change in control.

Deferral Arrangements

The Administrator may permit or require the deferral of any payment of a restricted stock unit or performance award pursuant to a deferred compensation arrangement in a manner intended to comply with, or be exempt from, Section 409A of the Code.

Non-Transferability of Awards

Except as the Administrator may permit, at the time of grant or thereafter, awards granted under the 2014 Plan are generally not transferable by a participant other than by will or the laws of descent and distribution. Shares of common stock acquired by a permissible transferee will continue to be subject to the terms of the 2014 Plan and the applicable award agreement.

Term

Awards under the 2014 Plan may not be made after , 2024, but awards granted prior to such date may extend beyond that date. We may seek stockholder reapproval of the performance goals in the 2014 Plan. If such stockholder approval is obtained, on or after the first stockholders' meeting in the fifth year following the year of the last stockholder approval of the performance goals in the 2014 Plan, awards under the 2014 Plan may be based on such performance goals in order to qualify for the "performance-based compensation" exception under Section 162(m) of the Code.

Amendment and Termination

Subject to the rules referred to in the balance of this paragraph, our board of directors may at any time amend, in whole or in part, any or all of the provisions of the 2014 Plan, or suspend or terminate it entirely, retroactively or otherwise. Except as required to comply with applicable law, no such amendment may reduce the rights of a participant with respect to awards previously granted without the consent of such participant. In addition, without the approval of stockholders, no amendment may be made that would: increase the aggregate number of shares of common stock that may be issued under the 2014 Plan; increase the maximum individual participant share limitations for a fiscal year or year of a performance period; change the classification of individuals eligible to receive awards under the 2014 Plan; extend the maximum term of any option; reduce the exercise price of any option or SAR or cancel any outstanding "in-the-money" option or SAR in exchange for cash; substitute any option or SAR in exchange for an option or SAR (or similar other award) with a lower exercise price; alter the performance goals; or require stockholder approval in order for the 2014 Plan to continue to comply with Section 162(m) of the Code or Section 422 of the Code.

Following consummation of this offering, we intend to file a registration statement on Form S-8 under the Securities Act to register the full number of shares of common stock that will be available for issuance under the 2014 Plan, as described in the section titled "—2014 Plan—Number of Authorized Shares and Award Limits" above.

Federal Income Tax Implications of the Incentive Plans

The federal income tax consequences arising with respect to awards granted under the Incentive Plans will depend on the type of award. From the recipients' standpoint, as a general rule, ordinary income will be recognized at the time of payment of cash, or delivery of actual shares. Future appreciation on shares held beyond the ordinary income recognition event will be taxable at capital gains rates when the shares are sold. We, as a general rule, will be entitled to a tax deduction that corresponds in time and amount to the ordinary income recognized by the recipient, and we will not be entitled to any tax deduction in respect of capital gain income recognized by the recipient. Exceptions to these general rules may arise under the following circumstances: (i) if shares, when delivered, are subject to a substantial risk of forfeiture by reason of failure to satisfy any employment or

performance-related condition, ordinary income taxation and our tax deduction will be delayed until the risk of forfeiture lapses (unless the recipient makes a special election to ignore the risk of forfeiture); (ii) if an employee is granted an ISO, no ordinary income will be recognized, and we will not be entitled to any tax deduction, if shares acquired upon exercise of the ISO are held longer than the later of one year from the date of exercise and two years from the date of grant; (iii) for awards granted after a specified transition period, we may not be entitled to a tax deduction for compensation attributable to awards granted to one of our named executive officers, if and to the extent such compensation does not qualify as "performance-based" compensation under Section 162(m) of the Code, and such compensation, along with any other non-performance-based compensation paid in the same calendar year, exceeds $1 million; and (iv) an award may be taxable at 20% above ordinary income tax rates at the time it becomes vested, even if that is prior to the delivery of the cash or stock in settlement of the award, if the award constitutes "deferred compensation" under Section 409A of the Code, and the requirements of Section 409A of the Code are not satisfied. The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Incentive Plans, and is not intended as tax guidance to participants in the Incentive Plans, as the tax consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement. This summary does not address the effects of other federal taxes (including possible "golden parachute" excise taxes) or taxes imposed under state, local, or foreign tax laws.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Pre-IPO Shareholders Agreement

We are party to a Shareholders Agreement, dated as of November 24, 2010 (as amended, the "Pre-IPO Shareholders Agreement"), among us and each of our stockholders, including Ares, Freeman Spogli and certain of our directors, executive officers and other employees. However, in connection with the closing of this offering, the Pre-IPO Shareholders Agreement will effectively be replaced by a registration rights agreement (the "Registration Rights Agreement") and a separate investor rights agreement (the "Investor Rights Agreement"), each as described in more detail below.

Registration Rights Agreement

Pursuant to the terms of the Registration Rights Agreement, Ares, Freeman Spogli and certain other signatories thereto will be entitled to various rights with respect to the registration of their shares under the Securities Act. Registration of these any of these shares under the Securities Act would result in such shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates.

Demand Registration Rights

At any time following the closing of this offering and the expiration of the applicable lock-up period, subject to certain conditions and restrictions contained in the Registration Rights Agreement, our Sponsors will be able to require us to use reasonable best efforts to register their common stock under the Securities Act.

Piggyback Registration Rights

In the event of a demand registration or if we propose to register any of our own securities under the Securities Act in a public offering, we will be required to provide notice to the holders of our common stock with registration rights under the Registration Rights Agreement and provide them with the right to include their shares in the registration statement, subject to certain conditions and exceptions contained in the Registration Rights Agreement.

Expenses

We will be required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares of our common stock held by the holders of our common stock with registration rights under the Registration Rights Agreement.

Investor Rights Agreement

Pursuant to the terms of the Investor Rights Agreement, each Sponsor is entitled to nominate (a) five directors for election to our board of directors for so long as it holds 40% or more of our outstanding common stock, (b) three directors for election to our board of directors for so long as it holds 30% or more of our outstanding common stock, (c) two directors for election to our board of directors for so long as it holds 15% or more of our outstanding common stock and (d) one director for election to our board of directors for so long as it holds 5% or more of our outstanding common stock. In particular, Ares has nominated Messrs. Axelrod, Kaplan, Sarin, Stein and West for election to our board of directors, and Freeman Spogli has nominated Messrs. Brutocao and Roth for election to our board of directors. Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors. In addition, subject to certain conditions, the Investor Rights Agreement provides each Sponsor with certain rights with respect to board committee

membership, except to the extent that such membership would violate applicable securities laws or stock exchange or stock market rules.

Directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock.

Indemnification of Officers and Directors

Our certificate of incorporation and bylaws provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with each of our directors and executive officers. See "Description of Our Capital Stock—Limitation on Liability and Indemnification" below for more details.

Directed Share Program

The underwriters have reserved up to 2% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us and members of their respective families as part of a directed share program. The directed share program will not limit the ability of our directors, officers, employees and other parties related to us, or members of their respective families, to purchase more than $120,000 in value of our Class A common stock. We do not currently know the extent to which these related persons will participate in our directed share program, if at all, or the extent to which they will purchase more than $120,000 in value of our Class A common stock.

Ordinary Course Transactions with Related Persons

From time to time, our and our Sponsors' directors, officers, employees and affiliates may enter into commercial transactions with us in the ordinary course of business, primarily for the purchase of inventory at our stores. We do not believe that any such transaction is significant enough to be material to us or the applicable related person. Our board of directors and audit committee have considered these possible purchases and have determined that no such purchase will require prior approval by the audit committee.

Statement of Policy Regarding Transactions with Related Persons

Since November 2010, we have been subject to requirements for the approval of certain related party transactions set forth in the Pre-IPO Shareholders Agreement. Pursuant to the Pre-IPO Shareholders Agreement, the consent of Ares and Freeman Spogli or the affirmative vote of a majority of the directors nominated by Ares and a majority of the directors nominated by Freeman Spogli was required to approve a transaction with any of our affiliates. As disclosed above, the Pre-IPO Shareholders Agreement will effectively be replaced by the Registration Rights Agreement and the Investor Rights Agreement in connection with the closing of this offering, neither of which will have provisions governing related party transactions.

Upon the closing of this offering, the policies regarding transactions with related persons will be included in the charter of our audit committee and in our Corporate Governance Guidelines, each of which will require that any transaction with a "related person" (as defined in paragraph (a) of Item 404 Regulation S-K) that is brought to the audit committee's attention be reviewed and approved by the audit committee.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of , 2014, by:

- each of our directors and named executive officers;
- all of our directors and executive officers as a group; and
- each person, or group of affiliated persons, who is known by us to beneficially own more than 5% of our Class A common stock or our Class C common stock, which is convertible into shares of our Class A common stock.

Beneficial ownership is determined according to the rules of the SEC and generally means that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power of that security, including options that are currently exercisable or exercisable within 60 days of , 2014. Shares issuable pursuant to options are deemed outstanding for computing the percentage of the person holding such options, but are not outstanding for computing the percentage of any other person. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons named in the table below have sole voting and investment power with respect to all shares of Class A common stock and Class C common stock shown that they beneficially own, subject to community property laws where applicable. The information does not necessarily indicate beneficial ownership for any other purpose.

Our calculation of the percentage of beneficial ownership is based on shares of Class A common stock and shares of Class C common stock outstanding as of , 2014, after giving effect to the -for-one stock split of our common stock and assuming that all shares of our Class B common stock are automatically converted into shares of our Class A common stock.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Floor & Decor Holdings, Inc., 2233 Lake Park Drive, Suite 400, Smyrna, GA 30080.

Name of Beneficial Owner	Number of Class A Shares Beneficially Owned(1)	Percentage Class A Beneficially Owned(1)	Number of Class C Shares Beneficially Owned(1)	Percentage Class C Beneficially Owned(1)	Total Shares Beneficially Owned(1)	Total Percentage Beneficially Owned(1)
Named Executive Officers and Directors:						
Thomas Taylor(2)						
Trevor Lang(3)						
Lisa Laube(4)						
Norman Axelrod(5)						
George Vincent West(6)						
Brad Brutocao						
David Kaplan						
Pamela Knous(7)						
John Roth						
Ravi Sarin						
Peter Starrett(8)						
Adam Stein						
All directors and executive officers as a group (16 persons)						
5% Stockholders:						
Ares Corporate Opportunities Fund III, L.P.(9)(10)						
FS Equity Partners VI, L.P. and FS Affiliates VI, L.P., as a group(9)(11)						

* Represents ownership of less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. These rules generally attribute beneficial ownership of securities to persons who possess sole or shared voting power or investment power with respect to such securities.

(2) Consists of (i) shares of Class A common stock directly held by Mr. Taylor and (ii) shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of , 2014.

(3) Consists of (i) shares of Class A common stock directly held by Mr. Lang and (ii) shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of , 2014.

(4) Consists of (i) shares of Class A common stock directly held by Ms. Laube and (ii) shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of , 2014.

(5) Consists of (i) shares of Class A common stock directly held by Alison K. Axelrod 2012 Family Trust, of which Mr. Axelrod is the trustee, (ii) shares of Class A common stock directly held by AS SKIP LLC, of which Mr. Axelrod is the managing member and (iii) shares of Class A common stock that are currently exercisable or that will become exercisable by Mr. Axelrod within 60 days of , 2014.

(6) Consists of (i) shares of Class A common stock directly held by Mr. West and (ii) shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of , 2014.

(7) Consists entirely of shares of Class A common stock that are currently exercisable or that will become exercisable within 60 days of , 2014.

(8) Consists of (i) shares of Class A common stock directly held by Mr. Starrett and (ii) shares of Class A common stock issuable that are currently exercisable or that will become exercisable within 60 days of , 2014.

(9) Pursuant to the terms of the Investor Rights Agreement, each Sponsor will agree to vote in favor of the other Sponsor's nominees and for the election of our then-current chief executive officer to our board of directors. As a result, each Sponsor may be deemed to be the beneficial owner of the shares of our Class A common stock owned by the other Sponsor. Each of Ares and Freeman Spogli expressly disclaims beneficial ownership of the shares of Class A common stock not directly held by it, and such shares have not been included in the table above for purposes of calculating the number of shares beneficially owned by Ares or Freeman Spogli. For a more detailed description of the Investor Rights Agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

(10) Shares of Class A common stock are held directly by Ares Corporate Opportunities Fund III, L.P. ("ACOF III"). The manager of ACOF III is ACOF Operating Manager III, LLC ("ACOF Operating Manager III"), and the sole member of ACOF Operating Manager III is Ares Management LLC. The sole member of Ares Management LLC is Ares Management Holdings L.P. ("Ares Management Holdings") and the general partner of Ares Management Holdings is Ares Holdings Inc. ("Ares Holdings"), whose sole stockholder is Ares Management, L.P. ("Ares Management"). The general partner of Ares Management is Ares Management GP LLC ("Ares Management GP") and the sole member of Ares Management GP is Ares Partners Holdco LLC ("Ares Partners" and, together with ACOF III, ACOF Operating Manager III, Ares Management LLC, Ares Management Holdings, Ares Holdings, Ares Management, and Ares Management GP, the "Ares Entities"). Ares Partners is managed by a board of managers, which is composed of Michael Arougheti, David Kaplan, John Kissick, Antony Ressler and Bennett Rosenthal. Decisions by Ares Partners' board of managers generally are made by a majority of the members, which majority, subject to certain conditions, must include Antony Ressler. Each of the Ares Entities (other than ACOF III with respect to the shares held directly by it) and the members of Ares Partners' board of managers and the other directors, officers, partners, stockholders, members and managers of the Ares Entities expressly disclaims beneficial ownership of the shares of Class A common stock. The address of each Ares Entity is 2000 Avenue of the Stars, 12th Floor, Los Angeles, California 90067.

(11) FS Equity Partners VI, L.P. directly beneficially owns shares, or %, of our Class A common stock and shares, or %, of our Class C common stock, representing an aggregate of shares, or %, of our common stock. FS Affiliates VI, L.P. directly beneficially owns shares, or %, of our Class A common stock and shares, or %, of our Class C common stock, representing an aggregate of shares, or %, of our common stock. FS Capital Partners VI, LLC, as the general partner of FS Equity Partners VI, L.P. and FS Affiliates VI, L.P. (the "FS Funds"), has the sole power to vote and dispose of the shares of our common stock owned by the FS Funds. Messrs. Brad J. Brutocao, Benjamin D. Geiger, Bradford M. Freeman, Todd W. Halloran, Jon D. Ralph, John M. Roth, J. Frederick Simmons, Ronald P. Spogli and William M. Wardlaw are the managing members of FS Capital Partners VI, LLC, and Messrs. Brutocao, Geiger, Freeman, Halloran, Ralph, Roth, Simmons, Spogli and Wardlaw are the members of Freeman Spogli & Co., and as such may be deemed to be the beneficial owners of the shares of our common stock owned by the FS Funds. Messrs. Brutocao, Geiger, Freeman, Halloran, Ralph, Roth, Simmons, Spogli and Wardlaw each disclaims beneficial ownership in the shares except to the extent of his pecuniary interest in them. The business address of the FS Funds and FS Capital Partners VI, LLC is c/o Freeman Spogli & Co., 11100 Santa Monica Boulevard, Suite 1900, Los Angeles, California 90025.

DESCRIPTION OF CAPITAL STOCK

General

As of the closing of this offering, our authorized capital stock will consist of shares of common stock, par value $0.001 per share, which is composed of shares of our Class A common stock and shares of our Class C common stock and shares of undesignated preferred stock, par value $0.001 par value per share. Our shares of Class A common stock and Class C common stock are convertible into each other under certain circumstances described in more detail below and otherwise generally have the same rights except that shares of Class C Common Stock are non-voting while shares of Class A Common Stock are entitled to one vote per share. The following description summarizes the most important terms of our capital stock. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description, you should refer to our certificate of incorporation and bylaws, which will be in place prior to the closing of this offering and included as exhibits to the registration statement of which this prospectus forms a part. The descriptions of our common stock and preferred stock below reflect changes to our capital structure that will be in effect prior to the closing of this offering.

Common Stock

As of , 2014, after giving effect to the -for-one stock split of our common stock effected on , 2014, there were shares of our common stock outstanding, held by stockholders of record. Immediately after the closing of this offering, there will be shares of our common stock outstanding, or shares if the underwriters' option to purchase additional shares is exercised in full. All of such shares will be Class A shares of common stock except for shares of Class C common stock owned by Freeman Spogli and its affiliates.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine.

Voting Rights

Each holder of our Class A common stock is entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of our Class C common stock are not entitled to vote, except as required under Delaware law. Our stockholders do not have cumulative voting rights.

Conversion Rights

Shares of our Class C common stock are automatically converted into shares of our Class A common stock on a one for one basis if the holder of such Class C common stock is not Freeman Spogli or any of its affiliates. In addition, Freeman Spogli or any of its affiliates may convert their shares of Class C common stock into shares of our Class A Common Stock, in whole or in part, at any time and from time to time at their option, on a one for one basis so long as at such time either Ares and its affiliates or Freeman Spogli and its affiliates do not own more than 24.9% of our Class A common stock after giving effect to any such conversion. In addition, shares of our Class A common stock held by Freeman Spogli or any of its affiliates are convertible into shares of our Class C common stock, in whole or in part, at any time and from time to time at the election of Freeman Spogli or any of its affiliates, on a one for one basis.

Preemptive or Similar Rights

Our common stock is not entitled to preemptive rights and is not subject to redemption. The rights of the holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of our preferred stock that our board of directors may designate and issue in the future.

Liquidation Rights

Upon our liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time after payment of liquidation preferences, if any, on any outstanding shares of preferred stock and payment of other claims of creditors.

Options

As of , 2014, after giving effect to the -for-one stock split of our common stock effected on , 2014 and assuming that all shares of our Class B common stock are automatically converted into shares of our Class A common stock upon the closing of this offering pursuant to our certificate of incorporation, we had outstanding stock options to purchase an aggregate of shares of our common stock under the 2011 Plan. Upon the closing of this offering, no additional shares of our common stock will be reserved for issuance under the 2011 Plan, and shares of our common stock will be reserved for issuance under the 2014 Plan. See "Executive and Director Compensation—Equity Plan Disclosure" and "Shares Eligible for Future Sale."

Preferred Stock

As of , 2014, there were no shares of preferred stock outstanding. Upon the closing of this offering, we will have no shares of preferred stock outstanding.

Our board of directors is authorized, subject to limitations prescribed by Delaware law, to issue up to shares of our preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the Class A common stock.

The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control and could adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

Registration Rights

Pursuant to the terms of the Registration Rights Agreement, the holders of shares of our common stock, or their transferees, are entitled to various rights with respect to the registration of their shares under the Securities Act.

For a more detailed description of the Registration Rights Agreement, see "Certain Relationships and Related Party Transactions—Registration Rights Agreement."

Investor Rights Agreement

Pursuant to the terms of the Investor Rights Agreement, Ares and Freeman Spogli will have certain rights and obligations with respect to voting for the nomination of certain directors and director nominees and with respect to board committee membership.

For a more detailed description of the Investor Rights Agreement, see "Certain Relationships and Related Party Transactions—Investor Rights Agreement."

Exclusive Venue

Our certificate of incorporation requires, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or the bylaws or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. Although we have included an exclusive venue provision in our certificate of incorporation, it is possible that a court could rule that such provision is inapplicable or unenforceable. In addition, this provision would not affect the ability of our stockholders to seek remedies under the federal securities laws.

Payment of Legal Fees in Certain Actions

Our certificate of incorporation provides that, to the fullest extent permitted by law, a current or prior stockholder, or person acting on their behalf, that initiates, asserts, joins, assists or has a direct financial interest in an action, suit or proceeding against us or any of our directors, officers, employees or affiliates and who does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy or relief sought in such claim will be jointly and severally obligated to reimburse all fees, costs and expenses (including attorneys' fees and other litigation expenses) that are incurred by us or our directors, officers, employees or affiliates in connection with such claim. This provision may have the effect of discouraging lawsuits against us or our directors, officers, employees or affiliates.

Anti-Takeover Effects of Our Certificate of Incorporation and Bylaws

We are governed by the Delaware General Corporation Law (the "DGCL"). Our certificate of incorporation and bylaws contain certain provisions that could have the effect of delaying, deterring or preventing another party from acquiring control of us. These provisions, which are summarized below, may discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate more favorable terms with an unfriendly or unsolicited acquirer outweigh the disadvantages of potentially discouraging a proposal to acquire us.

Undesignated Preferred Stock

As discussed above, our board of directors has the ability to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire control of us. These and other provisions may have the effect of deterring hostile takeovers or delaying changes in control or management of us.

Limits on Ability of Stockholders to Act by Written Consent or Call a Special Meeting

Our certificate of incorporation provides that our stockholders may not act by written consent unless our Sponsors collectively own a majority of our outstanding Class A common stock, which may lengthen the amount of time required to take stockholder actions. As a result, except for our Sponsors, a holder controlling a majority of our capital stock would not be able to amend our bylaws or remove directors without holding a meeting of our stockholders called in accordance with our bylaws. In addition, our certificate of incorporation provides that special meetings of the stockholders may be called only by the chairperson of our board or our board of directors. However, for so long as our Sponsors collectively own a majority of our outstanding Class A common stock, special meetings of our stockholders may be called by the affirmative vote of the holders of a majority of our outstanding Class A common stock. Stockholders may not call a special meeting, which may delay the ability of our stockholders to force consideration of a proposal or for holders controlling a majority of our capital stock to take any action, including the removal of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors. These provisions may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed. These provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of us.

Board Classification

Our board of directors is divided into three classes, one class of which is elected each year by our stockholders. The directors in each class will serve for a three-year term. For more information on the classified board, see "Management—Board Composition." The classification of our board of directors and the limitations on the ability of our stockholders to remove directors could make it more difficult for a third party to acquire, or discourage a third party from seeking to acquire, control of us.

Removal of Directors; Vacancies

Pursuant to the terms of the Investor Rights Agreement, directors nominated by our Sponsors may be removed with or without cause by the affirmative vote of the Sponsor entitled to nominate such director. In all other cases and at any other time, directors may only be removed for cause by the affirmative vote of at least a majority of the voting power of our common stock. Our board of directors, or our Sponsors in the case of one of their respective board nominees, has the sole power to fill any vacancy on the board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise.

No Cumulative Voting

Our certificate of incorporation and bylaws do not permit cumulative voting in the election of directors. Cumulative voting allows a stockholder to vote a portion or all of the stockholder's shares for one or more candidates for seats on the board of directors. Without cumulative voting, a minority stockholder may not be able to gain as many seats on our board of directors as the stockholder would be able to gain if cumulative voting were permitted. The absence of cumulative voting makes it more difficult for a minority stockholder to gain a seat on our board of directors to influence our board of directors' decision regarding a takeover or otherwise.

Amendment of Charter and Bylaw Provisions

The amendment of certain of the above provisions of our certificate of incorporation requires approval by holders of at least two-thirds of our outstanding Class A common stock. In addition, under the DGCL, an amendment to our certificate of incorporation that would alter or change the powers, preferences or special rights of our Class C common stock so as to affect them adversely also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class. Our certificate of incorporation provides that our board of directors may from time to time adopt, amend, alter or repeal our bylaws by a vote of a majority of our board of directors without stockholder approval and that our stockholders may adopt, amend, alter or repeal our bylaws by the affirmative vote of the holders of at least two-thirds of our outstanding Class A common stock.

Delaware Anti-Takeover Statute

Our certificate of incorporation provides that we are not governed by Section 203 of the DGCL, which, in the absence of such provision, would have imposed additional requirements regarding mergers and other business combinations.

The provisions of our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, might also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions might also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Corporate Opportunity

Our certificate of incorporation provides that no officer or director of ours who is also an officer, director, employee, managing director or other affiliate of our Sponsors will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to our Sponsors instead of us, or does not communicate information regarding a corporate opportunity to us that the officer, director, employee, managing director or other affiliate has directed to our Sponsors.

Limitations of Liability, Indemnification and Advancement

Our certificate of incorporation and bylaws provide that we will indemnify and advance expenses to our directors and officers, and may indemnify and advance expenses to our employees and other agents, to the fullest extent permitted by Delaware law, which prohibits our certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or to our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; and
- any transaction from which the director derived an improper personal benefit.

If Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. Our certificate of incorporation will not eliminate a director's duty of care and, in appropriate circumstances, equitable remedies, such as injunctive or other forms of non-monetary relief, remain available under Delaware law. This provision

also does not affect a director's responsibilities under any other laws, such as the federal securities laws or other state or federal laws. Under our certificate of incorporation and bylaws, we will also be empowered to purchase insurance on behalf of any person whom we are required or permitted to indemnify.

In addition to the indemnification and advancement of expenses required in our certificate of incorporation and bylaws, we intend to enter into indemnification agreements with each of our current directors and executive officers. These agreements will provide for the indemnification of, and the advancement of expenses to, such persons for all reasonable expenses and liabilities, including attorneys' fees, judgments, fines and settlement amounts, incurred in connection with any action or proceeding brought against them by reason of the fact that they are or were serving in such capacity. We believe that these charter and bylaw provisions and indemnification agreements are necessary to attract and retain qualified persons as directors and officers. We also maintain directors' and officers' liability insurance.

The limitation of liability, indemnification and advancement provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification or advancement by any director or officer.

Listing

We intend to apply to list our Class A common stock on the New York Stock Exchange under the symbol "FND."

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our common stock will be American Stock Transfer & Trust Company, LLC.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our capital stock. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Upon the closing of this offering, shares of common stock will be outstanding, in each case assuming no exercise of the underwriters' option to purchase additional shares and assuming no exercise of outstanding options prior to the closing of this offering. In addition, as of the closing of this offering, there will be outstanding options to acquire shares of common stock under the Incentive Plans. Of the outstanding shares, all of the shares of common stock sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144, may only be sold in compliance with the limitations described below.

The remaining shares of our common stock outstanding after this offering are restricted securities, as such term is defined in Rule 144, or are subject to lock-up agreements with the underwriters of this offering, as described below. Following the expiration of the lock-up period pursuant to any such lock-up agreements, restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rule 144 or Rule 701 promulgated under the Securities Act ("Rule 701"), described in greater detail below.

Rule 144

In general, a person who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares of our common stock for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock outstanding at the time of such sale, which will equal shares as of the closing of this offering (assuming no exercise of the underwriters' option to purchase additional shares); or
- the average weekly trading volume of our common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information, and notice provisions of Rule 144.

Notwithstanding the availability of Rule 144, the holders of substantially all of our restricted shares will have entered into lock-up agreements, as described under "Underwriting," and their restricted shares will become eligible for sale only following expiration of the restrictions set forth in those agreements.

Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers, directors, or consultants who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares. However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting," and will become eligible for sale only following expiration of those agreements.

Lock-Up Agreements

We, our executive officers and directors and substantially all of our other existing security holders have agreed not to, subject to certain limited exceptions, sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. See "Underwriting—No Sales of Similar Securities."

Registration Rights

Pursuant to the terms of the Registration Rights Agreement, the holders of shares of our common stock, after giving effect to the -for-one stock split of our common stock effected on , 2014, or their transferees, are entitled to various rights with respect to the registration of their shares under the Securities Act.

For a more detailed description of the Registration Rights Agreement, see "Certain Relationships and Related Party Transactions—Registration Rights."

Incentive Plans

As soon as practicable after the closing of this offering, we intend to file a Form S-8 registration statement under the Securities Act to register shares of our common stock issued or reserved for issuance under the Incentive Plans. The Form S-8 registration statement will become effective immediately upon filing, and shares covered by that registration statement will thereupon be eligible for sale in the public markets, subject to vesting restrictions, the lock-up agreements described above, and Rule 144 limitations applicable to affiliates. For a more complete discussion of our equity compensation plans, see "Executive and Director Compensation—Equity Plan Disclosure."

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following discussion is a summary of the material U.S. federal income tax consequences to non-U.S. holders (as defined below) with respect to the purchase, ownership and disposition of our common stock to be sold in this offering. This discussion is not a complete analysis of all potential U.S. federal income tax consequences relevant to a non-U.S. holder's particular circumstances and does not address any tax consequences arising under (i) any state, local or foreign tax laws, (ii) Section 1411 of the Code, which generally imposes a 3.8% tax on net investment income or (iii) any other U.S. federal tax laws, including estate or gift tax laws. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service ("IRS") in effect as of the date of this prospectus. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a non-U.S. holder. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance the IRS or a court will not take a contrary position regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to non-U.S. holders that hold our common stock as a "capital asset" within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address consequences relevant to non-U.S. holders subject to particular rules, including, without limitation:

- U.S. expatriates and certain former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies or other financial institutions;
- real estate investment trusts or regulated investment companies;
- brokers, dealers or traders in securities;
- "controlled foreign corporations," "passive foreign investment companies" or corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes;
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

In addition, this discussion does not address the tax treatment of partnerships or persons who hold common stock through partnerships or other entities that are transparent for U.S. federal income tax purposes. Partners in a partnership or other transparent entity that will hold our common stock should consult their own tax advisors regarding the tax consequences of the ownership and disposition of our common stock through such partnership or other transparent entity, as applicable.

THIS DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Definition of a Non-U.S. Holder

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of our common stock that is neither a "U.S. person" nor a partnership for U.S. federal income tax purposes. A U.S. person is any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (2) it has made a valid election under applicable Treasury Regulations to continue to be treated as a United States person.

Distributions

If we pay distributions on our common stock, those distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated first as a tax-free return of the non-U.S. holder's investment, up to such holder's tax basis in our common stock. Any remaining excess will be treated as capital gain and will be treated as described under the heading "—Gain on Sale or Other Disposition of Shares of Our Common Stock" below.

Subject to the discussion below on backup withholding and foreign accounts, dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the non-U.S. holder's conduct of a trade or business within the United States will generally be subject to withholding of U.S. federal income tax at a rate of 30% of the gross amount of the dividends. Non-U.S. holders may be entitled to a reduction in or an exemption from withholding on dividends as a result of either (a) an applicable income tax treaty or (b) the non-U.S. holder holding our common stock in connection with the conduct of a trade or business within the United States and dividends being paid in connection with that trade or business. To claim such a reduction in or exemption from withholding, the non-U.S. holder must provide the applicable withholding agent with a properly executed (i) IRS Form W-8BEN or W-8BEN-E, as applicable, claiming an exemption from or reduction of the withholding tax under the benefit of an income tax treaty between the United States and the country in which the non-U.S. holder resides or is established, or (ii) IRS Form W-8ECI stating that the dividends are not subject to withholding because they are effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States, as may be applicable. These certifications must be provided to the applicable withholding agent prior to the payment of dividends and must be updated periodically.

Non-U.S. holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate or exemption under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Subject to the discussion below on backup withholding and foreign accounts, if dividends paid to a non-U.S. holder are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such dividends are attributable), then, although exempt from withholding of U.S. federal income tax (provided the non-U.S. holder provides appropriate certification, as described above), the non-U.S. holder will be subject to U.S. federal income tax on such dividends on a net income basis at the regular graduated U.S. federal income tax rates. In addition, a non-U.S. holder that is a corporation may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

Gain on Sale or Other Disposition of Shares of Our Common Stock

Subject to the discussions below on backup withholding and foreign accounts, a non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the non-U.S. holder maintains a permanent establishment in the United States to which such gain is attributable);
- the non-U.S. holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest ("USRPI") by reason of our status as a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes.

Gain described in the first bullet point above will generally be subject to U.S. federal income tax on a net income basis at the regular graduated U.S. federal income tax rates. A non-U.S. holder that is a foreign corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on its effectively connected earnings and profits for the taxable year that are attributable to such gain, as adjusted for certain items.

A non-U.S. holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on any gain realized on the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder (even though the individual is not considered a resident of the United States).

With respect to the third bullet point above, we believe we are not currently and do not anticipate becoming a USRPHC. Because the determination of whether we are a USRPHC depends on the fair market value of our USRPIs relative to the fair market value of our other business assets and our non-U.S. real property interests, however, there can be no assurance we are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury

Regulations, on an established securities market, and such non-U.S. holder owned, actually or constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other disposition or the non-U.S. holder's holding period for such stock.

Non-U.S. holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Backup Withholding and Information Reporting

A non-U.S. holder will not be subject to backup withholding with respect to payments of dividends on our common stock we make to the non-U.S. holder, provided the holder certifies its non-U.S. status, such as by providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or other applicable certification, or such non-U.S. holder otherwise establishes an exemption. However, information returns will be filed with the IRS in connection with any dividends on our common stock paid to the non-U.S. holder, regardless of whether any tax was actually withheld. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the non-U.S. holder resides or is established.

Information reporting and backup withholding may apply to the proceeds of a sale or other taxable disposition of our common stock within the United States, and information reporting may (although backup withholding generally will not) apply to the proceeds of a sale or other taxable disposition of our common stock outside the United States conducted through certain U.S.-related financial intermediaries, in each case, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder on IRS Form W-8BEN, W8-BEN-E, W-8ECI or other applicable form or such non-U.S. holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Additional Withholding Tax on Payments Made to Foreign Accounts

Under Sections 1471 to 1474 of the Code and the Treasury Regulations promulgated thereunder, a 30% U.S. federal withholding tax may apply to any dividends paid on our common stock and, after December 31, 2016, on the gross proceeds from a disposition of our common stock, in each case paid to (i) a "foreign financial institution" (as specifically defined in the legislation), whether such foreign financial institution is the beneficial owner or an intermediary, unless such foreign financial institution agrees to verify, report and disclose its United States "account" holders (as specifically defined) and meets certain other specified requirements or (ii) a non-financial foreign entity, whether such non-financial foreign entity is the beneficial owner or an intermediary, unless such entity provides a certification that the beneficial owner of the payment does not have any "substantial United States owners" (as specifically defined in the legislation) or provides the name, address and taxpayer identification number of each such substantial United States owner and certain other specified requirements are met. In certain cases, the relevant foreign financial institution or non-financial foreign entity may qualify for an exemption from, or be deemed to be in compliance with, these rules. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States may be subject to different rules. Non-U.S. holders should consult their own tax advisors regarding these provisions and whether it may be relevant to their ownership and disposition of our common stock.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Barclays Capital Inc.	
J.P. Morgan Securities LLC	
Jefferies LLC	
Credit Suisse Securities (USA) LLC	
Wells Fargo Securities, LLC	
Houlihan Lokey Capital, Inc.	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us. We have agreed to reimburse the underwriters for all expenses in connection

with the FINRA review of this offering in an amount up to $. Such reimbursement is deemed to be underwriting compensation by FINRA.

The underwriters have agreed to reimburse the Company for certain expenses.

Option to Purchase Additional Shares

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

The underwriters have reserved up to 2% of the shares of Class A common stock being offered by this prospectus for sale, at the initial public offering price, to our directors, officers, employees and other parties related to us and members of their respective families. The sales will be made by Merrill Lynch, Pierce, Fenner & Smith Incorporated through a directed share program. We do not know if these persons will elect to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares available for sale to the general public. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock.

No Sales of Similar Securities

We, our executive officers and directors and substantially all of our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. Specifically, we and these other persons have agreed, with certain limited exceptions, including bona fide gifts, transfers by will or intestacy to a family member, charitable donations, transfers to a family trust, distributions to limited partners and transfers to affiliates, which in each case would be subject to the recipient signing a similar lock-up agreement, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. We do not currently expect any release of shares subject to lock-up agreements.

Listing

We expect the shares to be approved for listing on the New York Stock Exchange under the symbol "FND."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. "Naked" short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non- financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees, commissions and expenses. Specifically, an affiliate of Wells Fargo Securities, LLC is the administrative agent, the collateral agent and a lender, and an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated is a lender, under the Wells Facility Revolving Line of Credit and as such will receive a portion of the proceeds from this offering.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This

document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The securities have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the securities has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

LEGAL MATTERS

The validity of the shares of Class A common stock offered hereby will be passed upon for us by Proskauer Rose LLP. The underwriters are being represented by Latham & Watkins LLP in connection with the offering.

EXPERTS

The consolidated financial statements and financial schedule of Floor & Decor Holdings, Inc. and its subsidiaries as of December 29, 2011, December 27, 2012, and December 26, 2013, and for each of the fiscal years ended on December 29, 2011, December 27, 2012, and December 26, 2013 included in this registration statement and prospectus have been audited by Ernst & Young LLP, an independent registered public accounting firm, and are included in reliance on such report given on the authority of such firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to this offering of our Class A common stock. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement, some items of which are contained in exhibits to the registration statement as permitted by the rules and regulations of the SEC. For further information with respect to us and our common stock, we refer you to the registration statement, including the exhibits and the financial statements and notes filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit. The exhibits to the registration statement should be referenced for the complete contents of these contracts and documents. A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room of the SEC, located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy statements, and other information about issuers, like us, that file electronically with the SEC. The address of that website is *www.sec.gov*.

As a result of this offering, we will become subject to the information and reporting requirements of the Exchange Act and, in accordance with this law, will file periodic reports, proxy statements and other information with the SEC. These periodic reports, proxy statements and other information will be available for inspection and copying at the SEC's public reference facilities and website referred to above. We also maintain a website at *www.FloorandDecor.com*. After the closing of this offering, you may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not part of this prospectus.

Index to Consolidated Financial Statements

Report of Registered Public Accounting Firm	F-1

Consolidated Financial Statements

For the Years Ended December 26, 2013, December 27, 2012, and December 29, 2011

Consolidated Balance Sheets	F-2
Consolidated Statements of Income	F-3
Consolidated Statements of Comprehensive Income	F-4
Consolidated Statements of Stockholders' Equity	F-5
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-7
Schedule I—Condensed Financial Information of Registrant	F-31

Condensed Consolidated Financial Statements

For the Thirty-nine Weeks Ended September 25, 2014 and September 26, 2013

Condensed Consolidated Balance Sheets	F-36
Condensed Consolidated Statements of Income	F-37
Condensed Consolidated Statements of Comprehensive Income	F-38
Condensed Consolidated Statements of Cash Flows	F-39
Notes to Condensed Consolidated Financial Statements	F-40

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

FDO Holdings, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of FDO Holdings, Inc. and Subsidiaries (the Company) as of December 26, 2013 and December 27, 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 26, 2013. Our audit also included the financial statement schedule listed in the Index at F-1. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of FDO Holdings, Inc. and Subsidiaries at December 26, 2013 and December 27, 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 26, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Atlanta, Georgia

April 16, 2014, except for Note 11 Earnings per Share and Schedule I, as to which the date is May 30, 2014

FDO Holdings, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands, Except Share and Par Value Data)

	As of December 26, 2013	As of December 27, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 175	$ 172
Income tax receivable	3,902	—
Receivables, net	7,982	6,057
Inventories, net	155,596	106,225
Deferred income tax assets	4,755	3,066
Prepaid expenses and other current assets	3,324	2,200
Total current assets	175,734	117,720
Fixed assets, net	43,985	25,869
Intangible assets, net	110,109	110,150
Goodwill	227,447	227,447
Other assets	5,067	2,254
Total long-term assets	386,608	365,720
Total assets	$ 562,342	$ 483,440
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of term loan	$ 1,467	$ 4,875
Revolving line of credit	—	4,000
Current portion of capital leases	—	135
Current portion of deferred rent	34	16
Trade accounts payable	59,087	47,830
Accrued expenses	16,177	12,281
Income tax payable	—	1,382
Deferred revenue	5,125	4,463
Total current liabilities	81,890	74,982
Term loan	88,000	49,500
Revolving line of credit	70,200	—
Deferred rent	8,484	6,373
Deferred income tax liabilities	39,408	37,328
Subordinated shareholder term notes	—	32,168
Other liabilities	337	161
Tenant improvement allowances	9,891	7,742
Total long-term liabilities	216,320	133,272
Total liabilities	298,210	208,254
Stockholders' equity		
Capital stock:		
Common stock Class A, $0.001 par value; 500,000 shares authorized; 238,789 shares issued and outstanding at December 26, 2013; 237,780 shares issued and outstanding at December 27, 2012	—	—
Common stock Class B, $0.001 par value; 100,000 shares authorized; 31 shares issued and outstanding at December 26, 2013, no shares issued and outstanding at December 27, 2012	—	—
Common stock Class C, $0.001 par value; 500,000 shares authorized; 19,500 shares issued and outstanding	—	—
Additional paid-in capital	258,100	258,997
Accumulated other comprehensive loss	(157)	—
Retained earnings	6,189	16,189
Total stockholders' equity	264,132	275,186
Total liabilities and stockholders' equity	$ 562,342	$ 483,440

See accompanying notes to consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Consolidated Statements of Income

(In Thousands, Except Per Share Data)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Net sales	$ 441,394	$ 335,088	$ 276,358
Cost of sales	270,103	199,900	163,395
Gross profit	171,291	135,188	112,963
Operating expenses (income):			
Selling and store operating	107,097	86,025	73,340
General and administrative	31,736	21,572	16,352
Pre-opening	5,196	1,544	2,250
Casualty gain	—	(1,421)	—
Total operating expenses	144,029	107,720	91,942
Operating income	27,262	27,468	21,021
Interest expense	7,684	6,528	7,031
Loss on early extinguishment of debt	1,638	—	1,801
Income before income taxes	17,940	20,940	12,189
Provision for income taxes	6,857	8,102	4,702
Net income	$ 11,083	$ 12,838	$ 7,487
Basic earnings per share	$ 42.92	$ 49.90	$ 29.10
Diluted earnings per share	$ 42.55	$ 49.88	$ 29.05
Basic earnings per share pro forma for dividend (unaudited)	$		
Diluted earnings per share pro forma for dividend (unaudited)	$		

See accompanying notes to consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In Thousands)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Net income	$ 11,083	$ 12,838	$ 7,487
Other comprehensive loss—change in fair value of hedge instrument, net	(157)	—	—
Total comprehensive income	$ 10,926	$ 12,838	$ 7,487

See accompanying notes to consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Per Share Data)

	Common Stock Class A		Common Stock Class B		Common Stock Class C		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance, December 29, 2010	237,780	$ —	—	$ —	19,500	$ —	$ 257,279	$ —	$ (4,136)	$ 253,143
Stock based compensation expense	—	—	—	—	—	—	740	—	—	740
Net income	—	—	—	—	—	—	—	—	7,487	7,487
Balance, December 29, 2011	237,780	—	—	—	19,500	—	258,019	—	3,351	261,370
Stock based compensation expense	—	—	—	—	—	—	978	—	—	978
Net income	—	—	—	—	—	—	—	—	12,838	12,838
Balance, December 27, 2012	237,780	—	—	—	19,500	—	258,997	—	16,189	275,186
Stock based compensation expense	—	—	—	—	—	—	1,869	—	—	1,869
Exercise of stock options, including tax benefit of $7	—	—	31	—	—	—	35	—	—	35
Issuance of common shares	1,009	—	—	—	—	—	1,116	—	—	1,116
Dividends	—	—	—	—	—	—	(3,917)	—	(21,083)	(25,000)
Unrealized loss on hedge instruments, net	—	—	—	—	—	—	—	(157)	—	(157)
Net income	—	—	—	—	—	—	—	—	11,083	11,083
Balance, December 26, 2013	238,789	$ —	31	$ —	19,500	$ —	$ 258,100	$ (157)	$ 6,189	$ 264,132

See accompanying notes to consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Operating activities			
Net income	$ 11,083	$ 12,838	$ 7,487
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	8,007	5,705	4,817
Write-off of deferred debt issuance costs on extinguishment of debt	645	—	151
Loss on asset disposals	656	157	14
Amortization of tenant improvement allowances	(1,323)	(1,081)	(801)
Paid in-kind interest	1,058	2,654	2,205
Deferred income taxes	392	(3,627)	(279)
Stock based compensation expense	1,869	978	740
Changes in operating assets and liabilities:			
Receivables	(1,925)	(742)	(1,223)
Inventories	(49,371)	(22,184)	(18,358)
Other assets	(1,309)	2,014	(2,407)
Trade accounts payable	11,257	14,439	10,885
Accrued expenses	2,966	2,799	3,261
Income taxes	(5,284)	2,243	(910)
Deferred revenue	663	1,977	477
Deferred rent	2,128	945	1,602
Tenant improvement allowances	3,118	4,074	211
Other	(58)	147	75
Net cash (used in) provided by operating activities	(15,428)	23,336	7,947
Investing activities			
Purchases of fixed assets	(24,742)	(10,709)	(9,561)
Purchase of trade name	(314)	—	—
Net cash used in investing activities	(25,056)	(10,709)	(9,561)
Financing activities			
Payments of capital leases	(135)	(202)	(68)
Borrowings on revolving line of credit	79,100	4,000	17,075
Payments on revolving line of credit	(12,900)	(15,075)	(26,857)
Proceeds from term loan	90,000	—	60,000
Payments on term loan	(54,908)	(4,500)	(11,125)
Proceeds from subordinated shareholder term notes	134	—	—
Prepayment of subordinated shareholder term notes and prepayment premium	(33,360)	—	(34,650)
Proceeds from exercise of stock options	35	—	—
Proceeds from issuance of common stock	1,116	—	—
Cash dividends	(25,000)	—	—
Debt issuance costs	(3,595)	—	(874)
Net cash provided by (used in) financing activities	40,487	(15,777)	3,501
Net increase (decrease) in cash and cash equivalents	3	(3,150)	1,887
Cash and cash equivalents, beginning of the year	172	3,322	1,435
Cash and cash equivalents, end of the year	$ 175	$ 172	$ 3,322
Supplemental disclosures of cash flow information			
Cash paid for interest	$ 6,842	$ 3,722	$ 6,058
Cash paid for income taxes	$ 9,890	$ 10,015	$ 5,892
Fixed assets accrued at the end of period	$ 868	$ 813	$ 1,365
Fixed assets acquired as part of lease—paid for by lessor	$ 535	$ 527	$ —
Fixed assets acquired under capital lease	$ —	$ —	$ 405

See accompanying notes to consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

December 26, 2013

1. Nature of Business

FDO Holdings, Inc. (the "Company," "we," "our" or "us") is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories. We offer what we believe is the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses, Do it Yourself customers and customers who buy the products for professional installation. We operate within one reportable segment.

As of December 26, 2013, the Company, through its wholly owned subsidiary, operates 38 warehouse-format stores and one small-format standalone design center in 12 states including Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Nevada, Ohio, Tennessee, Texas and Virginia and an e-commerce site, *FloorandDecor.com.*

The Company has evaluated subsequent events through April 16, 2014, which represents the date which the financial statements were available for distribution.

Fiscal Year

The Company's fiscal year is the 52- or 53-week period ending on the Thursday preceding December 31. Each of the Company's fiscal years consists of thirteen-week periods in the first, second, third and fourth quarters of the fiscal year. The Company's last three completed fiscal years consisted of 52 weeks and ended on December 26, 2013, December 27, 2012 and December 29, 2011, respectively.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Certain prior-year amounts have been reclassified in the consolidated financial statements to conform to current year presentation.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash consists of currency and demand deposits with banks.

Receivables

Receivables consist primarily of amounts due from credit card companies, receivables from vendors and tenant improvements owed by landlords. The Company typically collects its credit card receivables within three to five business days of the underlying sale to the customer. The Company has agreements with a number of its large merchandise vendors that allow for specified rebates based on purchasing volume. Generally these agreements are on an annual basis, and the Company collects the majority of the rebates subsequent to its fiscal year end. The Company utilizes the direct write-off method for uncollectable receivables, which historically have been immaterial. The allowance for doubtful accounts as of December 26, 2013 and December 27, 2012, was $17 thousand and $47 thousand, respectively.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Credit Program

Credit is offered to the Company's customers through a proprietary credit card, the Floor & Decor credit card, underwritten by third-party financial institutions and at no recourse to the Company.

Inventory Valuation and Shrinkage

Inventories consist of merchandise held for resale and are stated at the lower of cost or market. The Company determined inventory costs using the first-in, first-out method until April 2013, at which time it converted to a weighted average cost method, the effects of this change were not material. The Company capitalizes transportation, duties and other costs to get product to its retail locations. The Company provides reserves for estimated losses related to shrinkage and other amounts that are otherwise not expected to be fully recoverable. These reserves are calculated based on historical shrinkage, selling price, margin and current business trends. The estimates have calculations that require management to make assumptions based on the current rate of sales, age, salability and profitability of inventory, historical percentages that can be affected by changes in the Company's merchandising mix, customer preferences, rates of sell through and changes in actual shrinkage trends. These reserves totaled $1,425 thousand and $129 thousand as of December 26, 2013 and December 27, 2012, respectively.

Fixed Assets

Fixed assets consist primarily of store machinery and equipment, leasehold improvements (including those that are reimbursed by landlords as a tenant improvement allowance), fixtures and computer equipment and software. Fixed assets are stated at cost less accumulated depreciation utilizing the straight-line method over the assets' estimated useful lives.

Leasehold improvements are amortized using the straight-line method over the shorter of (i) the original term of the lease, (ii) renewal term of the lease if the renewal is reasonably expected or (iii) the useful life of the improvement. The Company's fixed assets are depreciated using the following estimated useful lives:

	Life
Leasehold improvements	Lesser of lease term or useful life
Machinery and equipment	2 - 10 years
Computer software and hardware	3 - 8 years
Capital leases	5 years

The cost and related accumulated depreciation of assets sold or otherwise disposed is removed from the accounts, and the related gain or loss is reported in the consolidated statements of income.

Capitalized Software Costs

The Company capitalizes certain costs related to the acquisition and development of software and amortizes these costs using the straight-line method over the estimated useful life of the software. Certain development costs not meeting the criteria for capitalization are expensed as incurred.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Goodwill and Other Indefinite-Lived Intangible Assets

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC 350"),*Intangibles—Goodwill and Other*, goodwill and other intangible assets with indefinite lives resulting from business combinations are not amortized but instead are tested for impairment at least annually (more frequently if certain indicators are present) while identifiable intangible assets with finite lives are amortized over their estimated useful lives. The Company obtains independent third-party valuation studies to assist it with determining the fair value of goodwill and indefinite-lived intangible assets. The Company's goodwill and other indefinite-lived intangible assets subject to impairment testing arose primarily as a result of its acquisition of Floor and Decor Outlets of America, Inc. in November 2010.

The Company performs a two-step quantitative impairment test on goodwill. In the first step, the Company compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired, and the Company is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then the Company must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then the Company would record an impairment loss equal to the difference.

The Company estimates the fair value of our reporting unit using a weighted combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management's expectations for future revenue, operating expenses, earnings before interest, taxes, depreciation and amortization, working capital and capital expenditures. The Company discounts the related cash flow forecasts using its estimated weighted-average cost of capital at the date of valuation. The market approach utilizes comparative market multiples derived by relating the value of guideline companies in the Company's industry and/or with similar growth prospects, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings. Such multiples are then applied to the Company's historical and projected earnings to derive a valuation estimate.

Based on the goodwill asset impairment analysis performed quantitatively on October 25, 2013, the Company determined that the fair value of its reporting unit is in excess of the carrying value. No events or changes in circumstances have occurred since the date of the Company's most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The Company annually evaluates whether indefinite-lived assets continue to have an indefinite life or have impaired carrying values due to changes in the asset(s) or their related risks. The impairment review is performed by comparing the carrying value to the estimated fair value, determined using a discounted cash flow methodology. If the recorded carrying value of the indefinite-lived asset exceeds its estimated fair value, an impairment charge is recorded to write the asset down to its estimated fair value.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

The estimated lives of the Company's intangible assets are as follows:

	Useful Life
Trade names	Indefinite
Non-compete agreements	5 years
Vendor relationships	10 years
Customer relationships	5 years

The Company's goodwill and other indefinite-lived intangible assets impairment loss calculations contain uncertainties because they require management to make significant judgments estimating the fair value of the Company's reporting unit and indefinite-lived intangible assets, including the projection of future cash flows, assumptions about which market participants are the most comparable, the selection of discount rates and the weighting of the income and market approaches. These calculations contain uncertainties because they require management to make assumptions such as estimating economic factors and the profitability of future business operations and, if necessary, the fair value of a reporting unit's assets and liabilities among others. Further, the Company's ability to realize the future cash flows used in its fair value calculations is affected by factors such as changes in economic conditions, changes in the Company's operating performance and changes in the Company's business strategies. Significant changes in any of the assumptions involved in calculating these estimates could affect the estimated fair value of one or more of the Company's reporting unit and indefinite-lived intangible assets and could result in impairment charges in a future period.

Long-Lived Assets

Long-lived assets, such as fixed assets and intangible assets with finite lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in customer demand or business climate that could affect the value of an asset, a product recall or an adverse action by a regulator. If the sum of the estimated undiscounted future cash flows related to the asset is less than the asset's carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, usually determined by the estimated undiscounted cash flow analysis of the asset.

Since there is typically no active market for the Company's definite-lived intangible assets, the Company estimates fair values based on expected future cash flows at the time they are identified. The Company estimates future cash flows based on store-level historical results, current trends and operating and cash flow projections. The Company amortizes these assets with finite lives over their estimated useful lives on a straight-line basis. This amortization methodology best matches the pattern of economic benefit that is expected from the definite-lived intangible assets. The Company evaluates the useful lives of its intangible assets on an annual basis.

Tenant Improvement Allowances and Deferred Rent

The Company accounts for tenant improvement allowances and deferred rent as liabilities on the balance sheets. Tenant improvement allowances are amounts received from a lessor for improvements to leased properties and are amortized against rent expense over the life of the respective leases. Fixed rents are recognized ratably over the initial non-cancellable lease term. Deferred rent represents differences between the actual cash paid for rents and the amount of straight line rent over the initial non-cancellable term.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Self-Insurance Reserves

The Company is partially self-insured for workers' compensation and general liability claims less than certain dollar amounts and maintains insurance coverage with individual and aggregate limits. The Company also has a stop-loss limit to protect against losses exceeding $1.6 million for workers' compensation claims and $1.4 million for general liability claims. The Company's liabilities represent estimates of the ultimate cost for claims incurred, including loss adjusting expenses, as of the balance sheet date. The estimated liabilities are not discounted and are established based upon analysis of historical data, actuarial estimates, regulatory requirements, an estimate of claims incurred but not yet reported and other relevant factors. The liabilities are reviewed by management, utilizing third-party actuarial studies, on a regular basis to ensure that they are appropriate. As of December 26, 2013, self-insurance reserves for individual workers compensation and individual general liability claims were less than $200 thousand and less than $100 thousand, respectively.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

Asset Retirement Obligations

An asset retirement obligation ("ARO") represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development or normal operation of that long-lived asset. The Company's AROs are primarily associated with leasehold improvements that, at the end of a lease, the Company is contractually obligated to remove in order to comply with certain lease agreements. The ARO is recorded in other long-term liabilities on the consolidated balance sheets and will be subsequently adjusted for changes in fair value. The associated estimated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Changes in inflation rates or the estimated costs, timing or extent of future store closure activities result in both a current adjustment to the recorded liability and related asset and a change in liability and asset amounts to be recorded prospectively. Any changes related to the assets are then recognized in accordance with our amortization policy, which would generally result in amortization expense being recognized prospectively over the remaining lease term.

Fair Value Measurements—Debt

The Company estimates fair values in accordance with ASC 820,*Fair Value Measurement.* ASC 820 provides a framework for measuring fair value and expands disclosures required about fair value measurements. ASC 820 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Additionally, ASC 820 defines levels within a hierarchy based upon observable and non-observable inputs.

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities;

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; or

- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The fair values of certain of the Company's debt instruments have been determined by the Company using available market information (Level 3) and appropriate valuation methodologies, including discounted cash flows. The Level 3 inputs used to determine the fair value of the Company's debt instruments were based on rates for similar instruments.

Derivative Financial Instruments

The Company uses derivative financial instruments to maintain a portion of its long-term debt obligations at a targeted balance of fixed and variable interest rate debt to manage its risk associated with fluctuations in interest rates. In 2013, we entered into two interest rate swap contracts. These instruments have been designated as cash flow hedges for accounting purposes. Unrealized changes in the fair value of these derivative instruments are recorded in "Accumulated other comprehensive loss" within the equity section of our Consolidated Balance Sheets.

The effective portion of the gain or loss on the derivatives is reported as a component of "Comprehensive income" within the Consolidated Statements of Comprehensive Income and reclassified into earnings in the same period in which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent changes in fair values of the instruments are not highly effective the ineffective portion of the hedge is immediately recognized in earnings.

We perform an assessment of the effectiveness of our derivative contracts designated as hedges, including assessing the possibility of counterparty default. If we determine that a derivative is no longer expected to be highly effective, we discontinue hedge accounting prospectively and recognize subsequent changes in the fair value of the hedge in earnings. We believe our derivative contracts, which consist of interest rate contracts, will continue to be highly effective in offsetting changes in cash flow attributable to floating interest rate risk. We did not have any ineffectiveness in 2013 related to these instruments.

Use of Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of fixed assets and intangibles, asset retirement obligations, allowances for accounts receivable and inventories, reserves for workers' compensation and general liability claims incurred but not reported and deferred income tax assets and liabilities. Actual results could differ from these estimates.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Retail sales at the Company's stores are recorded at the point of sale and are net of sales discounts and estimated returns. In some instances, the Company will allow customers to store their merchandise, generally up to 14 days. In this instance, the Company recognizes revenue and the related cost of sales when both collection of payment and final delivery of the product have occurred. For orders placed through our website and shipped to our customers, we recognize revenue and the related cost of sales at the time we estimate the customer receives the merchandise, which is typically within a few days of shipment. Sales taxes collected are not recognized as revenue as these amounts are ultimately remitted to the appropriate taxing authorities.

Merchandise exchanges of similar product and price are not considered merchandise returns and, therefore, are excluded when calculating the sales returns reserve.

Gift Cards and Merchandise Credits

The Company sells gift cards to our customers in our stores and through our website and issues merchandise credits in our stores. We account for the programs by recognizing a liability at the time the gift card is sold or the merchandise credit is issued. The liability is relieved and revenue is recognized upon redemption. Prior to February 1, 2013, we recognized revenue on unredeemed gift cards based on the estimated rate of gift card breakage, which was applied over the period of estimated performance. Net sales related to the estimated breakage are included in net sales in the consolidated statement of income. On February 1, 2013, we entered into an agreement with an unrelated third party who became the issuer of the Company's gift cards going forward and also assumed the existing liability for unredeemed gift cards for which there were no currently existing claims under unclaimed property statutes. The Company is no longer the primary obligor for the third party issued gift cards and is therefore not subject to claims under unclaimed property statutes, as the agreement effectively transfers the ownership of such unredeemed gift cards and the related future escheatment liability, if any, to the third party. Accordingly, gift card breakage income of $612 thousand and $107 thousand was recognized in fiscal 2013 and fiscal 2011, respectively, for such unredeemed gift cards. No income related to gift card breakage was recorded in fiscal 2012.

Sales Returns and Allowances

The Company accrues for estimated sales returns based on historical sales return results. The allowance for sales returns at December 26, 2013 and December 27, 2012, was $2,057 thousand and $1,233 thousand, respectively.

Cost of Sales

Cost of sales consists of merchandise costs as well as capitalized freight, duty and other costs that are incurred to get the merchandise to our stores. Cost of sales also includes shrinkage, distribution and warehousing costs. The Company receives cash consideration from certain vendors related to vendor allowances and volume rebates, which is recorded as a reduction of costs of sales if the inventory is sold or as a reduction of the carrying value of inventory if the inventory is still on hand.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

Vendor Rebates and Allowances

Vendor allowances consist primarily of volume rebates that are earned as a result of attaining certain inventory purchase levels and advertising allowances or incentives for the promotion of vendors' products. These vendor allowances are accrued, based on annual projections, as earned.

Vendor allowances earned are initially recorded as a reduction in inventories and a subsequent reduction in cost of sales when the related product is sold. Certain incentive allowances that are reimbursements of specific, incremental and identifiable costs incurred to promote vendors' products are recorded as an offset against these promotional expenses.

Total Operating Expenses

Total operating expenses consist primarily of store and administrative personnel wages and benefits, infrastructure expenses, supplies, fixed asset depreciation, store and corporate facility expenses, pre-opening costs, training and advertising costs. Credit card fees, insurance, personal property taxes, legal expenses, and other miscellaneous operating costs are also included.

With regard to the freight component of e-commerce sales, the Company arranges and pays the freight for customers and bills the customer for the estimated freight cost unless the customers choose to pick up their merchandise at one of the retail locations in which case no freight is charged. Shipping costs and any collections from customers are reported net in selling and store operating expenses. Shipping and handling costs to transport goods to customers, net of amounts paid to us by customers, amounted to $263 thousand, $88 thousand, and $208 thousand in December 26, 2013, December 27, 2012, and December 29, 2011, respectively. Amounts paid by customers to cover shipping and handling costs are immaterial.

Advertising

The Company expenses advertising costs as the advertising takes place. Advertising costs incurred during the years ended December 26, 2013, December 27, 2012, and December 29, 2011, were $11,858 thousand, $8,473 thousand, and $7,764 thousand respectively, and are included in selling and store operating expenses in the accompanying consolidated statements of income.

Pre-Opening Expenses

The Company accounts for non-capital operating expenditures incurred prior to opening a new store as "pre-opening" expenses in its consolidated statements of income. Pre-opening expenses primarily include: rent, training, staff recruiting, utilities, personnel, and equipment rental. Pre-opening expenses for the years ended December 26, 2013, December 27, 2012, and December 29, 2011, totaled $5,196 thousand, $1,544 thousand, and $2,250 thousand, respectively.

Casualty Gain

In September 2011, the Company's store in Mesquite, Texas suffered significant damage when a portion of the roof collapsed prior to the store opening. The actual store opening date of March 2012 was delayed from the originally planned opening date in October 2011. The Company filed a claim with its insurance carrier for the estimated damages and losses incurred as a result of business interruption

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

and the resulting lost sales and profits. The Company recorded a casualty gain of $1,421 thousand in 2012 related to the settlement of this claim.

Loss on Early Extinguishment of Debt

For the year ended December 26, 2013, loss on early extinguishment of debt is comprised of a $993 thousand premium paid on the prepayment of $32 million of subordinated shareholder term notes held by related parties equal to 3% of the prepayment in connection with the terms of the agreement and the write-off of approximately $645 thousand of fees associated with the refinancing of the Company's then existing credit facility.

For the year ended December 29, 2011, loss on early extinguishment of debt is comprised of a $1,650 thousand premium paid on the prepayment of $33 million of subordinated shareholder term notes held by related parties equal to 5% of the prepayment in connection with the terms of the agreement and the write-off of approximately $151 thousand of fees associated with the refinancing of the Company's then existing credit facility.

Stock-Based Compensation

We account for employee stock options in accordance with relevant authoritative literature. We obtain independent third-party valuation studies to assist us with determining the grant date fair value of our stock price at least twice a year. Stock options are granted with exercise prices equal to or greater than the estimated fair market value on the date of grant as authorized by our board of directors or compensation committee. Options granted have vesting provisions ranging from three to five years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. We have selected the Black-Scholes option pricing model for estimating the grant date fair value of stock option awards granted. We have considered the retirement and forfeiture provisions of the options and utilized our historical experience to estimate the expected life of the options. We base the risk-free interest rate on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. We estimate the volatility of the share price of our common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption we considered a number of factors, including the entity's life cycle stage, growth profile, size, financial leverage and products offered. Stock-based compensation cost is measured at the grant date based on the value of the award, net of estimated forfeitures, and is recognized as expense over the requisite service period based on the number of years for which the requisite service is expected to be rendered.

Income Taxes

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in the period that includes the enactment date of such a change.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the associated temporary differences became deductible. On a quarterly basis, we evaluate whether it is more likely than not that our deferred tax assets will be realized in the future and conclude whether a valuation allowance must be established.

We include any estimated interest and penalties on tax-related matters in income taxes payable and income tax expense. The Company accounts for uncertain tax positions in accordance with ASC 740, *Income Taxes.* ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements using a two-step process for evaluating tax positions taken, or expected to be taken, on a tax return. The Company may only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Uncertain tax positions require determinations and estimated liabilities to be made based on provisions of the tax law, which may be subject to change or varying interpretation. We do not believe we have any material risks related to uncertain tax positions.

Segment Information

We operate as a specialty retailer of hard surface flooring and related accessories through retail stores located in the United States and through our website. Our chief operating decision maker is our Chief Executive Officer who reviews the Company's consolidated financial information for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company concluded it has one reportable segment.

The following table presents the net sales of each major product category for each of the last three fiscal years (in thousands):

	Fiscal Year Ended					
	December 26, 2013		December 27, 2012		December 29, 2011	
Product Category	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
Tile	$ 139,988	32%	$ 107,734	32%	$ 89,271	32%
Wood	64,349	15	46,238	14	38,985	14
Natural Stone	52,849	12	45,216	13	40,911	15
Laminate / Luxury Vinyl Plank	52,221	12	35,526	11	27,738	10
Decorative Accessories	60,538	13	45,175	14	36,063	13
Accessories (Installation Materials and Tools)	71,449	16	55,199	16	43,390	16
Total	$ 441,394	100%	$ 335,088	100%	$ 276,358	100%

3. Recent Accounting Pronouncements

In July 2012, the FASB issued updated guidance on the periodic testing of indefinite-lived intangible assets for impairment. This guidance provides companies the option to first assess qualitative factors to determine if it is more likely than not that an indefinite-lived intangible asset is impaired and

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

3. Recent Accounting Pronouncements (Continued)

whether it is necessary to perform an annual quantitative impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We will adopt this guidance in fiscal year 2014, and its adoption is not expected to have an impact on our consolidated results of operations, financial position or cash flows.

In June 2011, the FASB issued "Presentation of Comprehensive Income." The standard revises the presentation and prominence of the items reported in other comprehensive income and is effective retrospectively for fiscal years beginning after December 15, 2011. We adopted this standard in 2013 and have presented comprehensive income in our Consolidated Statements of Comprehensive Income.

4. Fixed Assets

Fixed assets as of December 26, 2013 and December 27, 2012, consisted of the following (in thousands):

	2013	2012
Machinery and equipment	$ 27,654	$ 18,565
Leasehold improvements	25,109	14,575
Capitalized software	7,556	1,845
Capital lease	405	405
Fixed assets, at cost	60,724	35,390
Less: accumulated depreciation and amortization	16,739	9,521
Fixed assets, net	$ 43,985	$ 25,869

Depreciation and amortization on fixed assets for the years ended December 26, 2013, December 27, 2012, and December 29, 2011, was $6,530 thousand, $5,245 thousand, and $4,438 thousand, respectively. Amortization related to capital lease assets is included in depreciation expense. Amortization related to capital lease assets is included in depreciation expense. Amortization expense related to capitalized software costs was $844 thousand, $432 thousand, and $478 thousand for the years ended December 26, 2013, December 27, 2012 and December 29, 2011, respectively.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

5. Identifiable Intangible Assets

The following summarizes the balances of identifiable intangible assets as of December 26, 2013 and December 27, 2012 (in thousands):

		2013		2012	
	Estimated Useful Lives	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:					
Non-compete agreements	5 years	$ 1,504	$ (928)	$ 1,504	$ (628)
Customer relationships	5 years	115	(71)	115	(48)
Vendor relationships	10 years	319	(99)	319	(67)
Indefinite-lived intangible assets:					
Trade names		109,269	—	108,955	—
		$ 111,207	$ (1,098)	$ 110,893	$ (743)

Non-compete agreements, customer relationships, vendor relationships and trade names were recorded at their fair values upon acquisition. The fair values assigned to these identifiable intangible assets were based on the future discounted cash flows that are expected to result from the respective intangible asset existing at the date of such transaction. The net book value of amortizable intangible assets as of December 26, 2013 and December 27, 2012, is $839 thousand and $1,195 thousand, respectively. Amortization expense related to amortizable intangible assets for the years ended December 26, 2013, December 27, 2012 and December 29, 2011, was $356 thousand, $356 thousand and $387 thousand, respectively.

Estimated identifiable intangible asset amortization for the next five years is as follows (in thousands):

2014	$ 356
2015	327
2016	32
2017	32
2018	32

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

6. Income Taxes

The components of the provision for income taxes are as follows (in thousands):

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Current expense:			
Federal	$ 5,703	$ 10,378	$ 4,274
State	793	1,351	705
Total current expense	6,496	11,729	4,979
Deferred expense/(benefit):			
Federal	189	(3,338)	(201)
State	172	(289)	(76)
Total deferred expense/(benefit)	361	(3,627)	(277)
	$ 6,857	$ 8,102	$ 4,702

The following is a summary of the differences between the total provision for income taxes as shown on the financial statements and the provision for income taxes that would result from applying the federal statutory tax rate of 35% to income before income taxes (in thousands).

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Computed "expected" provision at statutory rate	$ 6,279	$ 7,329	$ 4,266
State income taxes, net of federal income tax benefit	628	679	477
Permanent differences	32	70	38
Other, net	(82)	24	(79)
Provision for income taxes	$ 6,857	$ 8,102	$ 4,702

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

6. Income Taxes (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and (liabilities) are presented below (in thousands):

	Year Ended December 26, 2013	Year Ended December 27, 2012
Deferred tax assets:		
Accruals not currently deductible for tax purposes	$ 5,245	$ 3,794
Tenant improvement allowances	3,427	2,891
Inventories	1,888	1,007
Stock based compensation	1,340	640
Other intangibles	666	611
Net operating loss carryforward	3	35
Gift card liability	421	401
Goodwill capitalized for tax purposes	173	214
Total deferred tax assets	13,163	9,593
Deferred tax liabilities:		
Intangible assets	(40,862)	(40,607)
Fixed assets	(6,739)	(2,615)
Other	(215)	(633)
Total deferred tax liabilities	(47,816)	(43,855)
Net deferred tax liabilities	$ (34,653)	$ (34,262)

The deferred income tax balances are included in the accompanying balance sheets as follows (in thousands):

	Year Ended December 26, 2013	Year Ended December 27, 2012
Current deferred income tax assets	$ 4,755	$ 3,066
Non-current deferred tax liabilities	(39,408)	(37,328)
Total	$ (34,653)	$ (34,262)

In assessing the realization of deferred tax assets, including net operating losses, management considered whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment, and accordingly, has concluded that no valuation allowance is necessary as of December 26, 2013, December 27, 2012, and December 29, 2011.

As of December 26, 2013, the Company had state net operating loss carryforwards of $41 thousand, which can be used to offset future taxable income. The net operating losses will expire in 2029.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

6. Income Taxes (Continued)

The Company files income tax returns with the U.S. Federal government and various state jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. The Internal Revenue Service has completed audits of the Company's federal income tax returns for the years through 2011. The Company maintains a reserve for certain income tax contingencies. The Company's policy is to classify interest and penalties related to unrecognized tax benefits in income tax expense.

7. Derivatives and Risk Management

Changes in interest rates impact our results of operations. In an effort to manage our exposure to this risk, we enter into derivative contracts and may adjust our derivative portfolio as market conditions change.

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations, which carry variable interest rates. Market risk associated with our variable interest rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

In an effort to manage our exposure to the risk associated with our variable interest rate long-term debt, we periodically enter into interest rate swaps. We designate interest rate contracts used to convert the interest rate exposure on a portion of our debt portfolio from a floating rate to a fixed rate as cash flow hedges.

Hedge Position as of December 26, 2013:

(in thousands)	Notional Balance	Final Maturity Date	Prepaid Expenses and Other Assets	Other Noncurrent Assets	Other Accrued Liabilities	Other Noncurrent Liabilities	Hedge Derivatives, net
Interest rate contracts (cash flow hedges)	$ 35,000 U.S. dollars	January 2017	$ —	$ —	$ (231)	$ (21)	$ (157)

Designated Hedge Losses

Losses related to our designated hedge contracts are as follows:

	Effective Portion Reclassified From AOCI to Earnings			Effective Portion Recognized in Other Comprehensive Loss		
	Year Ended December					
(in thousands)	2013	2012	2011	2013	2012	2011
Interest rate contracts	$ —	$ —	$ —	$ (157)	$ —	$ —

Credit Risk

To manage credit risk associated with our interest rate hedging program, we select counterparties based on their credit ratings and limit our exposure to any one counterparty.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

7. Derivatives and Risk Management (Continued)

The counterparties to our derivative contracts are financial institutions with investment grade credit ratings. To manage our credit risk related to our derivative financial instruments, we periodically monitor the credit risk of our counterparties, limit our exposure in the aggregate and to any single counterparty, and adjust our hedging position, as appropriate. The impact of credit risk, as well as the ability of each party to fulfill its obligations under our derivative financial instruments, is considered in determining the fair value of the contracts. Credit risk has not had a significant effect on the fair value of our derivative contracts. We do not have any credit risk-related contingent features or collateral requirements with our derivative financial instruments.

8. Commitments and Contingencies

Lease Commitments

The Company leases its corporate office and retail locations under long-term operating lease agreements that expire in various years through 2029. Additionally, equipment is leased under long-term operating leases.

Certain lease agreements include escalating rents over the lease terms. The Company expenses rent on a straight-line basis over the life of the lease, which commences on the date the Company has the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in deferred rent in the accompanying balance sheets. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 26, 2013, are (in thousands):

	Amount
2014	$ 25,504
2015	26,419
2016	25,624
2017	20,694
2018	16,903
Thereafter	75,725
Total minimum lease payments	$ 190,869

Lease expense for the years ended December 26, 2013, December 27, 2012, and December 29, 2011, was approximately $21,816 thousand, $17,081 thousand, and $14,705 thousand, respectively.

Litigation

The Company is subject to various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment related matters resulting from its business activities. These proceedings are not expected to have a material impact on the Company's consolidated financial position, cash flows or results of operations.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Debt

The following table summarizes the Company's debt balances at December 26, 2013 and December 27, 2012 (dollars in thousands):

	Maturity Dates	Interest Rate Per Annum at Year end	December 26, 2013	December 27, 2012
Credit Facilities:				
Wells Facility Revolving Line of Credit	May 1, 2018	1.99% Variable	$ 70,200	$ —
Wells Facility Term Loan A	May 1, 2018	4.67% Variable	9,667	—
GCI Facility	May 1, 2019	7.75% Variable	79,800	—
2012 Credit facilities:				
Subordinated Notes	November 2017	10.00% Fixed	—	32,168
Term Loan	July 2018	4.61% Variable	—	54,375
Revolving facility	August 2018	6.50% Variable	—	4,000
Total secured debt			$ 159,667	$ 90,543

On May 1, 2013, the Company entered into a $100 million asset-based revolving credit facility (the "Wells Facility Revolving Line of Credit") and a $10 million term loan facility (the "Wells Facility Term Loan A"), each with Wells Fargo Bank, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and Term Loan Agent, Suntrust Bank, as Syndication Agent, and Wells Fargo Capital Finance, LLC, as Sole Lead Arranger and Sole Bookrunner (collectively, the "Wells Facility"). Concurrently therewith, the Company entered into an $80 million senior secured term loan facility with GCI Capital Markets LLC, as Agent, GCI Capital Markets LLC, as Sole Bookrunner and Co-Lead Arranger, and MCS Capital Markets LLC, as Co-Lead Arranger and Syndication Agent (the "GCI Facility" and together with the Wells Facility, our "Credit Facilities").

The proceeds from these our Credit Facilities were used to (i) pay off our previous term loan and revolving credit facility with Wells Fargo Bank, N.A. in the amount of $52.1 million and $15 million, respectively, (ii) redeem all of our remaining 10% Subordinated Notes due 2017 (our "Subordinated Notes") in the amount of $33.4 million, (iii) fund a $25 million special dividend to our stockholders and (iv) pay transaction fees and expenses in connection therewith (collectively, the "2013 Refinancing"). The indebtedness outstanding under our Credit Facilities is secured by substantially all the assets of the Company. In particular, the indebtedness outstanding under (i) the Wells Facility is secured by a first-priority security interest in all of the current assets of the Company, including inventory and accounts receivable, and a second-priority security interest in the collateral that secures the GCI Facility on a first-priority basis, and (ii) the GCI Facility is secured by a first-priority security interest in all of the fixed assets and intellectual property of the Company, and a second-priority interest in the collateral that secures the Wells Facility on a first-priority basis.

Wells Facility Revolving Line of Credit

As of December 26, 2013, the Wells Facility Revolving Line of Credit had a maximum availability of $100 million with actual available borrowings limited to the sum, at the time of calculation, of 90% of eligible credit card receivables plus 85% of eligible net trade receivables plus 90% of the appraised net orderly liquidation value of eligible net inventory minus certain reserves as

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Debt (Continued)

defined in the credit agreement governing the Wells Facility. The Wells Facility Revolving Line of Credit is available for issuance of letters of credit and contains $12 million and $5 million sub-limits for standby letters of credit and commercial letters of credit, respectively. Available borrowings under the facility are reduced by the face amount of outstanding letters of credit. As of December 26, 2013, the borrowings bear interest at a floating rate, which is based on one of the following rates at the option of the Company:

i) LIBOR plus a margin percentage ranging from 1.50% to 2.00% based on the level of borrowings or

ii) Base Rate plus a margin (ranging from 0.50% to 1.00% based on the level of borrowings). The Base Rate is defined as the highest of the following:

(a) the federal funds rate plus 0.50%,

(b) Adjusted LIBOR plus 1.00%, and

(c) the lender's prime rate.

As of December 26, 2013, the Company had total availability under the Wells Facility Revolving Line of Credit of $22,600 thousand, including outstanding letters of credit of $2,555 thousand.

Wells Facility Term Loan A

The Wells Facility Term Loan A requires quarterly repayments of approximately $167 thousand, which commenced on July 1, 2013, with the remainder due and payable at maturity. As of December 26, 2013, the Wells Facility Term Loan A borrowing base is equal to the sum of 10% of eligible credit card receivables plus 10% of eligible trade net receivables plus 12.5% of the appraised net orderly liquidation value of eligible net inventory. If the borrowing base falls below the outstanding Wells Facility Term Loan A balance, a reserve is established, which reduces the availability of the Wells Facility Revolving Line of Credit until such time as the Wells Facility Term Loan A borrowing base becomes sufficient to support the outstanding term balance.

The Wells Facility Term Loan A bears interest based on one of the following rates, at the Company's option:

i) LIBOR plus a margin of 4.5%

ii) The highest of the below rates (the "Base Rate") plus 3.5%,

(a) the federal funds rate plus 0.50%,

(b) LIBOR for an interest period of one month plus 1.00%, and

(c) the lender's prime rate.

As of December 26, 2013, the Wells Facility Term Loan A is subject to a prepayment premium of 1.0% if voluntarily repaid in whole or in part prior to November 1, 2014.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Debt (Continued)

GCI Facility

The GCI Facility requires quarterly repayments of $200 thousand, which commenced on September 30, 2013, with the remainder due and payable at maturity.

The GCI Facility bears interest based on one of the following rates, at the Company's option:

i) LIBOR (subject to a floor of 1.25%) plus a margin of 6.5%.

ii) Base Rate defined as the greater of the following:

(a) the federal funds rate plus 0.50%,

(b) the prime lending rate publicly announced by the Wall Street Journal, and

(c) LIBOR (subject to a floor of 1.25%) for the interest period of one month plus the calculation of the rate for LIBO rate loans less the applicable margin for base rate loans.

Voluntary prepayments of the GCI Facility are subject to a prepayment premium of 1.0% (which is reduced to 0.5% upon the closing of a qualified initial public offering).

The following table summarizes scheduled maturities of our debt, including current maturities, at December 26, 2013:

	Amount
2014	$ 1,467
2015	1,833
2016	1,100
2017	1,467
2018	78,000
Thereafter	75,800
Total minimum debt payments	$ 159,667

Covenants

The credit agreements governing our Credit Facilities contain customary restrictive covenants that, among other things and with certain exceptions, limit the ability of the Company to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets and (vi) engage in unrelated lines of business. In addition, these credit agreements subject us to certain reporting obligations and require that we satisfy certain financial covenants, including, among other things:

- a requirement that if borrowings under the Wells Facility Revolving Line of Credit exceed 90% of availability, we will maintain a certain fixed charge coverage ratio (defined as consolidated EBITDA less non-financed capital expenditures and income taxes paid to consolidated fixed charges, in each case as more fully defined in the credit agreement governing the Wells Facility); and

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

9. Debt (Continued)

- a requirement under the GCI Facility that we maintain a maximum total net leverage ratio, which was 5.0 as of December 26, 2013 and which will be reduced to 4.75 beginning with the fiscal quarter ending June 26, 2014 (defined as the ratio of consolidated total debt net of unrestricted cash to consolidated EBITDA, in each case as more fully defined in the credit agreement governing the GCI Facility).

The covenants under the GCI Facility become more restrictive over time. As of December 26, 2013, the Company was in compliance with its debt covenants.

Deferred Financing Costs

Deferred financing costs related to our Credit Facilities and all prior facilities of $3,693 thousand and $1,218 thousand at December 26, 2013 and December 27, 2012, are included in "Prepaid expenses and other current assets" and "Other assets" on our Consolidated Balance Sheets. Amortization expense was $1,048 thousand, $387 thousand, and $231 thousand for the years ended December 26, 2013, December 27, 2012, and December 29, 2011.

Fair Value of Debt

Market risk associated with our fixed and variable rate long-term debt relates to the potential change in fair value and negative impact to future earnings, respectively, from a change in interest rates. The aggregate fair value of debt was based primarily on our estimates based on interest rates, maturities, credit risk, and underlying collateral and is classified primarily as Level 3 within the fair value hierarchy. At December 26, 2013 and December 27, 2012, the fair values of the Company's debt are as follows:

	Year Ended December 26, 2013	Year Ended December 27, 2012
Total debt at carrying value	$ 159,667	$ 90,543
Fair value	$ 159,667	$ 93,765

10. Capital Stock

Common Stock

The Company has three classes of common stock: Class A, Class B, and Class C. The holders of Class A common stock, Class B common stock and Class C common stock are entitled to share equally, on a per share basis, in dividends or other distributions. Class A common stockholders are entitled to one vote per share held. Class B and Class C common stockholders have no voting rights, except as otherwise provided by law. In the event of the voluntary liquidation or dissolution of the Company, each class of stock will share equally, on a per share basis, in all the assets of the Company that are available for distribution to stockholders. A shareholders agreement restricts the terms and conditions under which the shares held by the parties to the shareholders agreement may be sold or transferred.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. Capital Stock (Continued)

Conversion Features

In the event of an initial public offering that yields gross proceeds of at least $75.0 million and has a public offering price per share of at least $1,000 per share, as adjusted by dividends or other distributions (which has been adjusted to $916 as a result of the dividend paid in connection with the 2013 Refinancing), all of the shares of Class B common stock will convert to the same number of Class A common stock, without any action of the holder. The shares of Class C common stock held by individuals other than FS Equity Partners VI, L. P., FS Affiliates VI, L.P. or their affiliated persons shall convert automatically to shares of Class A common stock, without any action on their part. Shares of Class C common stock may be converted, upon the election of holders of such shares of Class C common stock, into the same number of shares of Class A common stock under certain circumstances as provided in the Company's certificate of incorporation.

Dividends

In May 2013, the Company's Board of Directors authorized and the Company paid a cash dividend of $25 million in connection with the 2013 Refinancing. Future declarations of dividends and the establishment of future record and payment dates are at the discretion of the Company's Board of Directors based on a number of factors, including the Company's future financial performance and other investment priorities.

Stock Options

The Company accounts for stock-based compensation pursuant to relevant authoritative guidance, which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of estimated forfeitures, over the requisite service period for awards expected to vest.

On January 13, 2011, the Company adopted the 2011 Stock Option Plan (as amended, restated, supplemented or otherwise modified from time to time, the "2011 Plan") to provide for the grant of stock options to employees (including officers), consultants and non-employee directors of the Company and its subsidiaries. Pursuant to the terms of the 2011 Plan, which was approved by the Company's Board of Directors, the Company was authorized to grant options for the purchase of up to 33,500 shares as of December 26, 2013 and December 27, 2012. At December 26, 2013 and December 27, 2012, there were 175 and 3,567 additional options available for grant under the 2011 Plan.

Stock options are granted with an exercise price estimated to be greater than or equal to the fair market value on the date of grant. Options granted have vesting provisions ranging from three to five years, and contractual terms of ten years. Stock option grants are generally subject to forfeiture if employment terminates prior to vesting. All options were granted at or above estimated fair market value as authorized by the Company's Board of Directors.

The stock compensation expense related to stock options for the years ended December 26, 2013, December 27, 2012, and December 29, 2011, was $1,869 thousand, $978 thousand, and $740 thousand, respectively.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. Capital Stock (Continued)

The fair value of stock option awards granted was estimated using the Black-Scholes pricing model with the following weighted-average assumptions:

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Risk-free interest rate	1.71%	0.76%	1.4%
Expected volatility	50%	50%	30%
Expected life (in years)	6.38	5.75	7.25

The Company considered the retirement and forfeiture provisions of the options and utilized its historical experience to estimate the expected life of the options.

The Company estimates the volatility of the share price of its common stock by considering the historical volatility of the stock of similar public entities. In determining the appropriateness of the public entities included in the volatility assumption the Company considered a number of factors, including the entity's life cycle stage, growth profile, size, financial leverage and products offered.

The following summarizes the changes in the number of shares of common stock under option for the following periods, adjusted for the May 2013 dividend:

	Options	Weighted Average Exercise Price(1)	Options Exercisable at End of Year	Weighted Average Exercise Price of Exercisable Options	Weighted Average Fair Value/Share of Options Granted During the Year
Outstanding at December 30, 2010	—	$ —	—	$ —	$ —
Granted	26,438	1,153	—	—	197
Forfeited	(5,923)	1,153	—	—	—
Outstanding at December 29, 2011	20,515	1,153	—	—	—
Granted	11,423	1,220	—	—	364
Forfeited	(1,950)	1,153	—	—	—
Outstanding at December 27, 2012	29,988	1,179	4,238	1,153	—
Granted	4,237	2,257	—	—	823
Exercised	(31)	916	—	—	—
Forfeited	(900)	1,164	—	—	—
Outstanding at December 26, 2013	33,294	1,316	10,786	1,171	
Vested at December 26, 2013	10,786				

(1) The options outstanding have exercise prices that range from $916 to $3,000 and have a weighted average remaining life that ranges from 7.4 to 10.0 years.

The weighted-average remaining contractual life for options outstanding was eight years as of December 26, 2013. The Company's total unrecognized compensation cost related to stock-based compensation as of December 26, 2013, is $6,056 thousand. The weighted average period of expense recognition is 3.5 years.

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

10. Capital Stock (Continued)

The intrinsic value for stock options is defined as the difference between the value of the Company's common stock (on a minority, non-marketable basis) on the last day of the fiscal year and the weighted average exercise price of the in-the-money options outstanding at the end of the fiscal year. The per share value of the Company's stock at December 26, 2013, was $1,974. The aggregate intrinsic value of stock outstanding as of December 26, 2013, was $25,310 thousand.

In connection with making fair value estimates related to the Company's stock option grants management considered various factors and certain commonly used valuation techniques, including the use of the Black-Scholes pricing model.

Preferred Stock

The Company is authorized to issue preferred stock in one or more classes with flexibility as to the preferences, voting powers and rights, as determined by the Board of Directors. As of December 26, 2013, the Company has not issued any shares of preferred stock.

11. Earnings Per Share

Net Income per Common Share

We calculate basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options. The following table shows the computation of basic and diluted earnings per share:

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Net income (in thousands)	$ 11,083	$ 12,838	$ 7,487
Basic weighted average shares outstanding	258,232	257,280	257,280
Dilutive effect of share based awards	2,219	111	471
Diluted weighted average shares outstanding	260,451	257,391	257,751
Basic earnings per share	$ 42.92	$ 49.90	$ 29.10
Diluted earnings per share	$ 42.55	$ 49.88	$ 29.05

The following have been excluded from the computation of dilutive effect of share based awards because the effect would be anti-dilutive:

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Stock Options	15,960	12,202	9,713

FDO Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

12. Unaudited Earnings Per Share Pro Forma for Dividend

On November 7, 2014 the Company filed a registration statement with the Securities and Exchange Commission ("SEC") in anticipation of the initial public offering of its common stock.

Under certain interpretations of the SEC, dividends declared in the year preceding an initial public offering are deemed to be in contemplation of the offering with the intention of repayment out of offering proceeds to the extent that the dividends exceeded earnings during such period. As such, the earnings per share pro forma for dividend for the fiscal year ended December 26, 2013 gives effect to the number of shares that would be required to generate proceeds necessary to pay the amount of the $25 million special dividend paid in May 2013 in excess of fiscal year 2013 earnings, up to the amount of shares assumed to be issued in the offering. The following table sets forth the computation of basic and diluted earnings per share pro forma for dividend for the fiscal year ended December 26, 2013 based on an assumed initial public offering price of $ per share, the midpoint of the estimated range of the price set forth on the cover page of this prospectus:

	Year Ended December 26, 2013	
	Basic	Diluted
Net income (in thousands)	$	$
Weighted average shares outstanding		
Pro forma shares assumed issued in offering necessary to pay dividend in excess of earnings		
Weighted average shares outstanding pro forma for dividend		
Earnings per share pro forma for dividend	$	$

13. Subsequent Event

On January 31, 2014, the Company entered into a separation agreement with one of its officers. Under the terms of the agreement, the Company recorded $2,975 thousand of severance related expense in its operating results.

Schedule I—FDO Holdings, Inc.

(parent company only)

Condensed Balance Sheets

(In Thousands, Except Share and Par Value Data)

	As of December 26, 2013	As of December 27, 2012
Assets		
Current assets:		
Accounts receivable from subsidiaries	$ —	$ 32,172
Total current assets	—	32,172
Long-term assets:		
Investment in subsidiaries	264,132	275,186
Total long-term assets	264,132	275,186
Total assets	$ 264,132	$ 307,358
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable	$ —	$ 32,168
Accrued interest payable	—	4
Total current liabilities	—	32,172
Total liabilities	—	32,172
Stockholders' equity		
Capital stock:		
Common stock Class A, $0.001 par value; 500,000 shares authorized; 238,789 shares issued and outstanding at December 26, 2013; 237,780 shares issued and outstanding at December 27, 2012	—	—
Common stock Class B, $0.001 par value; 100,000 shares authorized; 31 shares issued and outstanding at December 26, 2013, no shares issued and outstanding at December 27, 2012	—	—
Common stock Class C, $0.001 par value; 500,000 shares authorized; 19,500 shares issued and outstanding	—	—
Additional paid-in capital	258,100	258,997
Accumulated other comprehensive loss, net	(157)	—
Retained earnings	6,189	16,189
Total stockholders' equity	264,132	275,186
Total liabilities and stockholders' equity	$ 264,132	$ 307,358

See accompanying notes to condensed financial statements.

Schedule I—FDO Holdings, Inc.

(parent company only)

Condensed Statements of Income

(In Thousands)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Net income of subsidiaries	12,355	14,745	11,300
Interest expense	(1,092)	(3,035)	(4,411)
Loss on early extinguishment of debt	(993)	—	(1,650)
Income before income taxes	10,270	11,710	5,239
Benefit for income taxes	813	1,128	2,248
Net income	$ 11,083	$ 12,838	$ 7,487

See accompanying notes to condensed financial statements.

Schedule I—FDO Holdings, Inc.

(parent company only)

Condensed Statements of Comprehensive Income

(In Thousands)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Net income	$ 11,083	$ 12,838	$ 7,487
Unrealized loss on fair value hedge instrument of subsidiaries, net	(157)	—	—
Total comprehensive income	$ 10,926	$ 12,838	$ 7,487

See accompanying notes to condensed financial statements.

Schedule I—FDO Holdings, Inc.

(parent company only)

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended December 26, 2013	Year Ended December 27, 2012	Year Ended December 29, 2011
Operating activities			
Net income	$ 11,083	$ 12,838	$ 7,487
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Net income of subsidiaries	(12,355)	(14,745)	(11,120)
Paid in-kind interest	1,058	2,654	2,205
Changes in operating assets and liabilities:			
Accrued expenses	(4)	(360)	56
Net cash (used in) provided by operating activities	(218)	387	(1,372)
Investing activities			
Investment in subsidiary	(1,285)	—	—
Distribution from subsidiary	26,406	1,907	5,284
Net cash provided by investing activities	25,121	1,907	5,284
Financing activities			
Proceeds from subordinated shareholder term notes	134	—	—
Prepayment of subordinated shareholder term notes	(33,360)	—	(34,650)
Proceeds from exercise of stock options	35	—	—
Proceeds from issuance of common stock	1,116	—	—
Net receipts (payments) on intercompany activity	32,172	(2,294)	30,738
Cash dividends	(25,000)	—	—
Net cash used in financing activities	(24,903)	(2,294)	(3,912)
Net change in cash and cash equivalents	—	—	—
Cash and cash equivalents, beginning of the year	—	—	—
Cash and cash equivalents, end of the year	$ —	$ —	$ —

See accompanying notes to consolidated financial statements.

Schedule I—FDO Holdings, Inc.

(parent company only)

Notes to Condensed Financial Statements

December 26, 2013

1. Basis of Presentation

In the parent-company-only financial statements, the Company's investment in subsidiaries is stated at cost plus equity in undistributed earnings of subsidiaries. The parent-company-only financial statements should be read in conjunction with the Company's consolidated financial statements.

2. Guarantees and Restrictions

As of December 26, 2013, Floor and Decor Outlets of America, Inc., a subsidiary of the Company, had $89,467 thousand of debt outstanding under the Wells Facility Term Loan A and the GCI Facility. As of December 26, 2013, Floor and Decor Outlets of America, Inc. also had $70,200 thousand outstanding under the Wells Facility Revolving Line of Credit, excluding outstanding letters of credit of $2,555 thousand. Under the terms of the credit agreements governing our Credit Facilities, the Company's subsidiaries have guaranteed the payment of all principal and interest. In the event of a default under our Credit Facilities, the Company's subsidiaries will be directly liable to the debt holders. As of December 26, 2013, the Wells Facility had a maturity date of May 1, 2018, and the GCI Facility had a maturity date of May 1, 2019. The credit agreements governing our Credit Facilities also include restrictions on the ability of the Company's subsidiaries to (i) incur additional indebtedness and liens in connection therewith; (ii) pay dividends and make certain other restricted payments; (iii) effect mergers or consolidations; (iv) enter into transactions with affiliates; (v) sell or dispose of property or assets; and (vi) engage in unrelated lines of business.

3. Loss on Early Extinguishment of Debt

For the year ended December 26, 2013, the loss on early extinguishment of debt is comprised of a $993 thousand, or 3%, premium paid on the prepayment of $32 million of our Subordinated Notes.

For the year ended December 29, 2011, the loss on early extinguishment of debt is comprised of a $1,650 thousand, or 5%, premium paid on the prepayment of $33 million of our Subordinated Notes.

FDO Holdings, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(In Thousands, Except Share and Par Value Data)

(Unaudited)

	As of September 25, 2014	As of December 26, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 161	$ 175
Income tax receivable	—	3,902
Receivables, net	14,326	7,982
Inventories, net	179,124	155,596
Deferred income tax assets, net	5,681	4,755
Prepaid expenses and other current assets	3,097	3,324
Total current assets	202,389	175,734
Fixed assets, net	65,566	43,985
Intangible assets, net	109,866	110,109
Goodwill	227,447	227,447
Other assets	5,107	5,067
Total long-term assets	407,986	386,608
Total assets	$ 610,375	$ 562,342
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of term loan	$ 1,467	$ 1,467
Current portion of deferred rent	—	34
Trade accounts payable	93,041	59,087
Accrued expenses	22,032	16,177
Income tax payable	73	—
Deferred revenue	8,441	5,125
Total current liabilities	125,054	81,890
Term loan	86,900	88,000
Revolving line of credit	58,000	70,200
Deferred rent	10,442	8,484
Deferred income tax liabilities, net	40,151	39,408
Other liabilities	389	337
Tenant improvement allowances	11,967	9,891
Total long-term liabilities	207,849	216,320
Total liabilities	332,903	298,210
Stockholders' equity		
Capital stock:		
Common stock Class A, $0.001 par value; 500,000 shares authorized; 238,789 shares issued and outstanding at September 25, 2014; 238,789 shares issued and outstanding at December 26, 2013	—	—
Common stock Class B, $0.001 par value; 100,000 shares authorized; 356 shares issued and outstanding at September 25, 2014; 31 shares issued and outstanding at December 26, 2013	—	—
Common stock Class C, $0.001 par value; 500,000 shares authorized; 19,500 shares issued and outstanding	—	—
Additional paid-in capital	260,256	258,100
Accumulated other comprehensive loss, net	(165)	(157)
Retained earnings	17,381	6,189
Total stockholders' equity	277,472	264,132
Total liabilities and stockholders' equity	$ 610,375	$ 562,342

See accompanying notes to condensed consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Income

(In Thousands, Except Per Share Data)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 25, 2014	September 26, 2013
Net sales	$ 422,999	$ 325,000
Cost of sales	255,245	197,734
Gross profit	167,754	127,266
Operating expenses:		
Selling and store operating	105,658	78,741
General and administrative	28,906	23,077
Pre-opening	5,609	3,494
Executive severance	2,975	—
Total operating expenses	143,148	105,312
Operating income	24,606	21,954
Interest expense	6,775	5,498
Loss on early extinguishment of debt	—	1,638
Income before income taxes	17,831	14,818
Provision for income taxes	6,639	5,779
Net income	$ 11,192	$ 9,039
Basic earnings per share	$ 43.30	$ 35.00
Diluted earnings per share	$ 42.08	$ 34.84
Basic earnings per share pro forma for dividend	$	
Diluted earnings per share pro forma for dividend	$	

See accompanying notes to condensed consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

(In Thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 25, 2014	September 26, 2013
Net income	$ 11,192	$ 9,039
Other comprehensive loss—change in fair value of hedge instrument, net	(8)	(218)
Total comprehensive income	$ 11,184	$ 8,821

See accompanying notes to condensed consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	September 25, 2014	September 26, 2013
Operating activities		
Net income	$ 11,192	$ 9,039
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,619	6,191
Write-off of deferred debt issuance costs on extinguishment of debt	—	645
Loss on asset disposals	145	49
Amortization of tenant improvements allowances	(1,390)	(1,049)
Paid in-kind interest	—	1,058
Deferred income taxes	(177)	—
Stock based compensation expense	1,701	1,344
Changes in operating assets and liabilities:		
Receivables, net	(6,344)	(3,282)
Inventories, net	(23,528)	(52,182)
Other assets	(210)	(1,747)
Trade accounts payable	33,954	33,005
Accrued expenses	5,790	5,331
Income taxes	3,975	(4,593)
Deferred revenue	3,316	1,828
Deferred rent	1,924	1,693
Tenant improvement allowances	3,464	2,201
Other	38	12
Net cash provided by (used in) operating activities	43,469	(457)
Investing activities		
Purchases of fixed assets	(30,500)	(18,380)
Purchase of trade name	—	(314)
Net cash used in investing activities	(30,500)	(18,694)
Financing activities		
Payments of capital leases	—	(135)
Borrowings on revolving line of credit	66,400	54,200
Payments on revolving line of credit	(78,600)	(9,200)
Proceeds from term loan	—	90,000
Payments on term loan	(1,100)	(54,542)
Proceeds from subordinated shareholder term notes	—	134
Prepayment of subordinated shareholder term notes and prepayment premium	—	(33,360)
Proceeds from exercise of stock options	455	—
Proceeds from issuance of common stock	—	1,116
Cash dividends	—	(25,000)
Debt issuance cost	(138)	(3,594)
Net cash (used in) provided by financing activities	(12,983)	19,619
Net (decrease) increase in cash and cash equivalents	(14)	468
Cash and cash equivalents, beginning of the period	175	172
Cash and cash equivalents, end of the period	$ 161	$ 640
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 4,466	$ 4,865
Cash paid for income taxes	$ 2,673	$ 8,014
Fixed assets acquired as part of lease—paid for by lessor	$ —	$ 535

See accompanying notes to condensed consolidated financial statements.

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Unaudited)

September 25, 2014

1. Basis of Presentation

FDO Holdings, Inc. (the "Company," "we," "our" or "us") is a highly differentiated, rapidly growing specialty retailer of hard surface flooring and related accessories. We offer what we believe is the industry's broadest in-stock assortment of tile, wood, laminate and natural stone flooring along with decorative and installation accessories at everyday low prices. Our stores appeal to a variety of customers, including professional installers and commercial businesses, Do it Yourself customers and customers who buy the products for professional installation. We operate within one reportable segment.

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of the Company and our wholly owned subsidiaries. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. The consolidated balance sheet as of December 26, 2013 has been derived from the audited consolidated balance sheet for the fiscal year then ended. The interim consolidated financial statements should be read together with the audited consolidated financial statements and related footnote disclosures included elsewhere in this prospectus. Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes. Certain prior-year amounts have been reclassified in the consolidated financial statements to conform to current year presentation.

Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all normal recurring adjustments considered necessary for a fair statement of results for the interim periods presented. The significant accounting policies followed by the Company are set forth in Note 2 within the Company's audited financial statements for the year ended December 26, 2013. There were no changes in the Company's significant accounting policies during the thirty-nine week period ended September 25, 2014.

Results of operations for the thirty-nine weeks ended September 25, 2014 and September 26, 2013 are not necessarily indicative of the results to be expected for the full year. The Company has considered subsequent events through November 7, 2014 in preparing the financial statements and disclosures, which were first available to be issued on November 7, 2014.

2. Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. ("ASU") 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 provides new guidance related to the core principle that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services provided. This new guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. The Company is still evaluating what impact, if any, the adoption of ASU 2014-09 will have on the Company's financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements and Property, Plant, and Equipment—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 provides new guidance related to the definition of a

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

2. Recent Accounting Pronouncements (Continued)

discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This new guidance is effective for fiscal years beginning on or after December 15, 2014 and interim periods within those years. The adoption of ASU 2014-08 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In July 2012, the FASB issued updated guidance on the periodic testing of indefinite-lived intangible assets for impairment. This guidance provides companies the option to first assess qualitative factors to determine if it is more likely than not that an indefinite-lived intangible asset is impaired and whether it is necessary to perform an annual quantitative impairment test. This guidance is effective for fiscal years beginning after September 15, 2012, with early adoption permitted. We adopted this guidance in fiscal year 2014, and its adoption did not have an impact on our consolidated results of operations, financial position or cash flows.

3. Fair Value Measurements

Assets (Liabilities) Measured at Fair Value on a Recurring Basis

(in thousands)	September 25, 2014	Level 1	Level 2	Level 3
Cash	$ 161	$ 161	$ —	$ —
Receivables, net	14,326	14,326	—	—
Trade accounts payable	(93,041)	(93,041)	—	—
Hedge derivatives, net	(165)	—	(165)	—

	December 26, 2013	Level 1	Level 2	Level 3
Cash	$ 175	$ 175	$ —	$ —
Receivables, net	7,982	7,982	—	—
Trade accounts payable	(59,087)	(59,087)	—	—
Hedge derivatives, net	(157)	—	(157)	—

The carrying amounts of financial instruments such as cash, receivables, and trade accounts payable approximate fair value because of the short-term nature of these items.

Our derivative contracts are negotiated with counterparties without going through a public exchange. Accordingly, our fair value assessments give consideration to the risk of counterparty default (as well as our own credit risk). Our interest rate derivatives consist of interest rate swap contracts and are valued primarily based on data readily observable in public markets.

4. Derivatives and Risk Management

Changes in interest rates impact our results of operations. In an effort to manage our exposure to this risk, we enter into derivative contracts and may adjust our derivative portfolio as market conditions change.

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

4. Derivatives and Risk Management (Continued)

Interest Rate Risk

Our exposure to market risk from adverse changes in interest rates is primarily associated with our long-term debt obligations, which carry variable interest rates. Market risk associated with our variable interest rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates.

In an effort to manage our exposure to the risk associated with our variable interest rate long-term debt, we periodically enter into interest rate swaps. We designate interest rate contracts used to convert the interest rate exposure on a portion of our debt portfolio from a floating rate to a fixed rate as cash flow hedges.

Hedge Position as of September 25, 2014:

(in thousands)	Notional Balance	Final Maturity Date	Other Accrued Liabilities	Other Noncurrent Assets (Liabilities)	Hedge Derivatives, net
Interest rate contracts (cash flow hedges)	$ 35,000 U.S. dollars	January 2017	$ (299)	$ 33	$ (165)

Hedge Position as of December 26, 2013:

(in thousands)	Notional Balance	Final Maturity Date	Other Accrued Liabilities	Other Noncurrent Assets (Liabilities)	Hedge Derivatives, net
Interest rate contracts (cash flow hedges)	$ 35,000 U.S. dollars	January 2017	$ (231)	$ (21)	$ (157)

Designated Hedge Losses

Losses related to our designated hedge contracts are as follows:

	Effective Portion Reclassified From AOCI to Earnings		Effective Portion Recognized in Other Comprehensive Loss	
	Thirty-nine Weeks Ended			
(in thousands)	September 25, 2014	September 26, 2013	September 25, 2014	September 26, 2013
Interest rate contracts	$ —	$ —	$ (8)	$ (218)

Credit Risk

To manage credit risk associated with our interest rate hedging program, we select counterparties based on their credit ratings and limit our exposure to any one counterparty.

The counterparties to our derivative contracts are financial institutions with investment grade credit ratings. To manage our credit risk related to our derivative financial instruments, we periodically monitor the credit risk of our counterparties, limit our exposure in the aggregate and to any single

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

4. Derivatives and Risk Management (Continued)

counterparty, and adjust our hedging position, as appropriate. The impact of credit risk, as well as the ability of each party to fulfill its obligations under our derivative financial instruments, is considered in determining the fair value of the contracts. Credit risk has not had a significant effect on the fair value of our derivative contracts. We do not have any credit risk-related contingent features or collateral requirements with our derivative financial instruments.

5. Debt

Debt Modification

On July 2, 2014, the agreement governing the Wells Facility was amended to, among other things, (1) increase the availability under the Wells Facility Revolving Line of Credit from $100 million to $125 million, (2) expand the "accordion" feature under the Wells Facility Revolving Line of Credit from $25 million to $75 million, (3) reduce the pricing grid based on daily availability under the Wells Facility Revolving Line of Credit by 25 basis points, (4) reduce the pricing on the Wells Facility Term Loan A by 175 basis points and (5) eliminate the early termination fee otherwise payable on the Wells Facility Term Loan A for repayments prior to November 1, 2014 if such repayment occurs in connection with an initial public offering and within 30 days following the closing of such offering. As a result of the amendment, the maturity date of the Wells Facility Revolving Line of Credit was extended to the earliest of (i) July 2, 2019, (ii) the maturity date of the Wells Facility Term Loan A (unless the Wells Facility Term Loan A is repaid prior to its maturity date) and (iii) the date that is 90 days prior to the maturity date of the GCI Facility (unless the GCI Facility is repaid prior to its maturity date). The debt issuance cost associated with this amendment totaled $138 thousand for the thirteen weeks ended September 25, 2014 and are capitalized in other assets on the Condensed Consolidated Balance Sheet.

Fair Value of Debt

Market risk associated with our fixed and variable rate long-term debt relates to the potential change in fair value and negative impact to future earnings, respectively, from a change in interest rates. The aggregate fair value of debt was based primarily on our estimates based on interest rates, maturities, credit risk, and underlying collateral and is classified primarily as Level 3 within the fair value hierarchy. At September 25, 2014 and December 26, 2013, the fair values of the Company's debt are as follows:

(in thousands)	September 25, 2014	December 26, 2013
Total debt at carrying value	$ 146,367	$ 159,667
Fair value	$ 148,192	$ 159,667

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

6. Commitments and Contingencies

Lease Commitments

The Company leases its corporate office, retail locations, and distribution centers under long-term operating lease agreements that expire in various years through 2029. Additionally, certain equipment is leased under short-term operating leases.

Certain lease agreements include escalating rents over the lease terms. The Company expenses rent on a straight-line basis over the life of the lease, which commences on the date the Company has the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in deferred rent in the accompanying balance sheets. Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of September 25, 2014, are:

(in thousands)	Amount
Thirteen weeks ending December 25, 2014	$ 7,965
2015	35,979
2016	36,110
2017	31,092
2018	27,303
Thereafter	121,694
Total minimum lease payments	$ 260,143

Lease expense for the thirty-nine weeks ended September 25, 2014 and September 26, 2013, was approximately $21,295 thousand and $15,939 thousand, respectively.

Litigation

The Company is subject to various legal actions, claims and proceedings arising in the ordinary course of business, including claims related to breach of contracts, products liabilities, intellectual property matters and employment related matters resulting from its business activities. These proceedings are not expected to have a material impact on the Company's consolidated financial position, cash flows or results of operations.

7. Earnings Per Share

Net Income per Common Share

We calculate basic earnings per share by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding adjusted for the dilutive

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

7. Earnings Per Share (Continued)

effect of stock options. The following table shows the computation of basic and diluted earnings per share:

	Thirty-nine Weeks Ended	
	September 25, 2014	September 26, 2013
Net income (in thousands)	$ 11,192	$ 9,039
Basic weighted average shares outstanding	258,501	258,271
Dilutive effect of share based awards	7,446	1,176
Diluted weighted average shares outstanding	265,947	259,447
Basic earnings per share	$ 43.30	$ 35.00
Diluted earnings per share	$ 42.08	$ 34.84

The following awards have been excluded from the computation of dilutive effect of share based awards because the effect would be anti-dilutive:

	Thirty-nine Weeks Ended	
	September 25, 2014	September 26, 2013
Stock options	1,587	15,206

8. Unaudited Earnings Per Share Pro Forma for Dividend

On November 7, 2014 the Company filed a registration statement with the Securities and Exchange Commission ("SEC") in anticipation of the initial public offering of its common stock.

Under certain interpretations of the SEC, dividends declared in the year preceding an initial public offering are deemed to be in contemplation of the offering with the intention of repayment out of offering proceeds to the extent that the dividends exceeded earnings during such period. As such, the earnings per share pro forma for dividend for the thirty-nine weeks ended September 25, 2014 gives effect to the pro forma adjustment discussed, as well as the number of shares that would be required to generate proceeds necessary to pay the amount of the $25 million special dividend paid in May 2013 in excess of fiscal year 2013 earnings, up to the amount of shares assumed to be issued in the offering. The following table sets forth the computation of pro forma basic and diluted earnings per share pro forma for dividend for the thirty-nine weeks ended September 25, 2014 based on an offering price of

FDO Holdings, Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Continued)

(Unaudited)

8. Unaudited Earnings Per Share Pro Forma for Dividend (Continued)

$ per share, the midpoint of the estimated range of the price set forth on the cover page of this prospectus:

	Thirty-nine Weeks Ended September 25, 2014	
	Basic	Diluted
Net income (in thousands)	$	$
Weighted average shares outstanding		
Pro forma shares assumed issued in offering necessary to pay dividend in excess of earnings		
Weighted average shares outstanding pro forma for dividend		
Earnings per share pro forma for dividend	$	$

9. Stock-Based Compensation

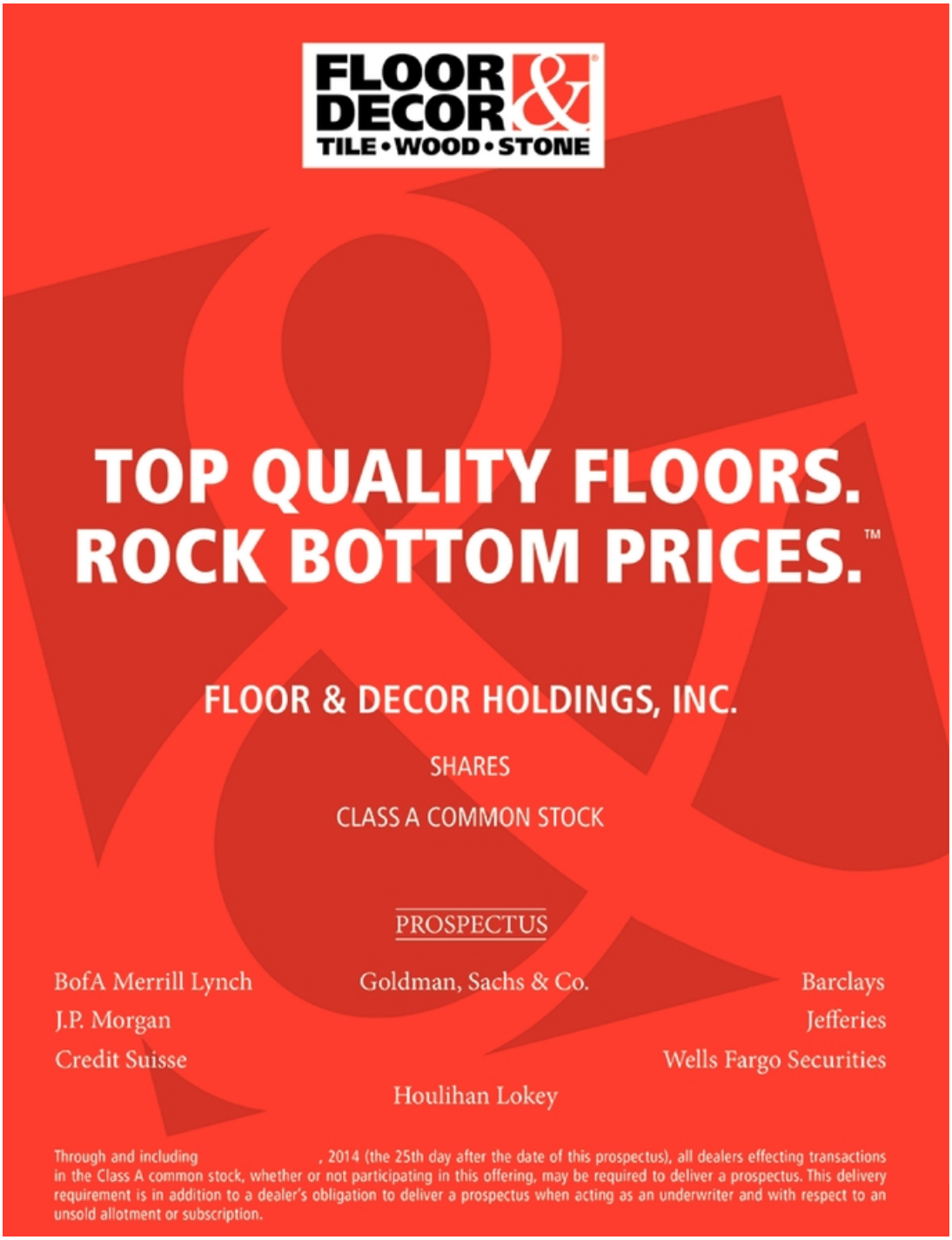
The following table summarizes share activity related to stock options during the thirty-nine weeks ended September 25, 2014. There were no options that expired during this period.

	Stock Options
Outstanding at December 26, 2013	33,294
Granted	2,326
Exercised	(325)
Forfeited	(5,049)
Outstanding at September 25, 2014	30,246

10. Executive Severance

On January 31, 2014, the Company entered into a separation agreement with one of its officers. Under the terms of the agreement, the Company recorded $2,975 thousand of severance related expense in its operating results for the thirty-nine weeks ended September 25, 2014.

Table of Contents


FLOOR & DECOR
TILE • WOOD • STONE
TOP QUALITY FLOORS.
ROCK BOTTOM PRICES.™
FLOOR & DECOR HOLDINGS, INC.
SHARES
CLASS A COMMON STOCK
PROSPECTUS
BofA Merrill Lynch
Goldman, Sachs & Co.
Barclays
J.P. Morgan
Jefferies
Credit Suisse
Wells Fargo Securities
Houlihan Lokey
Through and including , 2014 (the 25th day after the date of this prospectus), all dealers effecting transactions in the Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale and distribution of the Class A common stock being registered. All amounts are estimates except for the SEC registration fee, the FINRA filing fee and the New York Stock Exchange listing fee.

SEC registration fee	$ 11,620
FINRA filing fee	
New York Stock Exchange listing fee	
Legal fees and expenses	
Accounting fees and expenses	
Printing and engraving expenses	
Transfer agent and registrar fees and expenses	
Blue sky fees and expenses	
Miscellaneous fees and expenses	
Total	$

Item 14. Indemnification of Directors and Officers

Section 145 of the DGCL authorizes a court to award, or a corporation's board of directors to grant, indemnity to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act.

Our certificate of incorporation and bylaws provide for indemnification of our directors, officers, employees, and other agents to the maximum extent permitted by the DGCL.

In addition, we have entered into indemnification agreements with our directors and officers containing provisions that are in some respects broader than the specific indemnification provisions contained in the DGCL. The indemnification agreements require us, among other things, to indemnify our directors against certain liabilities that may arise by reason of their status or service as directors and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We maintain insurance policies that indemnify our directors and officers against various liabilities arising under the Securities Act and the Exchange Act that might be incurred by any director or officer in his capacity as such.

The underwriters are obligated, under certain circumstances, pursuant to the underwriting agreement filed as Exhibit 1.1 hereto, to indemnify us and our officers and directors against liabilities under the Securities Act.

Item 15. Recent Sales of Unregistered Securities

The following sets forth information regarding all unregistered securities sold during the three years preceding the date of this registration statement and does not give effect to the conversion of each share of Floor & Decor Holdings, Inc. into shares of the corresponding class of

common stock of Floor & Decor Holdings, Inc. upon the effectiveness of the -for-one stock split of our common stock effected on , 2014:

- On January 2, 2013, Lisa Laube purchased 403.806 shares of Class A common stock at a purchase price of $1,105 per share for an aggregate purchase price of $446,205.85;
- On January 2, 2013, Trevor Lang purchased 282.664 shares of Class A common stock at a purchase price of $1,105 per share for an aggregate purchase price of $312,344.09;
- On February 22, 2013, Thomas Taylor purchased 323.045 shares of Class A common stock at a purchase price of $1,105 per share for an aggregate purchase price of $356,965;
- On December 4, 2013, Eugenia Medina exercised options to purchase 31.000 shares of Class A common stock at an exercise price of $916 per share for an aggregate purchase price of $28,396;
- On March 28, 2014, Bryant Scott exercised options to purchase 250.000 shares of Class A common stock at an exercise price of $916 per share for an aggregate purchase price of $229,000;
- On July 30, 2014, Ryan French exercised options to purchase 15.000 shares of Class A common stock at an exercise price of $916 per share for an aggregate purchase price of $13,740; and
- On August 4, 2014, Ali Zahedi exercised options to purchase (i) 30.000 shares of Class A common stock at an exercise price of $916 per share for an aggregate purchase price of $27,480 and (ii) 30.000 shares of Class A common stock at an exercise price of $1,391 per share for an aggregate purchase price of $41,730.
- On October 13, 2014, Larry Castellani exercised options to purchase (i) 150.000 shares of Class A common stock at an exercise price of $916 per share for an aggregate purchase price of $137,400 and (ii) 150.000 shares of Class A common stock at an exercise price of $1,391 per share for an aggregate purchase price of $208,650.

Unless otherwise stated and except for the -for-one stock split of our common stock effected on , 2014, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act (or Regulation D promulgated thereunder) or Rule 701 promulgated under Section 3(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. We did not pay or give, directly or indirectly, any commission or other remuneration, including underwriting discounts or commissions, in connection with any of the issuances of securities listed above. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their employment or other relationship with us or through other access to information provided by us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits

Exhibit No.	Description of Exhibit
1.1*	Form of Underwriting Agreement
3.1*	Restated Certificate of Incorporation of Floor & Decor Holdings, Inc.
3.2*	Amended and Restated Bylaws of Floor & Decor Holdings, Inc.
4.1*	Specimen Class A Common Stock Certificate
4.2*	Form of Registration Rights Agreement, to be effective upon the closing of this offering
4.3*	Form of Investor Rights Agreement, to be effective upon the closing of this offering
5.1*	Opinion of Proskauer Rose LLP
10.1	FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.2	First Amendment to FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.3	Form of Stock Option Agreement under the FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.4*	Form of Floor & Decor Holdings, Inc. 2014 Stock Incentive Plan
10.5*	Form of Stock Option Agreement under the Floor & Decor Holdings, Inc. 2014 Stock Incentive Plan
10.6	Form of Indemnification Agreement by and between Floor & Decor Holdings, Inc. and its directors and officers
10.7*	Employment Agreement, dated December 3, 2012, between FDO Holdings, Inc. and Thomas V. Taylor
10.8	Consulting Agreement, dated December 3, 2012, by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc. and George Vincent West
10.9*	Employment Agreement, dated February 3, 2012, between Floor and Decor Outlets of America, Inc. and Lisa Laube
10.10*	Employment Agreement, dated June 17, 2011, between Floor and Decor Outlets of America, Inc. and Trevor Lang
10.11	Credit Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swingline Lender, Wells Fargo Bank, National Association, as Term Loan Agent, the lenders from time to time party thereto, Suntrust Bank, as Syndication Agent, and Wells Fargo Capital Finance, LLC, as Sole Lead Arranger and Sole Bookrunner
10.12	Security Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other borrowers and guarantors from time to time party thereto and Wells Fargo Bank, National Association, as collateral agent
10.13	Guaranty Agreement, dated as of May 1, 2013, by FDO Acquisition Corp. in favor of Wells Fargo Bank, National Association, as Administrative Agent, Term Loan Agent and Collateral Agent, and the Credit Parties (as defined therein)

Exhibit No.	Description of Exhibit
10.14	First Amendment to Credit Agreement, dated as of July 2, 2014, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swing Line Lender, L/C Issuer and Term Loan Agent, and the lenders party thereto
10.15	Credit Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., the other loan parties from time to time party thereto, the lenders from time to time party thereto, GCI Capital Markets LLC, as Agent, GCI Capital Markets LLC, as Sole Bookrunner and Co-Lead Arranger, and MCS Capital Markets LLC, as Co-Lead Arranger and Syndication Agent
10.16	Term Loan Security Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., the other loan parties from time to time party thereto and GCI Capital Markets LLC, as Agent
10.17	Guaranty Agreement, dated as of May 1, 2013, by FDO Acquisition Corp. in favor of GCI Capital Markets LLC, as administrative agent
21.1	List of subsidiaries
23.1*	Consent of Proskauer Rose LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1	Power of Attorney (included on the signature page of this Registration Statement)

* To be filed by amendment.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is included in the consolidated financial statements or related notes.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant

pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Smyrna, Georgia, on November 7, 2014.

FDO HOLDINGS, INC.

By: /s/ THOMAS TAYLOR

Thomas Taylor
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Trevor Lang and David Christopherson, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ THOMAS TAYLOR Thomas Taylor	Chief Executive Officer (Principal Executive Officer) and Director	November 7, 2014
/s/ TREVOR LANG Trevor Lang	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	November 7, 2014
/s/ NORMAN AXELROD Norman Axelrod	Chairman of the Board	November 7, 2014
/s/ GEORGE VINCENT WEST George Vincent West	Vice Chairman of the Board	November 7, 2014
/s/ BRAD BRUTOCAO Brad Brutocao	Director	November 7, 2014

Table of Contents

Signature	Title	Date
/s/ DAVID B. KAPLAN David B. Kaplan	Director	November 7, 2014
/s/ PAMELA KNOUS Pamela Knous	Director	November 7, 2014
/s/ JOHN ROTH John Roth	Director	November 7, 2014
/s/ RAVI SARIN Ravi Sarin	Director	November 7, 2014
/s/ PETE STARRETT Pete Starrett	Director	November 7, 2014
/s/ ADAM STEIN Adam Stein	Director	November 7, 2014

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1*	Form of Underwriting Agreement
3.1*	Restated Certificate of Incorporation of Floor & Decor Holdings, Inc.
3.2*	Amended and Restated Bylaws of Floor & Decor Holdings, Inc.
4.1*	Specimen Class A Common Stock Certificate
4.2*	Form of Registration Rights Agreement, to be effective upon the closing of this offering
4.3*	Form of Investor Rights Agreement, to be effective upon the closing of this offering
5.1*	Opinion of Proskauer Rose LLP
10.1	FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.2	First Amendment to FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.3	Form of Stock Option Agreement under the FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan
10.4*	Form of Floor & Decor Holdings, Inc. 2014 Stock Incentive Plan
10.5*	Form of Stock Option Agreement under the Floor & Decor Holdings, Inc. 2014 Stock Incentive Plan
10.6	Form of Indemnification Agreement by and between Floor & Decor Holdings, Inc. and its directors and officers
10.7*	Employment Agreement, dated December 3, 2012, between FDO Holdings, Inc. and Thomas V. Taylor
10.8	Consulting Agreement, dated December 3, 2012, by and between Floor and Decor Outlets of America, Inc., FDO Holdings, Inc. and George Vincent West
10.9*	Employment Agreement, dated February 3, 2012, between Floor and Decor Outlets of America, Inc. and Lisa Laube
10.10*	Employment Agreement, dated June 17, 2011, between Floor and Decor Outlets of America, Inc. and Trevor Lang
10.11	Credit Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and Swingline Lender, Wells Fargo Bank, National Association, as Term Loan Agent, the lenders from time to time party thereto, Suntrust Bank, as Syndication Agent, and Wells Fargo Capital Finance, LLC, as Sole Lead Arranger and Sole Bookrunner
10.12	Security Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., the other borrowers and guarantors from time to time party thereto and Wells Fargo Bank, National Association, as collateral agent
10.13	Guaranty Agreement, dated as of May 1, 2013, by FDO Acquisition Corp. in favor of Wells Fargo Bank, National Association, as Administrative Agent, Term Loan Agent and Collateral Agent, and the Credit Parties (as defined therein)
10.14	First Amendment to Credit Agreement, dated as of July 2, 2014, by and among Floor and Decor Outlets of America, Inc., FDO Acquisition Corp., Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swing Line Lender, L/C Issuer and Term Loan Agent, and the lenders party thereto

Exhibit No.	Description of Exhibit
10.15	Credit Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., the other loan parties from time to time party thereto, the lenders from time to time party thereto, GCI Capital Markets LLC, as Agent, GCI Capital Markets LLC, as Sole Bookrunner and Co-Lead Arranger, and MCS Capital Markets LLC, as Co-Lead Arranger and Syndication Agent
10.16	Term Loan Security Agreement, dated as of May 1, 2013, by and among Floor and Decor Outlets of America, Inc., the other loan parties from time to time party thereto and GCI Capital Markets LLC, as Agent
10.17	Guaranty Agreement, dated as of May 1, 2013, by FDO Acquisition Corp. in favor of GCI Capital Markets LLC, as administrative agent
21.1	List of subsidiaries
23.1*	Consent of Proskauer Rose LLP (included in Exhibit 5.1)
23.2	Consent of Ernst & Young LLP, independent registered public accounting firm
24.1	Power of Attorney (included on the signature page of this Registration Statement)

* To be filed by amendment.

FDO HOLDINGS, INC.

AMENDED AND RESTATED
2011 STOCK INCENTIVE PLAN

Adopted as of January 13, 2011
Amended and Restated on October 10, 2012

FDO HOLDINGS, INC.

AMENDED AND RESTATED
2011 STOCK INCENTIVE PLAN

ARTICLE I

PURPOSE

This 2011 Stock Incentive Plan is being offered in connection with the merger of Floor and Decor Outlets of America, Inc. a Georgia corporation, with FDO Merger Sub, Inc., a Georgia corporation, to become a subsidiary of FDO Holdings, Inc., a Delaware corporation. This 2011 Stock Incentive Plan was amended and restated on October 10, 2012, such amendment and restatement to be effective as of the Effective Date. The purpose of this 2011 Stock Incentive Plan is to enhance the profitability and value of the Company for the benefit of its shareholders by enabling the Company to offer Eligible Employees, Consultants and Non-Employee Directors stock-based incentives in the Company to attract, retain and reward such individuals and strengthen the mutuality of interests between such individuals and the Company's shareholders.

ARTICLE II

DEFINITIONS

For purposes of the Plan, the following terms shall have the following meanings:

2.1 "**Acquisition Event**" means a merger or consolidation in which the Company is not the surviving entity, any transaction that results in the acquisition of all or substantially all of the Company's outstanding common stock by a Person or group of Persons acting in concert, or the sale or Transfer of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole. The occurrence of an Acquisition Event shall be determined by the Committee in its sole discretion.

2.2 **"Affiliate"** of any specified Person means any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person; provided, however, that if the Common Stock subject to any Award does not constitute "service recipient stock" for purposes of Section 409A of the Code, the Company intends that such Award shall be designed to comply with Section 409A of the Code. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise;

and the terms "controlling" and "controlled" have meanings correlative to the foregoing. No Person shall be deemed to be an Affiliate of another Person solely by virtue of the fact that both Persons own shares of the capital stock of the Company.

2.3 **"Ares"** means Ares Corporate Opportunities Fund III, L.P.

2.4 **"Ares Co-Investors"** means Norman Axelrod, as AS SKIP LLC and their Permissible Transferees.

2.5 "**Award**" means any award under the Plan of any Stock Option or Restricted Stock. All Awards shall be subject to the terms of a written or electronic agreement executed by the Company and the Participant. Any reference herein to an agreement in writing shall be deemed to include an electronic writing to the extent permitted by applicable law.

2.6 "**Board**" means the Board of Directors of the Company.

2.7 "**Bylaws"** means the Bylaws of the Company, as amended or amended and restated from time to time.

2.8 "**Business**" means the business (whether operated in physical locations or online over the internet) of selling hard surface flooring materials.

2.9 "**Certificate of Incorporation**" means the Company's Restated Certificate of Incorporation, as amended or amended and restated from time to time.

2.10 "**Cause**" means with respect to a Participant's Termination of Employment or Termination of Consultancy, the following: (a) in the case where there is no employment agreement, consulting agreement, change in control agreement or similar agreement in effect between the Company or an Affiliate of the Company and the Participant at the time of the grant of the Award (or where there is such an agreement but it does not define "cause" (or words of like import or where it only applies upon the occurrence of a change in control and one has not yet taken place)), termination due to: (i) a Participant's conviction of, or plea of guilty or nolo contendere to, (x) a felony under U.S. or applicable state law, or (y) a misdemeanor where imprisonment is imposed other than for a traffic-related offense; (ii) perpetration by a Participant of an illegal act, dishonesty, or fraud that could cause economic injury to the Company or any act of moral turpitude by the Participant; (iii) a Participant's insubordination, refusal to perform his or her duties or responsibilities for any reason other than illness or incapacity or unsatisfactory performance of his or her duties for the Company; (iv) continuing

willful and deliberate failure by the Participant to perform the Participant's duties, provided that the Participant is given notice and an opportunity to effectuate a cure as determined by the Committee; (v) a Participant's willful misconduct or gross negligence with regard to the Company; (vi) the Participant's unlawful appropriation of a material corporate opportunity; or (vii) the Participant's breach of any agreement with the Company or any of its Affiliates, including any confidentiality or restrictive covenant agreement entered into between the Participant and the Company or any of its Affiliates; or (b) in the case where there is an employment agreement, consulting agreement, change in control

agreement or similar agreement in effect between the Company or an Affiliate of the Company and the Participant at the time of the grant of the Award that defines "cause" (or words of like import), "cause" as defined under such agreement; provided, however, that with regard to any agreement under which the definition of "cause" only applies upon an occurrence of a change in control, such definition of "cause" shall not apply until a change in control actually takes place and then only with regard to a termination thereafter. With respect to a Participant's Termination of Directorship, "cause" means an act or failure to act that constitutes cause for removal of a director under applicable Delaware law.

2.11 "**Change in Control**" means, unless otherwise determined by the Committee in the applicable Award agreement, the occurrence of any of the following:

(a) the acquisition (including any acquisition through purchase, reorganization, merger, consolidation or similar transaction), directly or indirectly, in one or more transactions by any Person (including any employee benefit plan or any trust for an employee benefit plan) or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), other than any acquisition by any Permitted Holder or any of its Related Parties or a Permitted Group, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of shares or other securities (as defined in Section 3(a)(10) of the Exchange Act) representing 50% or more of either (i) the voting common stock of the Company or (ii) the combined voting power of the securities of the Company entitled to vote generally in the election of directors of the Board (collectively, the "Company Voting Securities"), in each case calculated on a fully diluted basis after giving effect to such acquisition; provided, however, that none of the following acquisitions shall constitute a Change in Control as defined in this clause (a): (A) any acquisition by any Person or group of Persons consisting solely of shareholders of the Company on the Effective Date, (B) any acquisition that does not result in any Person (other than any shareholder or shareholders of the Company on the Effective Date), beneficially owning shares or securities representing 50% or more of either the Common Stock or Company Voting Securities, and (C) any acquisition, after which the Permitted Holders, their Related Parties or a Permitted Group have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board;

(b) any election has occurred of Persons to the Board that causes two-thirds of the Board to consist of Persons other than (i) Persons who were members of the Board on the Effective Date, (ii) Persons who were nominated for election as members of the Board at a time when two-thirds of the Board consisted of Persons who were members of the Board on the Effective Date and (iii) Persons who were designated for election as members of the Board pursuant to Section 4.06(a)(ii) of the Shareholders Agreement; provided, however, that any Person nominated for election by a Board at least two-thirds of whom constituted Persons described in clauses (i), (ii) or (iii) or by Persons who were themselves nominated

by such Board shall, for this purpose, be deemed to have been nominated by a Board composed of Persons described in clause (i); or

(c) approval by the shareholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition (other than a merger or consolidation) of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any Person other than a Permitted Holder or a Permitted Group or a Related Party of a Permitted Holder.

2.12 "**Chief Executive Officer**" means the chief executive officer of the Company.

2.13 "**Code**" means the Internal Revenue Code of 1986, as amended. Any reference to any section of the Code shall also be a reference to any successor provision and any Treasury Regulation promulgated thereunder.

2.14 "**Committee**" means (a) prior to a Registration Date, a committee or subcommittee of the Board appointed from time to time by the Board and (b) following a Registration Date, a committee or subcommittee of the Board appointed from time to time by the Board that, in the discretion of the Board, may consist solely of two or more "non-employee directors" as defined in Rule 16b-3 and, to the extent required by applicable stock exchange rules, who are "independent" as defined under applicable stock exchange rules; provided that if for any reason the appointed Committee does not meet the requirements of Rule 16b-3, such noncompliance shall not affect the validity of grants, interpretations or other actions of the Committee. With respect to the application of the Plan to Non-Employee Directors, the Committee shall mean the Board. Notwithstanding the foregoing, if and to the extent that no Committee exists that has the authority to administer the Plan, the functions of the Committee shall be exercised by the Board and all references herein to the Committee shall be deemed references to the Board.

2.15 "**Common Stock**" means the Class B non-voting Common Stock, par value $0.001 per share, of the Company.

2.16 "**Company**" means FDO Holdings, Inc., a Delaware corporation, and its successors by operation of law.

2.17 "**Competitor**" means any Person (other than the Company and its Affiliates) engaged in the Business.

2.18 "**Consultant**" means any natural person who (i) provides bona fide consulting or advisory services to the Company or its Affiliates pursuant to a written agreement, which services are not in connection with the offer and sale of securities in a capital-raising transaction, and (ii) who does not, directly or indirectly, promote or maintain a market for the Company's or its Affiliates' securities.

2.19 "**Customer**" means any Person who is a customer or client of the Company or any of its Affiliates that is a professional contractor and with whom the Participant had material business-related contact (whether in person, by telephone or by paper or electronic correspondence) on behalf of the Company or any of its Affiliates.

2.20 **"Detrimental Activity"** means:

(a) disclosing, divulging, furnishing or making available to anyone at any time, except as necessary in the furtherance of Participant's responsibilities to the Company or any of its Affiliates, either during or subsequent to Participant's service relationship with the Company or its Affiliates, any knowledge or information with respect to confidential or proprietary information, methods, processes, plans or materials of the Company or any of its Affiliates, or with respect to any other confidential or proprietary aspects of the business of the Company or any of its Affiliate, acquired by the Participant at any time prior to the Participant's Termination;

(b) any activity while employed by, or performing services for, the Company or any of its Affiliates that results, or if known could reasonably be expected to result, in the Participant's Termination that is classified by the Company as a termination for Cause;

(c) (i) directly or indirectly soliciting, enticing or inducing any employee of the Company or of any of its Affiliates to be employed by any Person that is, directly or indirectly, in competition with the business or activities of the Company or any of its Affiliates; (ii) directly or indirectly approaching any such employee for these purposes; (iii) authorizing or knowingly approving the taking of such actions by other persons on behalf of any such person, firm or corporation, or assisting any such person, firm or corporation in taking such action; (iv) directly or indirectly soliciting Customers to purchase products on behalf of a Competitor; or (v) directly or directly soliciting Suppliers to provide products or services to support a Competitor; or

(d) a material breach of any agreement between the Participant and the Company or an Affiliate of the Company. Unless otherwise determined by the Committee at grant or unless a longer post-Termination recoupment period is provided in the applicable agreement, Detrimental Activity shall not be deemed to occur after the end of the one-year period following the Participant's Termination.

For purposes of subsections (a), (c) and (d) above, the Committee has the authority to provide the Participant with written authorization to engage in the activities contemplated thereby and no other person shall have authority to provide the Participant with such authorization.

2.21 "**Disability**" means with respect to a Participant's Termination, a permanent and total disability as defined in Section 22(e)(3) of the Code. A Disability

shall only be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for Awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled under Section 409A(a)(2)(C)(i) or (ii) of the Code.

2.22 "**Effective Date**" means the effective date of the Plan as defined in Article XIV.

2.23 "**Eligible Employee**" means each employee of the Company or one of its Affiliates.

2.24 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder. Any references to any section of the Exchange Act shall also be a reference to any successor provision.

2.25 "**Exercisable Stock Options"** has the meaning set forth in Section 4.2(d).

2.26 "**Fair Market Value**" means, unless otherwise required by any applicable provision of the Code, as of any date and except as provided below, (a) the last sales price reported for the Common Stock on the applicable date as reported on the principal established securities market on which it is then traded or if the Common Stock has not been reported or quoted on such date, on the first day prior thereto on which the Common Stock was reported or quoted; or (b) if the Company's Common Stock is not traded on any established securities market, the price as determined by the Committee in whatever manner it considers appropriate, taking into account the requirements of Section 409A of the Code. For purposes of the grant of any Award, the applicable date shall be the trading day on which the Award is granted, or if such grant date is not a trading day, the trading day immediately prior to the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Company or, if not a day on which the applicable market is open, the next day that it is open.

2.27 "**Family Member**" means "family member" as defined in Rule 701 under the Securities Act or, following the filing of a Form S-8 pursuant to the Securities Act with respect to the Plan, as defined in Section A.1.(5) of the general instructions of Form S-8, as may be amended from time to time.

2.28 **"FS"** means FS Equity Partners VI, L.P.

2.29 **"FS Co-Investors"** means Starrett Family Trust, dated 4-11-99, Castellani Associates III, LLC, the Lawrence P. Castellani Family Foundation, FS Affiliates VI, L.P. and their Permissible Transferees.

2.30 **"FS Principals"** means Bradford M. Freeman, Ronald P. Spogli or any four of Brad J. Brutocao, Benjamin D. Geiger, Todd W. Halloran, Jon D. Ralph, John M. Roth, J. Frederick Simmons and William M. Wardlaw.

2.31 "**Good Reason**" with respect to a Participant's voluntary Termination of Employment shall have the meaning ascribed to such term under an employment or similar agreement in effect between the Company and the Participant; a Participant may not have "Good Reason" in the absence of such an agreement defining such term.

2.32 "**Incentive Stock Option**" means any Stock Option awarded to an Eligible Employee of the Company, its Subsidiaries and its Parent (if any) under the Plan intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

2.33 "**Joinder Agreement**" means a Joinder Agreement contemplated by the Shareholders Agreement, dated November 24, 2010, by and among the Company and the shareholders party thereto, as amended from time to time in accordance with the terms thereof, or any similar joinder agreement to a shareholders agreement (or similar agreement) entered into by the Company after the Effective Date.

2.34 "**Non-Employee Director**" means a non-employee director of the Company as defined in Rule 16b-3.

2.35 "**Non-Qualified Stock Option**" means any Stock Option awarded under the Plan that is not an Incentive Stock Option.

2.36 "**Parent**" means any parent corporation of the Company within the meaning of Section 424(e) of the Code.

2.37 "**Participant**" means an Eligible Employee, Consultant or Non-Employee Director to whom an Award has been granted pursuant to the Plan.

2.38 "**Permissible Transferee**" means:

(i) with respect to any shareholder of the Company who is a natural person, (a) any Family Member and (b) any trust which is for the primary benefit of such shareholder or one or more Family Members of such shareholder (which shall include grandchildren), a charitable organization that is controlled by such shareholder or a community foundation which permits donor participation in directing charitable donations from charitable gifts given by such shareholder;

(ii) with respect to any shareholder that is not a natural person, (a) any Affiliate of such shareholder, (b) with respect to any Major Shareholder (as defined in the Shareholders Agreement), any institutional lender to which such Major Shareholder is required to pledge or grant a security interest in the

shares of Common Stock pursuant to the terms of such Major Shareholder's senior secured revolving credit facility, (c) with respect to AS SKIP LLC, (I) any Family Member of Norman Axelrod, (II) any trust which is for the primary benefit of Norman Axelrod or one or more of his Family Members (which shall include grandchildren) or (III) a charitable organization that is controlled by Norman Axelrod or a

community foundation which permits donor participation in directing charitable donations from charitable gifts given by AS SKIP LLC, (d) with respect to Starrett Family Trust, dated 4-11-99, (I) any Family Member of Peter Starrett, (II) any trust which is for the primary benefit of Peter Starrett or one or more of his Family Members (which shall include grandchildren) or (III) a charitable organization that is controlled by Peter Starrett or a community foundation which permits donor participation in directing charitable donations from charitable gifts given by Starrett Family Trust, dated 4-11-99, (e) with respect to Castellani Associates III, LLC and Lawrence P. Castellani Family Foundation, (I) any Family Member of Lawrence P. Castellani, Jr., (II) any trust which is for the primary benefit of Lawrence P. Castellani, Jr. or one or more of his Family Members (which shall include grandchildren) or (III) a charitable organization that is controlled by Lawrence P. Castellani, Jr. or a community foundation which permits donor participation in directing charitable donations from charitable gifts given by either Castellani Associates III, LLC or Lawrence P. Castellani Family Foundation and (f) with respect to the West Companies, (I) any Family Member of Vincent West, (II) any trust which is for the primary benefit of Vincent West or one or more of his Family Members (which shall include grandchildren) or (III) a charitable organization that is controlled by Vincent West or a community foundation which permits donor participation in directing charitable donations from charitable gifts given by either of the West Companies; and

(iii) to the extent such shareholder is an investment fund, (a) any Related Party of such shareholder, (b) any investor in such shareholder that receives a pro rata distribution of shares of Common Stock to all investors in such shareholder, and (c) any Person acquiring all or substantially all of the investment portfolio of such shareholder;

provided, that in any of such cases, such Permissible Transferee (i) is an accredited investor within the meaning of Regulation D under the 1933 Act and (ii) prior to the Transfer, executes a Joinder Agreement.

2.39 "**Permitted Group**" means any group of investors that includes a Permitted Holder and is deemed to be a "person" (as that term is used in Section 13(d)(3) or 14(d)(2) of the Exchange Act) at any time prior to the Company's initial public offering of Common Stock by virtue of the Shareholders Agreement.

2.40 "**Permitted Holder**" means, individually or in combination, Ares, ACOF Operating Manager III, LLC, FS and FS Capital Partners VI, LLC.

2.41 "**Person**" means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint stock company, trust, incorporated organization, governmental or regulatory or other entity.

2.42 "**Plan**" means this FDO Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan, as further amended from time to time.

2.43 "**Registration Date**" means the first date after the Effective Date (a) on which the Company sells its Common Stock in a bona fide initial public offering pursuant to a registration statement under the Securities Act or (b) any class of common equity securities of the Company is required to be registered under Section 12 of the Exchange Act.

2.44 "**Related Party**" means, with respect to any Person that is an investment fund, (a) an Affiliate of such Person, (b) any investment manager, investment partnership, investment adviser or general partner of such Person, (c) any investment fund, investment partnership, investment account or other investment Person whose investment manager, investment adviser, managing member or general partner is such Person or a Related Party of such Person, (d) any equity investor, partner, officer, member or manager of such Person and (e) with respect to FS, any investment fund or partnership that is controlled by any of the FS Principals; provided, however, that (x) Ares and the Ares Co-Investors shall be Related Parties, (y) FS and the FS Co-Investors shall be Related Parties and (z) no Person shall be deemed to be an Affiliate of another Person solely by virtue of the fact that both Persons own shares of the capital stock of the Company.

2.45 "**Rule 16b-3**" means Rule 16b-3 under Section 16(b) of the Exchange Act as then in effect or any successor provision.

2.46 **"Section 4.2 Event"** has the meaning set forth in Section 4.2(b).

2.47 "**Section 409A of the Code**" means the nonqualified deferred compensation rules under Section 409A of the Code and any applicable Treasury Regulation or other official guidance promulgated thereunder.

2.48 "**Securities Act**" means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder. Any reference to any section of the Securities Act shall also be a reference to any successor provision.

2.49 "**Stock Option**" or "**Option**" means any option to purchase shares of Common Stock granted to Eligible Employees, Non-Employee Directors or Consultants pursuant to Article VI.

2.50 "**Shareholders Agreement**" means that Shareholders Agreement, dated November 24, 2010, among the Company and the investors party thereto, as amended from time to time in accordance with the terms thereof.

2.51 "**Subsidiary**" means any subsidiary corporation of the Company within the meaning of Section 424(f) of the Code.

2.52 "**Supplier**" means any Person who supplies products or services to the Company in support of the Company's Business and with whom a Participant had

material business-related contact (whether in person, by telephone or by paper or electronic correspondence) on behalf of the Company or any of its Affiliates.

2.53 "**Ten Percent Shareholder**" means a person owning stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, its Subsidiaries or its Parent.

2.54 "**Termination**" means a Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable.

2.55 "**Termination of Consultancy**" means: (a) that the Consultant is no longer acting as a consultant to the Company or one of its Affiliates; or (b) when an

entity that is retaining a Participant as a Consultant ceases to be an Affiliate of the Company unless the Participant otherwise is, or thereupon becomes, a Consultant to the Company or another of its Affiliates at the time the entity ceases to be an Affiliate of the Company. In the event that a Consultant becomes an Eligible Employee or a Non-Employee Director upon the termination of his or her consultancy, unless otherwise determined by the Committee, in its sole discretion, no Termination of Consultancy shall be deemed to occur until such time as such Consultant is no longer a Consultant, an Eligible Employee or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Consultancy in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Consultancy thereafter.

2.56 "**Termination of Directorship**" means that the Non-Employee Director has ceased to be a director of the Company; except that if a Non-Employee Director becomes an Eligible Employee or a Consultant upon the termination of his or her directorship, his or her ceasing to be a director of the Company shall not be treated as a Termination of Directorship unless and until the Participant has a Termination of Employment or Termination of Consultancy, as the case may be.

2.57 "**Termination of Employment**" means: (a) a termination of employment (for reasons other than a military or personal leave of absence granted by the Company) of a Participant from the Company and its Affiliates; or (b) when an entity that is employing a Participant ceases to be an Affiliate of the Company, unless the Participant otherwise is, or thereupon becomes, employed by the Company or another Affiliate of the Company at the time the entity ceases to be an Affiliate of the Company. In the event that an Eligible Employee becomes a Consultant or a Non-Employee Director upon the termination of his or her employment, unless otherwise determined by the Committee, in its sole discretion, no Termination of Employment shall be deemed to occur until such time as such Eligible Employee is no longer an Eligible Employee, a Consultant or a Non-Employee Director. Notwithstanding the foregoing, the Committee may, in its sole discretion, otherwise define Termination of Employment in the Award agreement or, if no rights of a Participant are reduced, may otherwise define Termination of Employment thereafter.

2.58 "**Transfer**" means: (a) when used as a noun, any direct or indirect transfer, offer, sale, assignment, pledge, lease, donation, grant, gift, bequest, hypothecation, encumbrance or other disposition (including the issuance of equity in a Person), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, offer, sell, assign, pledge, lease, donate, grant, gift, bequest, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in a Person) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). "Transferable" and "Transferred" shall have a correlative meaning.

ARTICLE III

ADMINISTRATION

3.1 The Committee. The Plan shall be administered and interpreted by the Committee.

3.2 Grants of Awards. The Committee shall have full authority to grant Awards pursuant to the terms of the Plan, to Eligible Employees, Consultants and Non-Employee Directors. In particular, the Committee shall have the authority:

(a) to select the Eligible Employees, Consultants and Non-Employee Directors to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards are to be granted hereunder to one or more Eligible Employees, Consultants or Non-Employee Directors;

(c) to determine, in accordance with the terms of the Plan, the number of shares of Common Stock to be covered by each Award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the shares of Common Stock relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion);

(e) to determine whether and under what circumstances a Stock Option may be settled in cash or Common Stock and/or Restricted Stock under Section 6.3(d);

(f) to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Awards or to

purchase or pay for shares of Common Stock issuable pursuant to Awards under the Plan;provided that on and after the Registration Date executive officers and directors are not eligible to receive such loans, and provided further, that all outstanding loans shall be repaid before the Registration Date;

(g) to determine whether a Stock Option is an Incentive Stock Option or Non-Qualified Stock Option;

(h) to determine whether to require an Eligible Employee, Non-Employee Director or Consultant, as a condition of the granting of any Stock Option, not to sell or otherwise dispose of shares of Common Stock acquired pursuant to the exercise of a Stock Option for a period of time as determined by the Committee, in its sole discretion, following the date of acquisition of such Stock Option;

(i) to modify, extend or renew an Award, subject to Article X and Section 6.3(f), provided, however, that such action shall be implemented in a manner intended to comply with Section 409A of the Code; and

(j) generally, to exercise such powers and to perform such acts as the Committee deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

The Committee may, in its sole discretion, designate employees of the Company and its Affiliates and professional advisors to assist the Committee in the administration of the Plan and (to the extent permitted by applicable law and applicable exchange rules) may grant authority to officers or employees of the Company and its Affiliates to grant Awards and/or execute agreements or other documents on behalf of the Committee. Without limiting the foregoing, the Board or the Committee may (to the extent permitted by applicable law and applicable exchange rules) delegate to the Chief Executive Officer, to a committee of officers or employees of the Company and/or its Subsidiaries established by the Board or the Committee, or to a committee of one or more members of the Board, the authority to (a) grant Awards pursuant to the terms of the Plan covering up to one thousand (1,000) shares of Common Stock per individual, per year, to officers and employees of the Company and its Subsidiaries and Affiliates who are not (i) subject to Section 16 of the Exchange Act, nor (ii) "covered employees" within the meaning of Code Section 162(m)(3) and (b) grant Awards pursuant to the terms of the Plan covering up to one thousand (1,000) shares of Common Stock per individual, as an inducement to an individual to accept an offer of employment, including Awards to individuals who may become, upon accepting an offer of employment, (i) officers of the Company and its Subsidiaries and Affiliates who are subject to Section 16 of the Exchange Act, or (ii) "covered employees" within the meaning of Code Section 162(m)(3). Any such delegation so made shall be consistent with recommendations

made by the Committee to the Board regarding non-Chief Executive Officer compensation, incentive-compensation plans and equity-based plans. When such delegation is so made by the

Committee, the Chief Executive Officer or such committee shall have the authority of the Committee described in Sections 3.2(a), 3.2(b), 3.2(c), and 3.2(d) of the Plan with respect to the granting of such Awards; *provided, however*, that the Committee may limit or qualify such authority in any manner it deems appropriate.

3.3 Guidelines. Subject to Article X, the Committee shall, in its sole discretion, have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award granted under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may, in its sole discretion, correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may, in its sole discretion, adopt special guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. To the extent applicable, the Plan is intended to comply with the applicable requirements of Rule 16b-3 and shall be limited, construed and interpreted in a manner so as to comply therewith.

3.4 Decisions Final. Any decision, interpretation or other action made or taken in good faith by or at the direction of the Company, the Board or the Committee (or any of its members) arising out of or in connection with the Plan shall be within the absolute discretion of all and each of them, as the case may be, and shall be final, binding and conclusive on the Company and all employees and Participants and their respective heirs, executors, administrators, successors and assigns.

3.5 Procedures. If the Committee is appointed, the Board shall designate one of the members of the Committee as chairman and the Committee shall hold meetings, subject to the Bylaws of the Company, at such times and places as it shall deem advisable, including, without limitation, by telephone conference or by written consent to the extent permitted by applicable law. A majority of the Committee members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by all the Committee members in accordance with the Bylaws of the Company, shall be as fully effective as if it had been made by a vote at a meeting duly called and held. The Committee shall keep minutes of its meetings and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

3.6 Designation of Consultants/Liability. (a) The Committee may, in its sole discretion and to the extent permitted by applicable law and applicable exchange rules, designate employees of the Company and professional advisors to assist the Committee in the administration of the Plan and may grant authority to officers to grant Awards and/or execute agreements or other documents on behalf of the Committee.

(b) The Committee may, in its sole discretion, employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee or the Board in the engagement of any such counsel, consultant or agent shall be paid by the Company. The Committee, its members and any person designated pursuant to this Section 3.6 shall not be liable for any action or determination made in good faith with respect to the Plan. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted under it.

3.7 Indemnification. To the maximum extent permitted by applicable law and the Certificate of Incorporation and Bylaws of the Company and to the extent not covered by insurance directly insuring such person, each officer or employee of the Company or any of its Affiliates and member or former member of the Committee or the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Committee) or liability (including any sum paid in settlement of a claim with the approval of the Committee), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the administration of the Plan, except to the extent arising out of such officer's, employee's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the employees, officers, directors or members or former officers, directors or members may have under applicable law or under the Certificate of Incorporation or Bylaws of the Company or any of its Affiliates. Notwithstanding anything else herein, this indemnification will not apply to the actions or determinations made by an individual with regard to Awards granted to him or her under the Plan.

3.8 Shareholders Agreement. Notwithstanding anything herein to the contrary, the Plan and the operation and administration of the Plan (including any action taken by the Committee) shall be subject to the terms and conditions set forth in the Shareholders Agreement to the greatest extent permissible under applicable law.

ARTICLE IV

SHARE LIMITATIONS

4.1 General Limitations. The aggregate number of shares of Common Stock that may be issued or used for reference purposes under the Plan or with respect to which Awards may be granted under the Plan, including with respect to Incentive Stock Options, shall not exceed 26,000 shares of Common Stock (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both. If any Award granted under the Plan expires, terminates or, is canceled or is forfeited for any reason (in the case of any Stock Option, without having been exercised in full), the number of shares of Common Stock underlying such Award (in the case of any Stock

Option, to the extent unexercised) shall again be available for issuance under the Plan. To the extent that a distribution pursuant to a Stock Option is made in cash, the share reserve shall be reduced by the number of shares of Common Stock bearing a value equal to the amount of the cash distribution as of the time that such amount was determined.

4.2 Changes.

(a) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the shareholders of the Company to make or authorize (i) any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, (ii) any merger or consolidation of the Company or any of its Affiliates, (iii) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock, (iv) the dissolution or liquidation of the Company or any of its Affiliates, (v) any sale or transfer of all or part of the assets or business of the Company or any of its Affiliates, (vi) any Section 4.2 Event or (vii) any other corporate act or proceeding.

(b) Subject to the provisions of Section 4.2(d), in the event of any change in the capital structure or business of the Company by reason of any stock split, reverse stock split, stock dividend, combination or reclassification of shares, recapitalization, or other change in capital structure of the Company, or an extraordinary cash dividend (a "**Section 4.2 Event**") then (i) the aggregate number and kind of shares that thereafter may be issued under the Plan, (ii) the number and kind of shares or other property (including cash) to be issued upon exercise of an outstanding Stock Option granted under the Plan and (iii) the purchase or exercise price thereof shall be appropriately adjusted consistent with such change in such manner as the Committee may deem appropriate and equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, Participants under the Plan. Any such adjustment determined by the Committee in good faith shall be final, binding and conclusive on the Company and all Participants and their respective heirs, executors, administrators, successors and assigns. In connection with any Section 4.2 Event, the Committee may provide, in its sole discretion, for the cancellation of any outstanding Awards and payment in cash or other property in exchange therefor. Except as provided in this Section 4.2 or in the applicable Award agreement, a Participant shall have no rights by reason of any issuance by the Company of any class of securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend, any other increase or decrease in the number of shares of stock of any class, any sale or transfer of all or part of the Company's assets or business or any other change affecting the Company's capital structure or business.

(c) Fractional shares of Common Stock resulting from any adjustment in Awards pursuant to Section 4.2(a) or (b) shall be eliminated at the time of such adjustment by rounding-down for any fractional shares. No fractional shares of Common Stock shall be issued under the Plan. Notice of any adjustment shall be

given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(d) In the event of an Acquisition Event, the Committee may, in its sole discretion, terminate all outstanding and unexercised Stock Options that provides for a Participant elected exercise ("**Exercisable Stock Options**"), effective as of the date of the Acquisition Event, by delivering notice of termination to each Participant at least 10 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise his or her Exercisable Stock Options that are then outstanding to the extent vested as of the date on which such notice of termination is delivered (or, at the discretion of the Committee, without regard to any limitations on exercisability otherwise contained in the Stock Option award agreements), but any such exercise shall be contingent upon and subject to the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void. If the Acquisition Event does take place after giving such notice, any Exercisable Stock Option not exercised prior to the date of the consummation of such Acquisition Event shall be forfeited simultaneous with the consummation of the Acquisition Event. For the avoidance of doubt, in the event of an Acquisition Event, the Committee may, in its sole discretion, terminate any Exercisable Stock Option for which the exercise price is equal to or exceeds the Fair Market Value without payment of consideration therefor.

If an Acquisition Event occurs but the Committee does not terminate the outstanding Exercisable Stock Options pursuant to this Section 4.2(d), then the applicable provisions of Section 4.2(b) and Article IX shall apply.

4.3 Minimum Purchase Price. Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued shares of Common Stock are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law.

ARTICLE V

ELIGIBILITY AND GENERAL REQUIREMENTS FOR STOCK OPTIONS

5.1 General Eligibility. All current Eligible Employees, Non-Employee Directors and Consultants and prospective Eligible Employees, Consultants and Non-Employee Directors are eligible to be granted Non-Qualified Stock Options and Restricted Stock. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.2 Incentive Stock Options. Notwithstanding anything herein to the contrary, only Eligible Employees of the Company, its Subsidiaries and its Parent (if any) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of an Incentive Stock Option and actual participation in the Plan shall be determined by the Committee in its sole discretion.

5.3 General Requirement. The granting, vesting and exercise of Awards granted to a prospective Eligible Employee, Consultant or Non-Employee Director are conditioned upon such individual actually becoming an Eligible Employee, Consultant or Non-Employee Director, provided that no Award may be granted to a prospective Eligible Employee, Consultant or Non-Employee Director unless the Company determines that the Award will comply with applicable laws, including the securities laws of all relevant jurisdictions.

ARTICLE VI

STOCK OPTIONS

6.1 Stock Options. Each Stock Option granted under the Plan shall be one of two types: (a) an Incentive Stock Option; or (b) a Non-Qualified Stock Option.

6.2 Grants. The Committee shall, in its sole discretion, have the authority to grant to any Eligible Employee (subject to Section 5.2) Incentive Stock Options, Non-Qualified Stock Options or both types of Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof that does not qualify, shall constitute a separate Non-Qualified Stock Option. The Committee shall, in its sole discretion, have the authority to grant any Consultant or Non-Employee Director one or more Non-Qualified Stock Options.

6.3 Terms of Stock Options. Stock Options granted under the Plan shall be subject to the following terms and conditions, and shall be in such form and contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee, in its sole discretion, shall deem desirable:

(a) *Exercise Price.* The exercise price per share of Common Stock subject to a Stock Option shall be determined by the Committee at the time of grant, provided that the per share exercise price of a Stock Option shall not be less than 100% (or, in the case of an Incentive Stock Option granted to a Ten Percent Shareholder, 110%) of the Fair Market Value of the Common Stock at the time of grant.

(b) *Stock Option Term.* The term of each Stock Option shall be fixed by the Committee; provided, that (i) no Stock Option shall be exercisable more than 10 years after the date such Stock Option is granted; and (ii) the term of an Incentive Stock Option granted to a Ten Percent Shareholder shall not exceed five years.

(c) *Exercisability.* Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant. If the Committee provides, in its discretion, that any Stock Option is exercisable subject to certain limitations (including, without limitation, that such Stock Option is exercisable only in installments or within certain time periods or upon the attainment of certain financial results or other criteria), the Committee may waive such limitations on the exercisability at any time at or after grant in whole or in part (including, without limitation, waiver of the installment exercise provisions or acceleration of the time at which such Stock Option may be exercised), based on such factors, if any, as the Committee shall determine, in its sole discretion. Unless otherwise determined by the Committee at grant, the Option agreement shall provide that (i) in the event the Participant engages in Detrimental Activity prior to any exercise of the Stock Option, all Stock Options held by the Participant shall thereupon terminate and expire, (ii) as a condition of the exercise of a Stock Option, the Participant shall be required to certify (or shall be deemed to have certified) at the time of exercise in a manner acceptable to the Company that the Participant is in compliance with the terms and conditions of the Plan and that the Participant has not engaged in, and does not intend to engage in, any Detrimental Activity, and (iii) in the event the Participant engages in Detrimental Activity during the one-year period commencing on the later of the date the Stock Option is exercised or the date of the Participant's Termination, the Company shall be entitled to recover from the Participant at any time within one year after such date, and the Participant shall pay over to the Company, an amount equal to any gain realized as a result of the exercise (whether at the time of exercise or thereafter). In the event that a written employment agreement between the Company and a Participant provides for a vesting schedule that is more favorable than the vesting schedule provided in the form of Stock Option award agreement, the vesting schedule in such employment agreement shall govern, provided that such agreement is in effect on the date of grant and applicable to the specific Stock Option.

(d) *Method of Exercise.* Subject to whatever installment exercise and waiting period provisions apply under subsection (c) above, to the extent vested, a Stock Option may be exercised in whole or in part at any time and from time to time during the Stock Option term by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be acquired. Such notice shall be accompanied by (x) at the Company's request, a Joinder Agreement executed by the holder thereof and (y) payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Company; (ii) solely to the extent permitted by applicable law, if the Common Stock is traded on a national securities exchange or quoted on a national quotation system sponsored by the National Association of Securities Dealers, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Company an amount equal to the purchase price, to the extent authorized by the Committee; or (iii) on such other terms and conditions as may be acceptable to the

Committee (including, without limitation, the relinquishment of Stock Options or by payment in full or in part in the form of Common Stock owned by the Participant and for which the Participant has good title free and clear of any liens and encumbrances) based on the Fair Market Value of the Common Stock on the payment date as determined by the Committee, in its sole discretion. No shares of Common Stock shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) *Incentive Stock Option Limitations.* To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an Eligible Employee during any calendar year under the Plan and/or any other stock option plan of the Company, any Subsidiary or any Parent exceeds $100,000, such Options shall be treated as Non-Qualified Stock Options. In addition, if an Eligible Employee does not remain employed by the Company, any Subsidiary or any Parent at all times from the time an Incentive Stock Option is granted until three months prior to the date of exercise thereof (or such other period as required by applicable law), such Stock Option shall be treated as a Non-Qualified Stock Option. Should any provision of the Plan not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may, in its sole discretion, amend the Plan accordingly, without the necessity of obtaining the approval of the shareholders of the Company.

(f) *Form, Modification, Extension and Renewal of Stock Options.* Subject to the terms and conditions and within the limitations of the Plan, Stock Options shall be evidenced by such form of agreement or grant as is approved by the Committee, and the Committee may, in its sole discretion, (i) modify, extend or renew outstanding Stock Options granted under the Plan (provided that (x) the rights of a Participant are not reduced or adversely affected without his or her consent and (y) such action does not subject the Stock Options to Section 409A of the Code), and (ii) accept the surrender of outstanding Stock Options (up to the extent not theretofore exercised) and authorize the granting of new Stock Options in substitution therefor (to the extent not theretofore exercised). Notwithstanding the foregoing, an outstanding Option may not be modified to reduce the exercise price thereof nor may a new Option at a lower price be substituted for a surrendered Option (other than adjustments or substitutions in accordance with Section 4.2), unless such action is approved by the shareholders of the Company.

(g) *Early Exercise*. The Committee may provide that a Stock Option include a provision whereby the Participant may elect at any time before the Participant's Termination to exercise the Stock Option as to any part or all of the shares of Common Stock subject to the Stock Option prior to the full vesting of the Stock Option and such shares shall be subject to certain restrictions as determined by the Committee and be treated as restricted stock. Any unvested shares of Common Stock so purchased may be subject to a repurchase option in

favor of the Company or to any other restriction the Committee determines to be appropriate.

(h) *Other Terms and Conditions.* Stock Options may contain such other provisions, which shall not be inconsistent with any of the terms of the Plan, as the Committee shall, in its sole discretion, deem appropriate.

ARTICLE VII

RESTRICTED STOCK

7.1 Awards of Restricted Stock. (a) Restricted Stock may be issued either alone or in addition to other Awards granted under the Plan. The Committee shall, in its sole discretion, determine the Eligible Employees, Consultants and Non-Employee Directors to whom, and the time or times within which, grants of Restricted Stock will be made, the number of shares to be awarded, the purchase price (if any) to be paid by the Participant (subject to Section 7.2), the time or times at which such Awards may be subject to forfeiture (if any), the vesting schedule (if any) and rights to acceleration thereof, and all other terms and conditions of the Awards. The Committee may condition the grant or vesting of Restricted Stock upon the attainment of specified performance targets or such other factors as the Committee may determine, in its sole discretion.

Unless otherwise determined by the Committee at grant, each Award of Restricted Stock shall provide that in the event the Participant engages in Detrimental Activity prior to, or during the one-year period after, any vesting of Restricted Stock, the Committee may direct that all unvested Restricted Stock shall be immediately forfeited to the Company and that the Participant shall pay over to the Company an amount equal to the Fair Market Value at the time of vesting of any Restricted Stock that had vested in the period referred to above.

(b) *Restriction Period.* The Participant shall not be permitted to Transfer shares of Restricted Stock awarded under the Plan during a period set by the Committee (if any) (the "**Restriction Period**") commencing with the date of such Award, as set forth in the applicable Award agreement and such agreement shall set forth a vesting schedule and any events that would accelerate vesting of the shares of Restricted Stock. Within these limits, based on service and/or such other factors or criteria as the Committee may determine in its sole discretion, the Committee may condition the grant or provide for the lapse of such restrictions in installments in whole or in part, or may accelerate the vesting of all or any part of any Restricted Stock Award.

7.2 Awards and Certificates. An Eligible Employee, Consultant and Non-Employee Director selected to receive Restricted Stock shall not have any rights with respect to such Award, unless and until such Participant has delivered a fully executed copy of the Award agreement evidencing the Award to the Company and has otherwise complied with the applicable terms and conditions of such Award. Further, such Award shall be subject to the following conditions:

(a) *Purchase Price.* The purchase price (if any) of Restricted Stock shall be determined by the Committee, but shall not be less than as permitted under applicable law.

(b) *Acceptance*. Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the grant date, by executing an Award agreement and by paying whatever price (if any) the Committee has designated thereunder and all applicable withholding taxes due upon the granting and acceptance of the Award (if any) in accordance with the provisions of Section 13.4.

(c) *Legend.* Each Participant receiving Restricted Stock shall be issued a stock certificate in respect of such shares of Restricted Stock, unless the Committee elects to use another system, such as book entries by the transfer agent, as evidencing ownership of Restricted Stock. Such certificate shall be registered in the name of such Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award, substantially in the following form:

"The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the FDO Holdings Inc. (the "Company") 2011 Stock Incentive Plan (as amended from time to time), and an Award agreement entered into between the registered owner and the Company dated . Copies of such Plan and Award agreement are on file at the principal office of the Company."

(d) *Custody*. The Committee may require that any stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power, endorsed in blank, relating to the Common Stock covered by such Award.

(e) *Rights as Stockholder*. Except as provided in this subsection and subsection (d) above and as otherwise determined by the Committee, the Participant shall have, with respect to the shares of Restricted Stock, all of the rights of a holder of shares of Common Stock of the Company including, without limitation, the right to receive any dividends, the right to vote such shares and, subject to and conditioned upon the full vesting of shares of Restricted Stock, the right to tender such shares. Notwithstanding the foregoing, the payment of dividends shall be deferred until, and conditioned upon, the expiration of the applicable Restriction Period, unless the Committee, in its sole discretion, specifies otherwise at the time of the Award.

(f) *Lapse of Restrictions.* If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, the certificates for such shares shall be delivered to the Participant. All legends shall be removed from said certificates at the time of delivery to the Participant except as otherwise required by applicable law or the Shareholders Agreement. Notwithstanding the foregoing, actual certificates shall not be issued to the extent that book entry recordkeeping is used.

ARTICLE VIII

NON-TRANSFERABILITY AND TERMINATION OF EMPLOYMENT/CONSULTANCY/DIRECTORSHIP

8.1 Non-Transferability

(a) Except as otherwise specifically provided herein, no Stock Option shall be Transferable by the Participant otherwise than by will or by the laws of descent and distribution. All Stock Options shall be exercisable, during the Participant's lifetime, only by the Participant. Shares of Restricted Stock may not be Transferred prior to the date on which shares are issued, or if later, the date on which any applicable restriction or deferral period lapses. Any attempt to Transfer any such Stock Option or share of Common Stock not in accordance with the provisions of Section 12.2 shall be void and immediately cancelled, and no Award shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such Award, nor shall it be subject to attachment or legal process for or against such person.

(b) Notwithstanding the foregoing, the Committee may determine, in its sole discretion, at the time of grant or thereafter that a Non-Qualified Stock Option that is otherwise not Transferable pursuant to this Section 8.1 is Transferable to a Family Member in whole or in part and in such circumstances, and under such conditions, as specified by the Committee. A Non-Qualified Stock Option that is Transferred to a Family Member pursuant to the preceding sentence (i) may not be subsequently Transferred otherwise than by will or by the laws of descent and distribution and (ii) remains subject to the terms of the Plan and the Stock Option agreement. Any shares of Common Stock acquired upon the exercise of a Stock Option by a Permissible Transferee of a Stock Option or a Permissible Transferee pursuant to a Transfer after the exercise of the Stock Option shall be subject to the terms of the Plan and the Stock Option agreement, including, without limitation, the provisions of Article XII.

8.2 Termination. Unless otherwise determined by the Committee at grant or, if no rights of the Participant are reduced, thereafter, the following shall apply in the event of a Termination of a Participant:

(a) *Rules Applicable to Stock Options.*

(i) *Termination by Reason of Death or Disability.* If a Participant's Termination is by reason of death or Disability, all Stock Options that are

held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant (or, in the case of death, by the legal representative of the Participant's estate) at any time within a period of one year from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(ii) *Involuntary Termination Without Cause or for Good Reason.* If a Participant's Termination is by involuntary termination without Cause or by the Participant for Good Reason, all Stock Options that are held by such Participant that are vested and exercisable at the time of the Participant's Termination may be exercised by the Participant at any time within a period of 90 days from the date of such Termination, but in no event beyond the expiration of the stated term of such Stock Options.

(iii) *Termination for Cause; Voluntary Termination without Good Reason.* If a Participant's Termination: (1) is for Cause, (2) is a voluntary Termination by the Participant after the occurrence of an event that would be grounds for a Termination for Cause, (3) voluntary by the Participant without Good Reason, all Stock Options, whether vested or not vested, that are held by such Participant shall thereupon terminate and expire as of the date of such Termination.

(iv) *Unvested Stock Options.* Stock Options that are not vested as of the date of a Participant's Termination for any reason shall terminate and expire as of the date of such Termination

(b) *Rules Applicable to Restricted Stock.* Unless otherwise determined by the Committee at grant or thereafter, during the relevant Restriction Period, upon a Participant's Termination for any reason, all Restricted Stock still subject to restriction shall be forfeited.

ARTICLE IX

CHANGE IN CONTROL PROVISIONS

9.1 Except as otherwise provided by the Committee in an Award agreement, in the event of a Change in Control of the Company after the Effective Date, the Committee may, but shall not be obligated to:

(a) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award; or

(b) cancel Awards for fair value (as determined in good faith by the Committee) which, in the case of Options may equal the excess, if any, of the value of the consideration to be paid in the Change in Control transaction to holders of the same number of shares of Common Stock subject to such Options (or, if no consideration is paid in any such transaction, the Fair Market Value of the shares of Common Stock subject to such Options) over the aggregate exercise price of such Options; or

(c) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Stock Options previously granted hereunder as determined by the Committee in its sole discretion.

9.2 **Initial Public Offering not a Change in Control**. Notwithstanding the foregoing, for purposes of the Plan, the completion of an initial public offering of the Common Stock or any change in the composition of the Board within one year following such initial public offering shall not be considered a Change in Control.

ARTICLE X

TERMINATION OR AMENDMENT OF PLAN

Notwithstanding any other provision of the Plan, the Board or the Committee may at any time, and from time to time, amend, in whole or in part, any or all of the provisions of the Plan (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article XIII or Section 409A of the Code as described below), or suspend or terminate it entirely, retroactively or otherwise; provided, however, that if the Committee, in its sole discretion, determines that the rights of a Participant with respect to Awards granted prior to such amendment, suspension or termination, may be adversely impaired, the consent of such Participant shall be required; and provided further, without the approval of the shareholders of the Company entitled to vote in accordance with applicable law, no amendment may be made that would:

(a) increase the aggregate number of shares of Common Stock that may be issued under the Plan (other than due to an adjustment under Section 4.2);

(b) change the classification of individuals eligible to receive Awards under the Plan;

(c) decrease the minimum exercise price of any Stock Option;

(d) extend the maximum Stock Option period under Section 6.3;

(e) award any Stock Option in replacement of a canceled Stock Option with a higher exercise price, except in accordance with Section 6.3(f); or

(f) require shareholder approval in order for the Plan to continue to comply with Section 422 of the Code to the extent applicable to Incentive Stock Options or the rules of any exchange or system on which the Company's securities are listed or traded at the request of the Company.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV or as otherwise specifically provided herein, no such amendment or other action by the Committee shall adversely impair the rights of any holder without the holder's consent. Notwithstanding anything herein to the contrary, the Board or the Committee may amend the Plan or any Award granted hereunder at any time without a Participant's consent to comply with Section 409A of the Code or any other applicable law. Nothing in the Plan is intended to provide a guarantee of particular tax treatment to any Participant.

ARTICLE XI

UNFUNDED PLAN

The Plan is intended to constitute an "unfunded" plan. With respect to any payments as to which a Participant has a fixed and vested interest but that are not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general unsecured creditor of the Company.

ARTICLE XII

TRANSFER LIMIT; COMPANY'S RIGHT OF REPURCHASE; RIGHTS OF FIRST REFUSAL

12.1 Repurchase Rights and Rights of First Refusal. The Committee may provide in the applicable Award agreement repurchase rights and/or rights of first refusal at the time of grant (or, thereafter, if no rights of the Participant are reduced) as it may decide in its sole discretion. Notwithstanding anything herein to the contrary, if a Participant or a Permissible Transferee is a party to the Shareholders Agreement or executes a Joinder Agreement (or is a party to or executes a joinder agreement to another shareholders agreement (or similar agreement) that provides repurchase rights, call rights and/or rights of first refusal or rights of first offer), such provisions with respect to repurchase rights, call rights and/or rights of first refusal or rights of first offer in the Shareholders Agreement or such other shareholders agreement (or similar agreement), including any amendments thereto, shall control to the extent they are inconsistent with any similar provisions in the applicable Award agreement.

12.2 Transfer Limit. (a) *Restrictions on Transfer*. No Participant shall, directly or indirectly, prior to the Registration Date or such other date determined by the Committee, Transfer any shares of Common Stock acquired through the exercise of an Award under the Plan prior to the Participant's Termination and the expiration of any

applicable time period set forth in the applicable Award agreement and the Shareholders Agreement for the exercise of repurchase rights, call rights and/or rights of first refusal or rights of first offer provided therein. Notwithstanding the foregoing, the Participant shall have the right to Transfer such shares of Common Stock to a Permissible Transferee who takes the shares subject to the terms of the Plan and applicable Award agreement, provided that such Transfer shall not be effective unless and until the Company shall have been furnished with information reasonably satisfactory to it demonstrating that such Transfer is exempt from or not subject to the provisions of Section 5 of the Securities Act and any other applicable securities laws.

12.3 Effect of Registration. Notwithstanding the foregoing, unless otherwise determined by the Committee, the Company shall cease to have rights pursuant to this Article XII on and after the Registration Date.

12.4 Effect of Public Offering. Notwithstanding the foregoing, in the event of the completion of an initial public offering of the Common Stock, contingent on the completion of such initial public offering, the Company shall have any repurchase rights immediately in effect prior to the completion of such public offering with respect to an Award or shares of Common Stock previously acquired by the Participant pursuant to the exercise of a vested Stock Option or vesting or Restricted Stock, whether such repurchase rights were included in the applicable Award agreement or otherwise.

ARTICLE XIII

GENERAL PROVISIONS

13.1 Legend. The Committee may require each person receiving shares of Common Stock pursuant to an Award granted under the Plan to represent to and agree with the Company in writing that the Participant is acquiring the shares without a view to distribution thereof and such other securities law related representations as the Committee shall request. In addition to any legend required by the Plan, the certificates and/or book entry accounts for such shares may include any legend that the Committee, in its sole discretion, deems appropriate to reflect any restrictions on Transfer.

All certificates and/or book entry accounts for shares of Common Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may, in its sole discretion, deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed or any national automated quotation system on which the Common Stock is then quoted, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.2 Other Plans. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.3 No Right to Employment/Consultancy/Directorship. Neither the Plan nor the grant of any Award hereunder shall give any Participant or other employee, Consultant or Non-Employee Director any right with respect to continuance of employment, consultancy or directorship by the Company or any of its Affiliates, nor shall there a limitation in any way on the right of the Company or any of its Affiliates by which an employee is employed or a Consultant or Non-Employee Director is retained to terminate his or her employment, consultancy or directorship at any time.

13.4 Withholding of Taxes. The Company shall have the right to deduct from any payment to be made to a Participant, or to otherwise require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash hereunder, payment by the Participant of, any Federal, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock, or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Company. Any statutorily required withholding obligation with regard to any Eligible Employee may be satisfied, subject to the advanced consent of the Committee, by reducing the number of shares of Common Stock otherwise deliverable or by delivering shares of Common Stock already owned. Any fraction of a share of Common Stock required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

13.5 Listing and Other Conditions.

(a) Unless otherwise determined by the Committee, if at any time the Common Stock is listed on a national securities exchange or system sponsored by a national securities association, the issuance of any shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Company shall have no obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Award with respect to such shares shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Company under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities Act or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful and will not result in the imposition of excise taxes on the Company.

(c) Upon termination of any period of suspension under this Section 13.5, an Award affected by such suspension that shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and

as to shares that would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Award.

(d) A Participant shall be required to supply the Company with any certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.

13.6 Shareholders Agreement and Other Requirements. Notwithstanding anything herein to the contrary, as a condition to the receipt of shares of Common Stock pursuant to an Award granted under the Plan, the Participant shall execute and deliver a Joinder Agreement or such other documentation as required by the Committee which shall set forth certain restrictions on transferability of the shares of Common Stock acquired upon exercise or purchase, a right of first refusal of the Company with respect to shares, and such other terms or restrictions as the Board or Committee shall from time to time establish, including without exception any drag along rights, tag along rights, transfer restrictions and registration rights. The Shareholders Agreement or other documentation shall apply to the Common Stock acquired under the Plan and covered by the Shareholders Agreement or other documentation. The Company may require, as a condition of exercise, the Participant or any Permissible Transferee to become a party to the Shareholders Agreement or any other existing shareholders agreement or other agreement.

13.7 Governing Law. The Plan and the actions taken in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws, and the State of Delaware shall be the exclusive venue of any actions or causes of action arising hereunder.

13.8 Construction. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

13.9 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

13.10 Costs. The Company shall bear all expenses associated with administering the Plan, including expenses of issuing Common Stock pursuant to any Stock Option granted hereunder.

13.11 No Right to Same Benefits. The provisions of Awards need not be the same with respect to each Participant, and Awards granted to individual Participants need not be the same.

13.12 Death/Disability. The Committee may in its sole discretion require the transferee of a Participant to supply it with written notice of the Participant's death or Disability and to supply it with a copy of the will (in the case of the Participant's death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of a Stock Option. The Committee may, in its sole discretion, also require the agreement of the transferee to be bound by all of the terms and conditions of the Plan.

13.13 Section 16(b) of the Exchange Act. On and after the Registration Date, all elections and transactions under the Plan by persons subject to Section 16 of the Exchange Act involving shares of Common Stock are intended to comply with any applicable exemptive condition under Rule 16b-3. The Committee may, in its sole discretion, establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Exchange Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

13.14 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included; provided however, that if the Company's call rights and rights of first refusal set forth in the Shareholders Agreement or other agreement shall be held invalid or unenforceable, the Awards granted under the Plan shall be cancelled and terminated.

13.15 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

13.16 Securities Act Compliance. Except as the Company or Committee shall otherwise determine, the Plan is intended to comply with Section 4(2) or Rule 701 of the Securities Act, and any provisions inconsistent with such Section or Rule of the Securities Act shall be inoperative and shall not affect the validity of the Plan.

13.17 Successors and Assigns. The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate.

13.18 Payment to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Board, the Company, its Affiliates and their employees, agents and representatives with respect thereto.

13.19 Agreement. As a condition to the grant of a Award, if requested by the Company or the lead underwriter of any public offering of the Common Stock (the "**Lead Underwriter**"), a Participant shall irrevocably agree not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of, any interest in any Common Stock or any securities convertible into, derivative of, or exchangeable or exercisable for, or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during such period of time following the effective date of a registration statement of the Company filed under the Securities Act that the Lead Underwriter shall specify (the "**Lock-up Period**"). The Participant shall further agree to sign such documents as may be requested by the Lead Underwriter or the Company to effect the foregoing and agree that the Company may impose stop-transfer instructions with respect to Common Stock acquired pursuant to a Stock Option until the end of such Lock-up Period.

13.20 No Rights as Shareholder. Subject to the provisions of the Award agreement, no Participant or Permissible Transferee shall have any rights as a shareholder of the Company with respect to any Award until such individual becomes the holder of record of the shares of Common Stock underlying the Award.

13.21 Section 409A of the Code. To the extent applicable, the Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void.

13.22 Consideration. Awards may be awarded in consideration for past services actually rendered to the Company or an Affiliate of the Company for its benefit; provided, however, that in the case of an Award to be made to a new Eligible Employee, Non-Employee Director, or Consultant who has not performed prior services for the Company, the Company will require payment of the par value of the Common Stock by cash or check in order to ensure proper issuance of the shares in compliance with the Delaware General Corporation Law.

ARTICLE XIV

EFFECTIVE DATE OF PLAN

The Plan shall become effective upon adoption by the Board (the "**Effective Date**"), subject to the approval of the Plan by the shareholders of the Company within 12 months before or after adoption of the Plan by the Board in compliance with the Delaware General Corporation Law.

ARTICLE XV

TERM OF PLAN

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date, but Awards granted prior to such tenth anniversary may, and the Committee's authority to administer the terms of such Awards shall, extend beyond that date.

Exhibit 10.2

FIRST AMENDMENT TO
FDO HOLDINGS, INC. AMENDED & RESTATED
2011 STOCK INCENTIVE PLAN

WHEREAS, FDO Holdings, Inc. (the "**Company**") maintains the FDO Holdings, Inc. Amended & Restated 2011 Stock Incentive Plan (as amended, the "**Plan**");

WHEREAS, pursuant to Article X of the Plan, the Board of Directors of the Company (the "**Board**"), may at any time amend the Plan to increase the aggregate number of shares of common stock of the Company that may be issued under the Plan, provided such increase is approved by the shareholders of the Company; and

WHEREAS, the Board desires to amend the Plan as set forth herein to increase the number of shares of common stock of the Company that may be issued under the Plan.

NOW, THEREFORE, pursuant to Article X of the Plan, effective as of the date so approved by the shareholders of the Company, the first sentence of Section 4.1 of the Plan is hereby replaced in its entirety with the following sentences:

> "The aggregate number of shares of Common Stock that may be issued or used for reference purposes under the Plan or with respect to which Awards may be granted under the Plan, including with respect to Incentive Stock Options, shall not exceed 33,500 shares of Common Stock (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or Common Stock held in or acquired for the treasury of the Company or both."

IN WITNESS WHEREOF, the Board and a majority of the stockholders of the Company have approved the amendment to the Plan as set forth herein, the Board has authorized the undersigned officer of the Company to execute this amendment, and the undersigned has caused this amendment to be executed this 13th day of December, 2012.

FDO HOLDINGS, INC.

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

Exhibit 10.3

Award Number:

FDO HOLDINGS, INC.

NON-QUALIFIED STOCK OPTION AGREEMENT
PURSUANT TO THE
FDO HOLDINGS, INC.
2011 STOCK OPTION PLAN

AGREEMENT ("**Agreement**"), dated as of **[·]**, 20 between FDO Holdings, Inc., a Delaware corporation (the "**Company**"), and **[·]** (the "**Participant**").

Preliminary Statement

The Committee authorized this grant of a non-qualified stock option (the "**Option**") on **[·]**, 20 (the "**Grant Date**")(1) to purchase the number of shares of Class B non-voting Common Stock, par value $0.001 per share, of the Company (the "**Common Stock**"), set forth below to the Participant, as an Eligible Employee of the Company or one of its Affiliates (collectively, the Company and all of its Affiliates shall be referred to as the "**Employer**"). Except as otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the FDO Holdings, Inc. 2011 Stock Option Plan, as it may be amended from time to time (the "**Plan**"). A copy of the Plan has been delivered to the Participant. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan and agrees to comply with it, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters.** No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended.

2. **Grant of Option.** Subject in all respects to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted an Option to purchase from the Company **[·]** shares of Common Stock, at a price per share of $**[·]** (the "**Option Price**").

3. **Exercise.**

(a) The Option shall vest and become exercisable as provided below, which shall be cumulative. To the extent that the Option has become exercisable with respect to a number of shares of Common Stock as provided below, the Option may thereafter be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration of the Option as provided herein and in accordance with Section 6.3(b) of the Plan, including, without limitation, the filing of such written form of exercise notice, if any, as may be required by the Committee and payment in full of the Option Price multiplied by the number of shares of Common Stock underlying the portion of the Option exercised. Upon expiration of the

(1) Insert date that the Option was approved by the Committee.

Option, the Option shall be canceled and no longer exercisable. The following table indicates each date upon which the Option shall be vested and Participant shall be entitled to exercise the Option with respect to the percentage indicated beside that date provided that the Participant has not suffered a Termination prior to the applicable vesting date:

Vesting Date	Percent Vested
First Anniversary of Grant Date	[·]%
Second Anniversary of Grant Date	[·]%
Third Anniversary of Grant Date	[·]%
Fourth Anniversary of Grant Date	[·]%
Fifth Anniversary of the Grant Date	[·]%

There shall be no proportionate or partial vesting in the periods prior to each vesting date and all vesting shall occur only on the appropriate vesting date.

(b) Notwithstanding the foregoing, the Participant may not exercise the Option unless the shares of Common Stock issuable upon such exercise are then registered under the Securities Act, or, if such shares of Common Stock are not then so registered, the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act. The exercise of the Option must also comply with other applicable laws and regulations governing the Option, and the Participant may not exercise the Option if the Company determines that such exercise would not be in material compliance with such laws and regulations. In addition, the Participant may not exercise the Option if the terms of the Plan do not permit the exercise of Options at such time.

(c) The provisions in the Plan regarding Detrimental Activity shall apply to the Option. In the event that the Participant engages in Detrimental Activity prior to the exercise of the Option, the Option shall terminate and expire as of the date the Participant engaged in such Detrimental Activity. As a condition of the exercise of the Option, the Participant shall be required to certify (or be deemed to have certified) at the time of exercise in a manner acceptable to the Company that the Participant is in compliance with the terms and conditions of the Plan and that the Participant has not engaged in, and does not intend to engage in, any Detrimental Activity. In the event the Participant engages in Detrimental Activity during the one year period commencing on the date the Option is exercised, the Company shall be entitled to recover from the Participant at any time within one year after such exercise, and the Participant shall pay over to the Company, an amount equal to any gain realized as a result of the exercise of the Option (whether at the time of exercise or thereafter).

4. **Option Term.** The term of the Option shall be until the tenth anniversary of the Grant Date, after which time it shall terminate, subject to earlier termination in the event of the Participant's Termination as specified in Section 5 below.

5. **Termination.**

(a) Subject to the terms of the Plan and this Agreement, the Option, to the extent vested at the time of the Participant's Termination, shall remain vested and exercisable as provided in Section 7.2(a)-(c) of the Plan.

(b) Any portion of the Option that is not vested as of the date of the Participant's Termination for any reason shall terminate and expire as of the date of such Termination.

(c) In the event that the Participant's employment agreement provides more favorable rights with respect to the vesting and post-Termination exercise of the Option and such rights were approved by the Committee in connection with the grant of the Option, such rights shall apply.

6. **Restriction on Transfer of Option.** No part of the Option shall be Transferable other than by will or by the laws of descent and distribution and during the lifetime of the Participant, may be exercised only by the Participant or the Participant's guardian or legal representative. In addition, the Option shall not be assigned, negotiated, pledged or hypothecated in any way (except as provided by law or herein), and the Option shall not be subject to execution, attachment or similar process. Upon any attempt to Transfer the Option or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately become null and void.

7. **Company's Right to Repurchase; Restrictions on Transfer.**

(a) The Option, and any shares of Common Stock that the Participant acquires upon exercise of the Option, shall be subject to the restrictions on transfer set forth in Article XI of the Plan and in this Section 7.

(b) Company's Right of Repurchase.

(i) In the event of a Participant's Termination for Cause or a Participant's voluntary Termination without Good Reason or the discovery that a Participant engaged in a Detrimental Activity, the Company shall have the right (the "Repurchase Right"), but not the obligation, to repurchase (or may cause its designee to repurchase) from the Participant (or his or her transferee) any or all of the shares of Common Stock previously acquired by the Participant pursuant to the exercise of the vested Stock Option (the "Option Shares") held by the Participant at the Repurchase Price. The Repurchase Right shall be exercised upon one or more occasions and at any time during the 90-day period following the later of such Termination or the date on which the Participant exercises the Option; provided, that, the Company's Repurchase Right may be further extended for an additional 90-day period if the Company determines it necessary to obtain lender consent to any such purchase. The "Repurchase Price" shall be an amount in cash equal to the product of (X) the number of the Option Shares to be repurchased by the Company and the lesser of (Y) (i) the exercise price or (ii) the Fair Market Value of a share of Common Stock on the date of Termination.

(ii) In the event of a Termination for any reason other than for Cause or on account of a Participant's voluntary Termination without Good Reason (including Termination due to retirement, death, Disability or involuntary termination without Cause), (i) the Company may at any time within 180 days of the date of Termination repurchase (or may cause its designee to repurchase) from the Participant (or his or her transferee) any shares of Common Stock acquired by the Participant through the exercise of a Stock Option on or prior to the date of his or her Termination at a repurchase price equal to the Fair Market Value on the date of Termination and (ii) the Company may at any time within 60 days of the date of Termination (A) repurchase (or may cause its designee to repurchase) from the Participant the outstanding vested portion of the Option based on the difference between the exercise price of a share of Common Stock relating to such Stock Option and the Fair Market Value of a share of Common Stock on the date of Termination or (B) repurchase (or may cause its designee to repurchase) from the Participant (or his or her transferee) any shares of Common Stock acquired by the Participant through the exercise of a Stock Option after the date of Termination at a repurchase price equal to the Fair Market Value on the date of repurchase. Notwithstanding the foregoing, if the Company elects to exercise its right to repurchase shares of Common Stock pursuant to clause (ii)(B) of this Section 7(b)(ii) within 5 days of the applicable exercise date, in lieu of such exercise and repurchase, the Company will repurchase the number of shares to be purchased pursuant to such written notice of exercise based on the difference between the exercise price of a share of Common Stock relating to such Stock Option and the Fair Market Value of a share of Common Stock on the date of Termination.

(iii) To exercise its repurchase rights under this Section 7(b), the Company (or its designee) shall deliver a written notice to the Participant setting forth the securities to be repurchased and the applicable purchase price thereof, and the date on which such repurchase is to be consummated, which date shall be not less than 15 days or more than 30 days after the date of such notice (provided, that such period shall be extended at any time when repurchase by the Company is prohibited pursuant to (i) any applicable law or (ii) any debt instrument of the Company or any of its Affiliates or (iii) would result in adverse accounting consequences for the Company).

(iv) At such closing, the Company will pay the Participant the repurchase price as specified in this Section 7(b) in cash, or by cancellation of indebtedness of the Participant to the Company.

(c) Notwithstanding anything in this Agreement to the contrary, if the Participant is a party to the Shareholders Agreement or executes a Joinder Agreement (or is a party to or executes a joinder agreement to another shareholders agreement (or similar agreement) that provides repurchase rights, call rights and/or rights of first refusal or rights of first offer), such provisions with respect to repurchase rights, call rights and/or rights of first refusal or rights of first offer in the Shareholders Agreement or such other shareholders agreement (or similar agreement), including any amendments thereto, shall control to the extent they are inconsistent with the provisions herein.

(d) To ensure that the shares of Common Stock issuable upon exercise of the Option are not transferred in contravention of the terms of the Plan and this Agreement, and to ensure compliance with other provisions of the Plan and this Agreement, the Company may deposit the certificates evidencing the shares of Common Stock to be issued upon the exercise of the Option with an escrow agent designated by the Company.

8. **Securities Representations.** Upon the exercise of the Option prior to the registration of the Common Stock subject to the Option pursuant to the Securities Act or other applicable securities laws, the Participant shall be deemed to acknowledge and make the representations and warranties as described below and as otherwise may be requested by the Company for compliance with applicable laws, and any issuances of Common Stock by the Company shall be made in reliance upon the express representations and warranties of the Participant.

(a) The Participant is acquiring and will hold the shares of Common Stock for investment for his account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant has been advised that the shares of Common Stock have not been registered under the Securities Act or other applicable securities laws, on the ground that no distribution or public offering of the shares of Common Stock is to be effected (it being understood, however, that the shares of Common Stock are being issued and sold in reliance on the exemption provided under Rule 701 under the Securities Act), and that the shares of Common Stock must be held indefinitely, unless they are subsequently registered under the applicable securities laws or the Participant obtains an opinion of counsel (in the form and substance satisfactory to the Company and its counsel) that registration is not required. In connection with the foregoing, the Company is relying in part on the Participant's representations set forth in this Section. The Participant further acknowledges and understands that the Company is under no obligation hereunder to register the shares of Common Stock.

(c) The Participant is aware of the adoption of Rule 144 by the Securities and Exchange Commission under the Securities Act, which permits limited

public resales of securities acquired in a non-public offering, subject to the satisfaction of certain conditions. The Participant acknowledges that he is familiar with the conditions for resale set forth in Rule 144, and acknowledges and understands that the conditions for resale set forth in Rule 144 have not been satisfied and that the Company has no plans to satisfy these conditions in the foreseeable future.

(d) The Participant will not sell, transfer or otherwise dispose of the shares of Common Stock in violation of the Plan, this Agreement, Securities Act (or the rules and regulations promulgated thereunder) or under any other applicable securities laws. The Participant agrees that he will not dispose of the Common Stock unless and until he has complied with all requirements of this Agreement applicable to the disposition of the shares of Common Stock.

(e) The Participant has been furnished with, and has had access to, such information as he considers necessary or appropriate for deciding whether to invest in the shares of Common Stock, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of the Common Stock.

(f) The Participant is aware that his investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing his financial condition, to hold the Shares for an indefinite period and to suffer a complete loss of his investment in the Common Stock.

9. **Rights as a Shareholder.** The Participant shall have no rights as a shareholder with respect to any shares covered by the Option unless and until the Participant has become the holder of record of the shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such shares, except as otherwise specifically provided for in the Plan.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof (other than any exercise notice or other documents expressly contemplated herein or in the Plan) and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Notices.** All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made:

(a) unless otherwise specified by the Company in a notice delivered by the Company in accordance with this Section 11, any notice required to be delivered to the Company shall be properly delivered if delivered to:

FDO Holdings, Inc.
c/o Ares Management II, L.P.
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Attention: Adam Stein
Telephone: (310) 201-4100
Facsimile: (310) 201-4170
with copies (which shall not constitute notice) to:

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Attention: Monica J. Shilling, Esq.
Telephone: (310) 284-4544
Facsimile: (310) 557-2193

and to:

FS Equity Partners VI, L.P.
c/o Freeman Spogli & Co.
11100 Santa Monica Boulevard, Suite 1900
Los Angeles, CA 90025
Attention: Brad Brutocao
Telephone: (310) 444-1822
Facsimile: (310) 444-1870

(b) if to the Participant, to the address on file with the Company.

Any notice, demand or request, if made in accordance with this Section 11 shall be deemed to have been duly given: (i) when delivered in person; (ii) three (3) days after being sent by United States mail; or (iii) on the first business day following the date of deposit if delivered by a nationally recognized overnight delivery service.

12. **No Obligation to Continue Employment.** This Agreement is not an agreement of employment. This Agreement does not guarantee that the Employer will employ the Participant for any specific time period, nor does it modify in any respect the Employer's right to terminate or modify the Participant's employment or compensation.

13. **Shareholders Agreement and Other Requirements.** Notwithstanding anything herein to the contrary, as a condition to the receipt of shares of Common Stock when the Option is exercised, at the Company's request, the Participant shall execute and deliver a Joinder Agreement or such other documentation which shall set forth certain restrictions on transferability of the shares of Common Stock acquired upon exercise or purchase, a right of first refusal of the Company with respect to shares, and such other terms or restrictions as the Committee shall from time to time establish, including, without limitation, any drag-along rights, tag-along rights, transfer restrictions and registration rights. The Shareholders Agreement or other documentation shall apply to the Common Stock acquired under the Plan and covered by the Shareholders Agreement or other documentation. The Company may require, as a condition of exercise, the Participant to become a party to any other existing shareholder agreement or other agreement.

14. Waiver of Jury Trial. Each party to this Agreement, for itself and its affiliates, hereby irrevocably and unconditionally waives to the fullest extent permitted by applicable law all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to the actions of

the parties hereto or their respective affiliates pursuant to this Agreement or in the negotiation, administration, performance or enforcement of this Agreement.

15. **Governing Law.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to its principles of conflict of laws.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

FDO HOLDINGS, INC.

By: _____
Name:
Title:

_____
Employee Name:
Employee ID number:

Exhibit 10.6

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT (this "Agreement") is effective [·], by and among Floor & Decor Holdings, Inc., a Delaware corporation (the "Company"), [·] ("Indemnitee") and, with respect to its guarantee set forth on the signature pages hereto only, Floor and Decor Outlets of America, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("F&D").

WHEREAS, it is essential to the Company to retain and attract the most capable persons available as directors and officers of the Company and its subsidiaries (including F&D);

WHEREAS, Indemnitee is a [director][officer] of the Company;

WHEREAS, in recognition of Indemnitee's need for substantial protection against personal liability to enhance Indemnitee's continued service to the Company and its subsidiaries in an effective manner, the increasing difficulty in obtaining satisfactory directors' and officers' liability insurance coverage, and in part to provide Indemnitee with specific contractual assurance that indemnification will be available to Indemnitee (regardless of, among other things, any change in the composition of the Board or acquisition transaction relating to the Company), the Company and F&D wish to provide in this Agreement for the indemnification of and the advancing of Expenses to Indemnitee to the fullest extent (whether partial or complete) permitted by law and as set forth in this Agreement, and, to the extent insurance is maintained, for the continued coverage of Indemnitee under the Company's directors' and officers' liability insurance policies;

NOW, THEREFORE, in consideration of the foregoing and of Indemnitee continuing to serve the Company and its subsidiaries (including F&D) directly or, at its request, another enterprise, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain Definitions.

(a) "Affiliate" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such first Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Securities or other ownership interests, by contract or otherwise.

(b) "beneficial owner" has the meaning set forth in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, as amended (the 'Exchange Act"), except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time. The term "beneficially own" shall have a correlative meaning.

(c) "Board" means the Board of Directors of the Company.

(d) "Bylaws" means the bylaws of the Company, as the same may be amended or amended and restated from time to time.

(e) "Change of Control" means the occurrence of any of the following events:

(i) a merger or consolidation in which (A) the Company is a constituent party or (B) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, in each case, unless the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for, shares of capital stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting entity, or (2) if the surviving or resulting entity is a wholly owned subsidiary of another entity immediately following such merger or consolidation, the parent entity of such surviving or resulting entity;

(ii) the sale, lease, transfer, exclusive license or other disposition (whether by merger, consolidation or otherwise), in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of (A) all or substantially all of the assets of the Company and its subsidiaries taken as a whole, or (B) one or more subsidiaries of the Company if all or substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, in each case except where such sale, lease, transfer, exclusive license or other disposition is to (1) a wholly owned subsidiary of the Company or (2) the Permitted Holders;

(iii) the acquisition, in a single transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d) or 14(d) of the Exchange Act), other than the Permitted Holders, of (A) beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of securities of the Corporation representing at least 50% of the combined voting power entitled to vote in the election of directors of the Company (including by means of the Company's issuance of its capital stock or securities convertible into its capital stock) or (B) the contractual right to designate or elect 50% or more of the members of the Board;

(iv) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (together with any new members of the Board whose election by such Board or whose nomination for election by the equityholders of the Company was approved by a vote of the majority of the members of the Board then still in office who were either members of the Board at the beginning of such period or whose election or nomination for election was previously so approved including new members of the Board designated in or provided for in an agreement regarding the merger, consolidation or sale, transfer or other conveyance, of all or substantially all of the assets of the Company, if such agreement was approved by a vote of such majority of members of the Board) cease for any reason to constitute a majority of the Board then in office; or

(v) the adoption by the holders of capital stock of the Company of any plan or proposal for the liquidation or dissolution of the Company by way of merger, consolidation or otherwise.

(f) "Charter" means the certificate of incorporation of the Company, as the same may be amended or amended and restated from time to time.

(g) "Claim" means any threatened, pending or completed action, suit or proceeding, or any inquiry or investigation, whether instituted by the Company or any other Person, that Indemnitee in good faith believes might lead to the institution of any such action, suit or proceeding, whether civil, criminal, administrative, investigative or other.

(h) "Expenses" means attorneys' fees and all other costs, expenses and obligations paid or incurred in connection with investigating, defending, being

a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any Claim relating to any Indemnifiable Event.

(i) "Indemnifiable Event" means any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, trustee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, or by reason of anything done or not done by Indemnitee in any such capacity.

(j) "Independent Legal Counsel" means an attorney or firm of attorneys, selected in accordance with the provisions of Section 3, who shall not have otherwise performed services for the Company or Indemnitee within the last five years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnity agreements).

(k) "Permitted Holders" means (i) Ares Corporate Opportunities Fund III, L.P., Ares Management LLC and Ares Management, L.P. and their respective Affiliates and (ii) FS Equity Partners VI, L.P., FS Affiliates VI, L.P. and their respective Affiliates.

(l) "Person" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity.

(m) "Potential Change of Control" means (i) the Company entering into an agreement, the consummation of which would result in the occurrence of a Change of Control; (ii) any Person (including the Company) publicly announcing an intention to take or to consider taking actions that if consummated would constitute a Change of Control; or (iii) the Board adopting a resolution to the effect that, for purposes of this Agreement, a Potential Change of Control has occurred.

(n) "Reviewing Party" means Independent Legal Counsel or any Person or body consisting of a member or members of the Board or any other Person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification.

(o) "Voting Securities" means any securities of the Company, the holders of which vote generally in the election of directors.

(p) For purposes of this Agreement, except as otherwise expressly provided herein, (i) the words "hereof," "herein," "hereto," and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular provision hereof; (ii) the meaning assigned to each term defined herein is equally applicable to both the singular and the plural forms of such term and vice versa, and words denoting either gender include both genders; (iii) reference to any Person includes such Person's successors and assigns, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; (iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (v) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (vi) numbered or lettered sections and subsections herein contained refer to sections and subsections of this Agreement; (vii) the term "dollars" and character "$" mean United States dollars; (viii) the term "including" means "including, without limitation," and the words "include" and "includes" have corresponding meanings, and such words do not limit any general statement that they follow to the specific or similar items or matters immediately following them; and (ix) the term "or" is not exclusive.

2. Basic Indemnification Arrangement.

(a) In the event Indemnitee was, is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, a Claim by reason of (or arising in part out of) an Indemnifiable Event, the Company shall indemnify Indemnitee to the fullest extent permitted by law as soon as practicable but in any event no later than thirty days after written demand is presented to the Company, against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim. If so requested by Indemnitee, the Company shall advance to the fullest extent permitted by law (within ten business days of such request) any and all Expenses to Indemnitee (an "Expense Advance"). Expense Advances shall be unsecured and interest free. Expense Advances shall be made without regard to Indemnitee's ability to repay Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Indemnitee shall qualify for Expense Advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that Indemnitee undertakes to (1) repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company and (2) provide reasonably satisfactory documentation supporting such Expenses. Notwithstanding anything in this Agreement to the contrary, prior to a Change of Control, Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee unless the Board has authorized or consented to the initiation of such Claim.

(b) Notwithstanding the foregoing, the indemnification obligations of the Company under Section 2(a) shall be subject to the condition that the Reviewing Party shall not

have determined (in a written opinion if Independent Legal Counsel referred to in Section 3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law; provided, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified under applicable law, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). If there has not been a Change of Control, the Reviewing Party shall be selected by the Board, and if there has been such a Change of Control (other than a Change of Control that has been approved by a majority of the Board who were directors immediately prior to such Change of Control), the Reviewing Party shall be the Independent Legal Counsel referred to in Section 3 hereof. If there has been no determination by the Reviewing Party or if the Reviewing Party determines that Indemnitee substantively would not be permitted to be indemnified in whole or in part under applicable law, Indemnitee shall have the right to commence litigation in any court in the State of Delaware having subject matter jurisdiction thereof and in which venue is proper seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. If such litigation has not been commenced, any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) If, prior to, during the pendency of or after completion of a Claim for which the Indemnitee is entitled to indemnification pursuant to Section 2(a) and Section 2(b), the Indemnitee is deceased, the Company shall indemnify the Indemnitee's heirs, executors and administrators against any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of such Claim to the extent the Indemnitee would have been entitled to indemnification pursuant to this Agreement were the Indemnitee still alive.

3. Change of Control. If there is a Change of Control (other than a Change of Control that has been approved by a majority of the members of the Board who were directors immediately prior to such Change of Control), then, with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnity payments and

Expense Advances under this Agreement or any other agreement or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, the Company shall seek legal advice only from Independent Legal Counsel selected by Indemnitee and approved by the Board (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law. The Company shall pay the reasonable fees of the Independent Legal Counsel referred to above and indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of such counsel pursuant hereto.

4. Establishment of Trust. In the event of a Potential Change of Control, the Company shall, upon written request by Indemnitee, create a trust for the benefit of Indemnitee

and from time to time upon written request of Indemnitee shall fund such trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for and defending any Claim relating to an Indemnifiable Event, and any and all judgments, fines, penalties and settlement amounts of any and all Claims relating to an Indemnifiable Event from time to time actually paid or claimed or reasonably anticipated or proposed to be paid, provided that in no event shall more than $250,000 be required to be deposited in any trust created hereunder (and no more than $1,000,000 in the aggregate with respect to any such trusts created under this Agreement and all indemnification agreements with directors and officers) in excess of amounts deposited in respect of reasonably anticipated Expenses. The amount or amounts to be deposited in the trust pursuant to the foregoing funding obligation shall be determined by the Reviewing Party, in any case in which determination the Independent Legal Counsel referred to above is involved. The terms of the trust shall provide that upon a Change of Control (a) the trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnitee, (b) the trustee shall advance, within ten business days of a request by Indemnitee, any and all Expenses to Indemnitee (and Indemnitee hereby agrees to reimburse the trust under the circumstances under which Indemnitee would be required to reimburse the Company under Section 2(a) of this Agreement), (c) the trust shall continue to be funded by the Company in accordance with the funding obligation set forth above, (d) the trustee shall promptly pay to Indemnitee all amounts for which Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise, and (e) all unexpended funds in such trust shall revert to the Company upon a final determination by the Reviewing Party or a court of competent jurisdiction, as the case may be, that Indemnitee has been fully indemnified under the terms of this Agreement. The trustee shall be chosen by Indemnitee. Nothing in this Section 4 shall relieve the Company of any of its obligations under this Agreement.

5. Indemnification for Additional Expenses. The Company shall indemnify Indemnitee to the fullest extent permitted by applicable law against any and all Expenses (including attorneys' fees and retainers) and, if requested by Indemnitee, shall (within ten business days of such request) advance such Expenses to Indemnitee, that are incurred by Indemnitee in connection with any action brought by Indemnitee for (a) indemnification or advance payment of Expenses by the Company under this Agreement or any other agreement or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events or (b) recovery under any directors' and officers' liability insurance policies maintained by the Company.

6. Partial Indemnity, Etc. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties and amounts paid in settlement of a Claim but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating in whole or in part to an Indemnifiable Event or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses incurred in connection therewith.

7. Contribution.

(a) Contribution Payment. To the extent the indemnification provided for under any provision of this Agreement is determined (in the manner herein provided) not to be permitted under applicable law, the Company, in lieu of indemnifying Indemnitee, shall, to the extent permitted by applicable law, contribute to the amount of any and all Expenses, judgments, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines, penalties or amounts paid in settlement) of a Claim by reason of (or arising in part out of) an Indemnifiable Event incurred or paid by Indemnitee for which such indemnification is not permitted. The amount the Company contributes shall be in such proportion as is appropriate to reflect the relative fault of Indemnitee, on the one hand, and of the Company and any and all other parties (including directors and officers of the Company other than Indemnitee) who may be at fault (collectively, including the Company, the "Third Parties"), on the other hand.

(b) Relative Fault. The relative fault of the Third Parties and Indemnitee shall be determined (i) by reference to the relative fault of Indemnitee as determined by the court or other governmental agency or (ii) to the extent such court or other governmental agency does not apportion relative fault, by the Reviewing Party after giving effect to, among other things, the relative intent, knowledge, access to information and opportunity to prevent or correct the relevant events, of each party, and other relevant equitable considerations. The Company and Indemnitee agree that it would not be just and equitable if contribution were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 7(b).

8. Burden of Proof. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified or to contribution hereunder the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

9. No Presumptions. For purposes of this Agreement, the termination or conclusion of any Claim, by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under applicable law shall be a defense to Indemnitee's Claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief.

10. Nonexclusivity. The rights of Indemnitee hereunder shall be in addition to any other rights Indemnitee may have under the Company's Certificate of Incorporation or Bylaws, the Delaware General Corporation Law, the vote of the Company's stockholders or disinterested directors, other agreements or otherwise. To the extent that a change in the Delaware General Corporation Law (whether by statute or judicial decision) permits greater indemnification by

agreement than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

11. Subrogation.

(a) The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement of Expenses or insurance provided by one or more of the Permitted Holders or their Affiliates (collectively, the "Fund Indemnitors"). The Company hereby agrees that it (i) is the indemnitor of first resort with respect to Claims by reason of (or arising in part out of) an Indemnifiable Event (i.e., its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to indemnify, advance Expenses to or provide insurance for Indemnitee are secondary), (ii) shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses to the extent legally permitted, in each case, as set forth in this Agreement, the Charter and the Bylaws (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors, and (iii) irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any Claim for which Indemnitee has sought advancement or indemnification from the Company hereunder shall affect the foregoing and the Fund Indemnitors shall have a right of contribution or be subrogated to the extent of such advancement or payment to all rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 11(a).

(b) If the Company makes any payment to or for the benefit of Indemnitee pursuant to the terms of this Agreement, the Company shall be subrogated to all of Indemnitee's rights, claims and interests against any Person other than the Fund Indemnitors with regard to the subject of the payment. The Company may proceed on any such claim immediately following any such payment by the Company to Indemnitee. Indemnitee agrees to execute and deliver any documents requested in good faith by the Company in connection with the Company's enforcement of Indemnitee's rights, claims and interests, including assignments of such rights, claims and interests. Any such assignment will include a warranty by Indemnitee that it owns the assigned rights, claims and interests free and clear of the claims and interests of any other Person.

12. Liability Insurance.

(a) The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board, with the advice of counsel, covering Indemnitee for any Claim made against Indemnitee for any Indemnifiable Event and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any Claim made against Indemnitee for any Indemnifiable Event. In the event that the Company receives notice of cancellation of any policy providing such directors and officers liability insurance, it shall promptly give notice of such cancellation to Indemnitee.

(b) Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Claim over the coverage of any insurance referred to in Section 12(a) above. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Claim to which Indemnitee is a party or a participant (as a witness or otherwise) and the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Claim to the insurers in accordance with the procedures set forth in the respective policies.

13. Period of Limitations. To the fullest extent permitted by applicable law, no legal action shall be brought and no cause of action shall be asserted by or in the right of the Company against Indemnitee or Indemnitee's spouse, heirs, executors or personal or legal representatives after the expiration of two years from the date of the occurrence of the events leading to such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, that if any shorter period of limitations is otherwise applicable to any such cause of action such shorter period shall govern.

14. Amendments, Etc. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

15. No Duplication of Payments. Except as otherwise provided in Section 11(a), the Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, the Bylaws or otherwise) of the amounts otherwise indemnifiable hereunder.

16. Binding Effect, Etc. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), spouses, heirs, executors and personal and legal representatives. This Agreement shall continue in effect regardless of whether Indemnitee continues to serve as a director or officer of the Company or of any other enterprise at the Company's request.

17. Severability. The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise

unenforceable in any respect, and the validity and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired and shall remain enforceable to the fullest extent permitted by law.

18. Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto. If the Company and Indemnitee have previously entered into an indemnification agreement providing for indemnification of Indemnitee by the Company, the parties' entry into this Agreement shall be deemed to amend and restate such indemnification agreement to read in its entirety as, and to be superseded by, this Agreement.

19. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in such state without giving effect to the principles of conflicts of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date set forth above.

FLOOR & DECOR HOLDINGS, INC.

By:
Its:

Signature Page to Indemnification Agreement

INDEMNITEE

[·]

Signature Page to Indemnification Agreement

Floor and Decor Outlets of America, Inc. hereby unconditionally guarantees the due and punctual payment and performance of all obligations of the Company under this Agreement in accordance with the terms set forth herein.

FLOOR AND DECOR OUTLETS OF AMERICA, INC.

By:
Its:

Signature Page to Indemnification Agreement

Exhibit 10.8

EXECUTION COPY

CONSULTING AGREEMENT

This CONSULTING AGREEMENT (the "Agreement"), dated as of December 3, 2012, (the "Effective Date") is entered into by and between Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Operating Company"), FDO Holdings, Inc., a Delaware corporation ("Holdings" and, together with the Operating Company, the "Company"), and George Vincent West, the undersigned individual ("Consultant").

RECITALS

WHEREAS, Consultant entered into an employment agreement with the Company, dated November 24, 2010 (the "Employment Agreement") pursuant to which during the Employment Period (defined below) Consultant served as the Company's Chief Executive Officer;

WHEREAS, the Employment Agreement was entered into in connection with the acquisition of the Company pursuant to an Agreement and Plan of Merger, dated as of October 21, 2010, among Holdings, the Operating Company and other persons party thereto (the "Merger Agreement");

WHEREAS, as a condition to the consummation of the transactions contemplated by the Merger Agreement, Consultant entered into a Fair Competition Agreement with Holdings, dated November 24, 2010 (the "Fair Competition Agreement"), pursuant to which he agreed to certain restrictive covenants; and

WHEREAS, Consultant is also party to (i) an Indemnification Agreement with Holdings, dated November 24, 2010 (the "Indemnification Agreement"), and (ii) two Non-Qualified Stock Option Agreements, each effective January 13, 2011, with Holdings (collectively, the "Stock Option Agreements").

WHEREAS, the Company and Consultant mutually desire to terminate on the terms set forth herein Consultant's employment under the Employment Agreement, to transition Consultant's role with the Company from an employee to an independent contractor, non-employee consultant, and to transition Consultant's officer role with the Company from an employee Chief Executive Officer to a non-employee Founder of the Company and Vice Chairman of the Board on the terms set forth herein and enter into this Agreement for such purposes;

WHEREAS, Consultant shall remain a director of the Board of Directors (as defined herein); and

WHEREAS, in consideration of entering into this Agreement, the Company and Consultant mutually desire to settle fully and finally all differences and potential differences between them as of the Effective Date, including all differences or potential differences that arise out of or relate to Consultant's employment with the Company and the termination thereof on or prior to the date hereof on the terms set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the Consultant's Duties and Responsibilities (defined below) and of the agreements, rights, covenants and other obligations of the parties contained herein, the Company and Consultant agree as follows:

1. Transition to Non-Employee Officer/Consultant.

(a) Transition; Title. As of the Effective Date, Consultant and the Company hereby mutually agree that (i) Consultant is deemed to have resigned from the position of Chief Executive Officer of the Operating Company and of Holdings and, other than with respect to his service on the Board of Directors of the Company (such term referring throughout this Agreement to the Boards of Directors of both Operating Company and Holdings) or the Board of Directors (or any similar governing body) of any of the Company's subsidiaries, from all other offices held with the Company or any of its subsidiaries as of immediately prior to the Effective Date; (ii) Consultant's employment with the Company is hereby terminated; (iii) except as otherwise expressly provided in this Agreement with respect to Sections 2(a), 2(b), 2(d), 3(a) and 4(a) of the Employment Agreement, which shall expressly survive the termination of the Employment Agreement to the extent required to effectuate the express terms of this Agreement, and Section 10 of the Employment Agreement, which shall expressly survive the termination of the Employment Agreement, the Employment Agreement shall be and is hereby terminated as of 11:59 p.m. Eastern time on December 2, 2012; (iv) Consultant will have the title of Founder of the Company and Vice Chairman of the Board; and (v) each of "Vice Chairman" and "Founder" has been designated as an "officer" position by Holdings' Board of Directors pursuant to Article IV, Section 12 of the Company's Bylaws. Consultant and the Company each acknowledge and mutually agree that the termination of Consultant's employment with the Company is voluntary and by mutual agreement, that such termination of Consultant's employment is not, and shall not be deemed to be, a termination "Without Cause," "For Cause" or for "Good Reason" under the Employment Agreement and that such termination of Consultant's employment shall not in any way affect the continued validity and enforceability of the Indemnification Agreement, the Stock Option Agreements or any other agreement (other than the Employment Agreement) to which Consultant is a party. Termination of Consultant's employment under the Employment Agreement as set forth in this Agreement shall not, alone, entitle the Company to pursue any rights or remedies against or affecting Consultant, whether under the Employment Agreement, the Stock Option Agreements or otherwise.

(b) Effect on Fair Competition Agreement. Consultant and the Company acknowledge and agree that from and after the Effective Date (i) the Consulting Period (defined below) is substituted for the "Employment Period" for all purposes under the Fair Competition Agreement; (ii) the Fair Competition Agreement will remain in full force and effect until it terminates according to its terms; and (iii) the Fair Competition Agreement shall be deemed to be amended by this Agreement to the extent required to effectuate this Section 1(b).

(c) Independent Contractor Status. Consultant acknowledges and agrees that (i) pursuant to the terms of this Agreement Consultant shall provide and perform consulting services hereunder as an independent contractor to the Company, and that Consultant's provision and performance of consulting services, including as an officer of the Company, shall not be as

an employee of the Company, (ii) nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship with the Company and (iii) Consultant is not entitled to enter into any agreement on behalf of the Company or to otherwise bind the Company other than as may be expressly authorized and set forth in a resolution approved by the Board. Consultant acknowledges and agrees that there will be no withholding of taxes by the Company as was the case when Consultant was an employee of the Company, and that during the Consulting Period he is solely responsible for paying all federal, state, and local income or business taxes, including estimated taxes, self-employment and all other taxes, fees, additions to tax, interest and penalties that may be assessed, imposed, or incurred as a result of the compensation payable to him pursuant to this Agreement, and that the Company has no obligations, liabilities or responsibilities in connection therewith. The Company and Consultant acknowledge that Consultant will remain an officer of the Company during the term of the Agreement, notwithstanding the fact that Consultant shall not be an employee.

(d) Liability Insurance. During the term of this Agreement, to the extent the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Consultant shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company director or officer.

2. Term.

(a) Consultant's service under this Agreement as an independent contractor consultant serving in an officer capacity as Founder of the Company and Vice Chairman of the Board shall commence on the Effective Date, subject to the condition subsequent that the Revocation Period (as defined in Section 10(l)) expires without Consultant's revocation of the Release (as defined in Section 10(c)) and the Release becomes effective, and shall continue until either party elects to terminate this Agreement upon 30 days advance written notice to the other party (the "Consulting Period" and, solely for the purposes of the Fair Competition Agreement, also the "Employment Period").

(b) Upon the termination of this Agreement, the Company shall be under no further obligation to Consultant under this Agreement, except to pay (i) all accrued but unpaid Consulting Fees and expenses reimbursable pursuant to Section 4(c) or Section 5(a) of this Agreement through the date of termination within 30 days following such termination and (ii) any amounts due to Consultant pursuant to Section 4(b) of this Agreement.

(c) Notwithstanding any provision of this Agreement to the contrary (including Section 12(o) hereof), if the Release fails to become effective, this Agreement (other than Section 1(a)(i)-(iii), the second sentence of Section 1(a), Section 2(c), Section 4(b), Section 4(c), Section 6, Section 9, Section 11 and Section 12) will thereupon automatically terminate retroactive to the Effective Date, and neither Consultant nor Company will have any other rights or obligations hereunder.

(d) Unless otherwise agreed to by the parties hereto in writing, (i) Consultant's resignation from the Board of Directors shall be deemed a termination of this Agreement by

Consultant and (ii) Consultant's removal from the Board of Directors shall be deemed a termination of this Agreement by the Company.

3. Consultant's Duties and Responsibilities. During the Consulting Period, Consultant shall:

(a) faithfully, industriously and to the best of Consultant's ability, experience and talent, perform such services as an independent contractor consultant serving as a non-employee officer with the titles Founder and Vice Chairman of the Board, as shall be (i) reasonably required by the Company or requested by the Board of Directors of Holdings and (ii) agreed to by Consultant;

(b) observe and comply with all applicable rules, regulations, policies and practices in effect on the Effective Date or amended or adopted by the Company in the future (to the extent that Consultant has actual knowledge of any such amendment or adoption and has been provided a copy thereof); and

(c) not engage in any Competitive Business Activity (as defined herein),

(the duties and responsibilities set forth in Sections 3(a), 3(b) and 3(c) being collectively referred to in this Agreement as the "Consultant's Duties and Responsibilities").

4. Compensation and Other Payments to Consultant.

(a) Consulting Fee. The Company will continue to pay Consultant, through December 31, 2012, an amount equal to Consultant's Base Salary under the Employment Agreement as of immediately prior to the Effective Date of this Agreement. Starting January 1, 2013, the Company will pay Consultant a consulting fee at the annual rate of $200,000 (together with the payments described in the previous sentence, the "Consulting Fee"). The Consulting Fee will be paid in installments consistent with the Company's normal payroll schedule. The Consulting Fee shall constitute compensation to Consultant for all Consultant's Duties and Responsibilities.

(b) Fiscal 2012 Annual Bonus Under Employment Agreement Provided that the Consulting Period is not terminated (i) by Consultant on or before December 31, 2012 (or such other date which is the last day of the Company's fiscal 2012, if other than December 31, 2012) for any reason or (ii) by the Company at any time prior to the earlier of (A) March 15, 2013 and (B) the payment of the annual bonus described in this Section 4(b), as a result of an event or occurrence that would have been grounds for termination "For Cause" under the Employment Agreement as defined in Section 4(a) thereof which are reasonably applicable with respect to Consultant's Duties and Responsibilities under this Agreement in place of Executive's Duties and Responsibilities under the Employment Agreement, Consultant will remain eligible to receive, and shall be entitled to be paid, the annual bonus (if any) for the entire 2012 fiscal year to which he would have been entitled under Section 2(b) and other terms of the Employment Agreement that were applicable to such annual bonus for fiscal 2012 immediately prior to the Effective Date of this Agreement. Such annual bonus shall be calculated as if the Employment Period under the Employment Agreement had extended through the last day of fiscal 2012, and as if the Employment Agreement had not been terminated by mutual agreement as set forth

herein. Any such annual bonus shall constitute part of the compensation due under the Employment Agreement and will be subject to all applicable withholding and be payable within the time period set forth in Section 2(b) of the Employment Agreement (i.e., no later than March 15 of the calendar year following the fiscal year for which such annual bonus is payable).

(c) Unpaid Base Salary and Reimbursement of Business and Travel Expenses under Employment Agreement Notwithstanding anything contained in this Agreement or otherwise to the contrary, payment to Consultant, as Executive under the Employment Agreement, for Base Salary and reimbursable business and travel expenses to which Consultant was entitled under Sections 2(a) and 3(a) of the Employment Agreement, respectively, through December 2, 2012, which were not paid by the Company prior to the Effective Date of this Agreement shall be made by the Company following the Effective Date in accordance with the relevant Company policies then in effect, including normal payroll practices, and shall be subject to all applicable withholding, including employment and withholding taxes per Section 2(d) of the Employment Agreement.

5. Other Benefits to Consultant.

(a) Business Expenses. Upon timely submission of itemized expense statements and other documentation in conformance with the procedures specified by the Company, Consultant shall be entitled to reimbursement for reasonable business and travel expenses duly incurred by Consultant in the performance of Consultant's Duties and Responsibilities under this Agreement during the Consulting Period.

(b) Options.

(i) The transition of Consultant's role from an employee to an independent contractor, non-employee consultant, and from an employee

Chief Executive Officer to a non-employee Founder of the Company and Vice Chairman of the Board will have no effect on vesting of the options to purchase the common stock of Holdings ("Options") granted under the Stock Option Agreements to Consultant prior to the Effective Date or, except as described in this Section 5(b), on the other rights and obligations of Consultant and Holdings under the Stock Option Agreements.

(ii) For purposes of the Stock Option Agreements covering the Options and of the FDO Holdings, Inc. Amended and Restated 2011 Stock Option Plan (as such may be amended from time to time, the "Plan"), (A) the definition of "For Cause" in Section 4(a) of the Employment Agreement will continue to apply with respect to an event or occurrence that would have been grounds for termination "For Cause" thereunder which are reasonably applicable with respect to Consultant's Duties and Responsibilities under this Agreement in place of Executive's Duties and Responsibilities under the Employment Agreement, and (B) all references to "Good Reason" shall be inapplicable (such that any termination of this Agreement by Consultant for any reason shall be considered to be a voluntary termination and not a termination for Good Reason).

(iii) The Stock Option Agreements covering the Options shall be deemed to be amended by this Agreement to the extent required to effectuate the terms set forth in this Section 5(b).

6. Termination of Agreement.

(a) Resignation as Director and Officer. Unless otherwise agreed to by the parties hereto in writing, upon termination of this Agreement for any reason, Consultant shall be deemed to have resigned from any position as a member of the Board or as a member of the Board of Directors (or any similar governing body) of the any of the Company's subsidiaries then held by Consultant and also shall be deemed to have resigned from any position as an officer of the Company or any of its subsidiaries then held by Consultant.

(b) Cooperation. Following termination of this Agreement, Consultant shall, as reasonably requested by the Company, (i) reasonably cooperate with the Company to effect a transition of Consultant's responsibilities and to ensure that the Company is aware of all matters being handled by Consultant, and (ii) cooperate and provide assistance to the Company in connection with any action, suit or proceeding brought by or against the Company or any of its affiliates (or in which any of them is or may be a party) or that relates in any way to Consultant's acts or omissions while an employee and an officer of the Company during the Employment Period or while an independent contractor consultant and non-employee officer of the Company during the Consulting Period. The Company agrees to promptly reimburse Consultant for reasonable expenses incurred by him in connection with assisting the Operating Company or Holdings, as applicable, in the manner described in the immediately preceding sentence. Reimbursement shall be made in accordance with the applicable policy of the Company then in effect.

(c) Company Property.

(i) All assets, property and equipment and all tangible and intangible information relating to the Company, its affiliates and their respective employees, customers or vendors furnished to, obtained by or prepared by Consultant or any other person during the course of or incident to Consultant's employment as an employee and an officer of the Company or any of its subsidiaries during the Employment Period or to Consultant's engagement as an independent contractor consultant and non-employee officer of the Company or any of its subsidiaries during the Consulting Period are and shall remain the sole property of Company ("Company Property"). Company Property includes, but shall not be limited to, computer equipment, books, manuals, records, reports, notes, correspondence, contracts, customer lists, business cards, advertising, sales, financial, personnel, operations, and manufacturing materials and information, data processing reports, computer programs, software, customer information and records, business records, price lists or information, and samples, and in each case shall include all copies thereof in any medium, including paper, electronic and magnetic media and all other forms of information storage.

(ii) Within a reasonable period of time following termination of this Agreement and of the Consulting Period, Consultant shall return to the Company all Company Property remaining in Consultant's possession or control, provided that with respect to Company

Property stored or contained in or on any computers or other electronic storage devices owned by Consultant, Consultant shall permanently delete any such information that constitutes Company Property. Upon written request of the Company, Consultant shall certify in writing that Consultant has complied with the requirements of this Section 6(c)(ii).

(iii) Notwithstanding anything to the contrary herein, Consultant shall be permitted to retain one or more copies of his contacts list and his appointment calendars obtained by or prepared by Consultant or any other person during the course of or incident to Consultant's employment as an employee and an officer of the Company or any of its subsidiaries during the Employment Period; or during the course of or incident to Consultant's engagement as an independent contractor consultant and non-employee officer of the Company or any of its subsidiaries during the Consulting Period.

(iv) Consultant's obligations under this Section 6(c) shall survive termination of the Agreement and of the Consulting Period until Consultant has returned all Company Property to the Company or deleted information constituting Company Property, as required herein.

(v) Notwithstanding anything to the contrary contained in the Employment Agreement or any other agreement (other than this Agreement) between Consultant and the Operating Company, Holdings or the Company, because following termination of the Employment Agreement Consultant is continuing his involvement with, and services to, the Company as a non-employee officer and as a director under this Agreement, Consultant shall have no obligations, duties or responsibilities otherwise applicable to Consultant, as Executive under the Employment Agreement, to return or delete Company Property or to take any other actions otherwise required in connection with or relating to termination of the Employment Agreement, and shall be entitled to retain during the Consulting Period such Company Property as reasonably required or helpful to provision and performance of Consultant's Duties and Responsibilities under this Agreement.

7. Restrictive Covenants**.**

(a) Definitions. When capitalized and used herein, the following terms shall have the following meanings set forth below:

(i) "Business" means the business (whether operated in physical locations or online over the internet) of selling hard surface flooring materials.

(ii) "Competitive Area" means the 30 mile radius around any location where the Company (i) has a then current location (including the Company's current locations listed on Exhibit A attached hereto) and (ii) has a *bona fide* intention to open a new location.

(iii) "Competitive Business Activity" shall mean providing services to a Competitor that are the same or similar to Consultant's Duties and Responsibilities under this Agreement, whether as an employee, independent contractor or consultant.

(iv) "Competitor" means any Person (other than the Company and its affiliates) engaged in the Business. To the extent that a Competitor is

engaged in any business

activities other than the Business, the term "Competitor" does not restrict Consultant's involvement with such other business activities.

(v) "Confidential Information" means information developed by or on behalf of any of the Company or its affiliates that is not generally known by persons not employed by the Company or its affiliates and that could not easily be determined or learned by someone outside the Company, including information concerning (A) Customers, Suppliers, internal corporate policies and strategies, corporate opportunities, financial and sales information, personnel information, forecasts, business and marketing plans, (B) the affairs or assets of the Company and its affiliates, accounts, or clients for which the Company or its any of its affiliates performs, directly or indirectly, services, or (C) the nature and material terms of business opportunities, investors, business and proposals available to the Company or its affiliates. Confidential Information (x) includes both written information and information not reduced to writing, whether or not explicitly designated as confidential, (y) is of a special and unique nature and value to the Company, its affiliates and their respective businesses and (z) provides the Company or its affiliates with a competitive advantage. Confidential Information does not include information that is publicly available or is readily ascertainable from publicly available information.

(vi) "Customer" means any Person who is a customer or client of the Company or its affiliates that is a professional contractor and with whom Consultant had material business-related contact (whether in person, by telephone or by paper or electronic correspondence), on behalf of the Company or its affiliates.

(vii) "Person" means any individual or entity.

(viii) "affiliates" means a Person's subsidiaries, affiliates, successors, transferees or assigns that are engaged in the Business.

(ix) "Restricted Period" means the time period beginning on the Effective Date of this Agreement and ending two years from the termination of this Agreement for any reason, whether by Consultant or Company.

(x) "Supplier" means any Person who supplies products or services to the Company in support of the Company's Business and with whom Consultant had material business-related contact (whether in person, by telephone or by paper or electronic correspondence), on behalf of the Company or its affiliates.

(b) Confidentiality. Consultant shall not, while performing services as a consultant under this Agreement and for a period of three years after the Consulting Period terminates, directly or indirectly, use, make available, sell, disclose or otherwise communicate to any person any Confidential Information, other than in the course and scope of Consultant's Duties and Responsibilities under this Agreement. In the event that Consultant receives a subpoena or other request having force of law, or reasonably believes that disclosure of Confidential Information is required by law, Consultant shall promptly provide the Company, to the extent reasonably possible, with written notice thereof, and shall reasonably cooperate, at no

expense to Consultant, with the Company if the Company elects to seek a judicial protective order or other appropriate judicial protection of such Confidential Information.

(c) Noncompete. During the Restricted Period, Consultant will not, directly or indirectly, independently or in cooperation with any other Person, engage in a Competitive Business Activity in a Competitive Area.

(d) Consultant agrees that this covenant is *reasonable with respect to its duration, geographical area and scope,* in light of the nature and geographic scope of the Business subject to this restriction. Consultant represents, warrants, acknowledges and agrees that he has been fully advised by counsel in connection with the negotiation, preparation, execution and delivery of this Agreement; and no reasonable Person in the position of the Company would engage Consultant under the terms and conditions of this Agreement without the benefit of the restrictive covenants applicable to Consultant under Sections 7(b) through 7(g) of this Agreement, and without the other agreements by Consultant contained herein (collectively, the "Restrictive Covenants and Agreements"). Accordingly, Consultant agrees to be bound by the Restrictive Covenants and Agreements contained in this Agreement to the maximum extent permitted by law, it being the intent and spirit of the parties that the Restrictive Covenants and Agreements contained herein shall be valid and enforceable in all respects.

(e) Non-Solicitation of Customers and Suppliers. During the Restricted Period, Consultant shall not (whether on Consultant's own behalf or on behalf of another Person), directly or indirectly: (a) solicit Customers to purchase products on behalf of a Competitor, or (b) solicit Suppliers to provide products or services to support a Competitor.

(f) Non-Solicitation of Employees. During the Restricted Period, Consultant shall not (whether on Consultant's own behalf or on behalf of some other Person), directly or indirectly solicit or attempt to hire any individual who is at that time an employee, independent contractor or other agent of the Company or any of its affiliates or (b) induce or encourage any employee, independent contractor or other agent of the Company or any of its affiliates to terminate or materially reduce, as applicable, his or her employment or other business relationship or affiliation with the Company or any of its affiliates; provided, that the parties acknowledge and agree that Consultant's placement of a general advertisement that is not directed at any specific Person or group of Persons, but to the public at large, in a public newspaper, or on the Internet or other public medium, shall not constitute a violation of this Section 7(f).

(g) Non-Disparagement. Except as occurs in connection with performing Consultant's Duties and Responsibilities during the Consulting Period (for purposes of providing examples, but not for limitation of scope, by chastising or criticizing store management, suppliers and others doing business with the Company for performing in a manner Consultant in good faith believes is not in the best interests of the Company and the Business), while engaged by the Company and during the Restricted Period, Consultant will not, directly or indirectly, make or publish any disparaging or derogatory statements or otherwise disparage the business reputation of the Company or any of its affiliates or take any actions that are harmful, in any material respect, to the Company's (or any of its affiliates') goodwill with its Customers, Suppliers, employees, the media or the public. Provided, however, the foregoing shall not

prohibit the Consultant from making truthful statements when required, or based upon advice of legal counsel Consultant in good faith believes is required, by law, rule, regulation or judicial or governmental administrative subpoena, order or process in connection with any legal proceeding, to a governmental agency or body or its representative, or in connection with any governmental administrative proceeding.

(h) Reformation. If any court determines that any of the Restrictive Covenants and Agreements, or any part thereof set forth in this Section 7, is or are unenforceable due to over breadth or any other reason, such court shall have the power to modify such provision to the extent necessary to make it reasonable and enforceable and such modified provision shall then be enforceable to the maximum extent permitted by applicable law. Consultant acknowledges and agrees that the Restrictive Covenants and Agreements of Consultant in this Agreement are reasonable and valid in geographic and temporal scope and in all other respects. If, however, any court

subsequently determines that any of the Restrictive Covenants and Agreements, or any part thereof, is or are invalid or unenforceable and not capable of modification, the remainder of the Restrictive Covenants and Agreements shall not thereby be affected and shall be given full effect without regard to the invalid portions.

(i) Survival. Consultant's obligations under this Section 7 shall survive the termination of this Agreement and the Consulting Period in accordance with the terms and conditions herein.

8. Inventions.

(a) Consultant acknowledges and agrees that all ideas, methods, inventions, discoveries, improvements, work products or developments (collectively, "Inventions"), whether patentable or unpatentable, made or conceived by Consultant, solely or jointly with others, that are related to Consultant's provision or performance of Executive's Duties and Responsibilities under the Employment Agreement or of Consultant's Duties and Responsibilities under this Agreement to or for the benefit of the Company, shall belong exclusively to the Company (or its designee), whether or not patent applications are filed thereon. For the avoidance of doubt, Consultant understands that the provisions of this Section 8 requiring assignment of Inventions to the Company do not apply to any Invention that Consultant developed entirely on his own time without using the Company's equipment, supplies, facilities, or trade secret information except for those Inventions that either (i) relate at the time of conception or reduction to practice of the Invention to the Company's Business, or actual or demonstrably anticipated research or development of the Company; or (ii) result from any work performed by an employee for the Company (other than Consultant). Consultant will assign to the Company the Inventions and all patents that may issue thereon in any and all countries, whether during or subsequent to the Consulting Period, together with the right to file, in Consultant's name or in the name of the Company (or its designee), applications for patents and equivalent rights (the "Applications"). Consultant will, at any time during and for a period of three years subsequent to the Consulting Period, make such applications, sign such papers, take all rightful oaths, and perform all acts as may be reasonably requested from time to time by the Company with respect to the Inventions, provided that Consultant shall not be obligated to incur any expense in connection therewith. Consultant will also execute assignments to the Company (or its designee) of the Applications, and give the Company and its attorneys all *reasonable* assistance (including the giving of

testimony), at no expense to Consultant, to obtain the Inventions for its benefit, all without additional compensation to Consultant from the Company.

(b) In addition, the Inventions will be deemed Work for Hire, as such term is defined under the copyright law of the United States, on behalf of the Company and Consultant agrees that the Company will be the sole owner of the Inventions, and all underlying rights therein, in all media now known or hereinafter devised, throughout the universe and in perpetuity without any further obligations to Consultant. If the Inventions, or any portion thereof, are deemed not to be Work for Hire, Consultant hereby irrevocably conveys, transfers and assigns to the Company, all rights, in all media now known or hereinafter devised, throughout the universe and in perpetuity, in and to the Inventions, including all of Consultant's right, title and interest in the copyrights (and all renewals, revivals and extensions thereof) to the Inventions, including all rights of any kind or any nature now or hereafter recognized, including the unrestricted right to make modifications, adaptations and revisions to the Inventions, to exploit and allow others to exploit the Inventions and all rights to sue at law or in equity for any infringement, or other unauthorized use or conduct in derogation of the Inventions, known or unknown, including the right to receive all proceeds and damages therefrom. In addition, Consultant hereby waives any so-called "moral rights" with respect to the Inventions. Consultant hereby waives any and all currently existing and future monetary rights in and to the Inventions and all patents that may issue thereon, including any rights that would otherwise accrue to Consultant's benefit by virtue of Consultant being an employee of, or consultant or other service provider to the Company. Consultant's obligations under this Section 7 shall survive the termination of service and the expiration or termination of this Agreement in accordance with the terms and conditions herein.

9. No Inconsistent Obligations. Consultant hereby represents, warrants and agrees that:

(a) there are no restrictions or agreements, oral or written, to which Consultant is a party or by which Consultant is bound that prevent or make unlawful Consultant's execution and delivery of, or performance under, this Agreement;

(b) Consultant does not have any business or employment relationship that creates a conflict between the interests of Consultant and the Company or any of its subsidiaries; and

(c) Consultant will not disclose to the Company, or use, or induce the Company to use, any proprietary information or trade secrets of others.

10. Release of Prior Claims.

(a) Consultant represents that neither Consultant nor anyone acting on Consultant's behalf has filed any claims or charges against the Company or any of the other Releasees (as defined below) with any governmental agency, court or other tribunal based upon any actions or omissions by the Company or any of the other Releasees that occurred prior to the Effective Date. Consultant further represents that neither he nor anyone acting on his behalf has assigned to any third party the right to bring a claim or charge against the Company or any of the other Releasees with any governmental agency, court or other tribunal.

(b) Consultant acknowledges and agrees that, except as otherwise provided in Section 4(b) and Section 4(c) of this Agreement he has received all compensation and benefits to which Consultant was entitled under the Employment Agreement during the Employment Period, including, but not limited to, accrued but unused vacation, if any, to which Consultant is entitled as of the Effective Date, and that such amounts are in full discharge of any and all liabilities and obligations of the Releasees to the Consultant, monetarily with respect to employment or with respect to employee benefits (but excluding all liabilities and obligations under the Continuing Agreements (as defined below)) or otherwise as of the Effective Date, including any and all obligations arising under any alleged written or oral employment agreement, policy, plan or procedure of the Company or any alleged understanding or arrangement between the Company and Consultant and any Company representative and Consultant.

(c) In exchange for the Company's entering into the Consulting Agreement Consultant, for himself and for his heirs, executors and administrators, and his and their respective successors and assigns (referred to collectively, including Consultant, as "Releasor"), forever releases and discharges (the "Release") the Company and its parents and subsidiaries, each of their respective investors and affiliates, and the past and present officers, directors, partners, managers, agents, employees, employee benefit plans (together with their fiduciaries and administrators) of each of them, in each case together with their respective successors and assigns (referred to collectively, including the Company, as the "Releasees"), from any and all claims, demands, causes of action, fees and liabilities of any kind whatsoever, whether known or unknown, which Releasor ever had, now has or may have against Releasees or any of them by reason of any actual or alleged act, omission, transaction, practice, conduct, occurrence or other matter up to and including the Effective Date.

(d) Notwithstanding anything to the contrary herein, is not releasing under this Section 10, and the Company acknowledges and agrees that Consultant is not releasing under this Section 10, any rights or remedies of Consultant or any obligations, duties, responsibilities or liabilities of the Operating Company, Holdings or the Company (i) that relate to Consultant's capacity as a shareholder of the Company; (ii) that arise from the Stock Option Agreements, the Indemnification Agreement, or any other written agreement (other than the Employment Agreement) to which Consultant or his affiliates, on the one hand and the Operating Company, Holdings or the Company, on the other, are parties (collectively, the "Continuing Agreements"); and (iii) under the Indemnification Agreement, the Company's constituent documents or the Delaware General Corporation Law.

(e) Without limiting the generality of the foregoing but expressly subject to the exceptions and exclusions from applicability hereof, this Section 10 is intended to and shall release each of the Releasees from any and all claims, whether known or unknown, up to and including the Effective Date, that Releasor ever had, now has or may have against Releasees or any of them arising out of facts or circumstances prior to the Effective Date, including Consultant's employment under the Employment Agreement with the Company as an employee and officer, the terms and conditions of such employment or the termination of such employment, including any claim under: (i) the Age Discrimination in Employment Act, as amended; (ii) the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (iii) Title VII of the Civil Rights Act of 1964, as amended; (iv) the Americans with Disabilities Act, as amended; (v) the Family Medical Leave Act; (vi) the Fair Labor Standards Act, as

amended; (vii) the Older Workers Benefit Protection Act; (viii) the Delaware Discrimination in Employment Act, the Delaware Handicapped Persons Employment Protections Act, the Delaware Whistleblower's Protection Act, Delaware's equal pay laws (Del. Code. Ann. § 1107A), Delaware's worker's compensation laws (Del. Code Ann. tit. 19, §2365) and Delaware's wage payment laws (Del. Code Ann. tit. 19, §1101 *et seq.*); (ix) the Georgia Fair Employment Practices Act of 1978, the Georgia Equal Pay Act, the Georgia Equal Employment for People with Disabilities Code, Georgia's age discrimination laws (Ga. Code Ann. § 34-1-2), Georgia's whistleblower protection laws (Ga. Code Ann. § 45-1-4(d)) and Georgia's payment laws (Ga. Code Ann. § 34-4-1 *et seq.*); (x) any other claim of discrimination, harassment or retaliation in employment (whether based on federal, state or local law, statutory or decisional); (xi) any claim sounding in tort or contract (express or implied); and (xii) any claim for attorneys' fees, costs, disbursements or the like.

(f) Consultant acknowledges and agrees that by virtue of the foregoing but expressly subject to the exceptions and exclusions from applicability hereof, Consultant has waived any relief available to him (including monetary damages, equitable relief and reinstatement) under any of the claims or causes of action waived in this Section 10. Therefore Consultant agrees that he will not accept any award or settlement from any source or proceeding (including any proceeding brought by any other person or by any government agency) with respect to any claim or right waived in this Section 10.

(g) Nothing herein, however, shall constitute a waiver of claims arising after the Effective Date, or of any rights to accrued, vested benefits under any qualified or non-qualified employee benefit plan of the Company (in accordance with the terms of the official plan documents and applicable law) or claims for benefits under the Company's group medical, dental and vision plans (in accordance with the terms of such plans and applicable law), or any claim that cannot be waived by law.

(h) Nothing set forth in this Section 10 shall prevent Consultant from filing a charge with or participating in an investigation conducted by any governmental agency, including the United States Equal Employment Opportunity Commission ("EEOC"), or applicable state/city fair employment practices agency to the extent required or permitted by law. However, by signing this Agreement, Consultant acknowledges and agrees that he is waiving any entitlement to seek or accept any monetary damages (including attorneys' fees and costs) or equitable relief with respect to any claims or causes of action released or waived in this Section 10.

(i) Consultant understands and agrees that if, hereafter, Consultant discovers facts different from or in addition to those which he now knows or believes to be true, that the waivers and releases of this Section 10 shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of such facts.

(j) Consultant understands and acknowledges the significance and consequences of this Section 10, that it is voluntary, that it has not been given as a result of any coercion, and Consultant expressly confirms that it is to be given full force and effect according to all of its terms, including those relating to unknown claims as specified in Section 10(h). Consultant was hereby advised of his right to seek the advice of an attorney prior to signing this Agreement. Consultant acknowledges that he has signed this Agreement only after full reflection and analysis, that Consultant understands it and is entering into it voluntarily.

(k) Consultant acknowledges that he: (i) has carefully read this Release in its entirety; (ii) has had an opportunity to consider the terms of this Release for at least 21 days; (iii) has been and hereby is advised by the Company in writing to consult with an attorney of his choice before signing this Agreement (including the Release); (iv) fully understands the significance of all of the terms and conditions of the Release and has discussed them with an attorney of his choice, or has had a reasonable opportunity to do so; and (v) is signing this Agreement (including the Release) voluntarily and of his own free will and agrees to abide by all the terms and conditions contained herein.

(l) After signing this Agreement and initialing below, Consultant shall have seven days (the "Revocation Period") to revoke his decision regarding this Section 10. If the last day of the Revocation Period falls on a Saturday, Sunday or a legal holiday, then the last day of the Revocation Period will be deemed to be the next business day. Consultant may exercise his right to revoke this Release by doing so in writing and sending such written notice of revocation in accordance with the notice provisions in Section 12(g) by no later than the last day of the Revocation Period.

By initialing below, the parties hereby agree to the provisions set forth in this Section 10:

CONSULTANT: _____ OPERATING COMPANY: _____ HOLDINGS:

11. Section 409A. Notwithstanding anything herein to the contrary,

(a) Although the Company does not guarantee to Consultant any particular tax treatment relating to the payments and benefits under this Agreement, it is intended that such payments and benefits be exempt from, or comply with, Section 409A of the Internal Revenue Code and the regulations and guidance promulgated thereunder (collectively, "Section 409A"), and all provisions of this Agreement shall be administered, interpreted and construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding any other provision hereof, in no event shall the Company be liable for, or be required to indemnify Consultant for, any liability of Consultant for taxes or penalties under Section 409A.

(b) With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year, provided, that this clause (ii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect; and (iii) such payments shall be made on or before the last day of the Consultant's taxable year following the taxable year in which the expense was incurred.

(c) Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within ten calendar days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company. If under this Agreement, an amount is to be paid

in two or more installments, for purposes of Section 409A, each installment shall be treated as a separate payment.

12. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of*Delaware* without regard to conflict of law principles.

(b) Assignment and Transfer. Consultant's rights and obligations under this Agreement shall not be transferable by assignment or otherwise, and any purported assignment, transfer or delegation thereof shall be void. This Agreement shall inure to the benefit of, and be binding upon and enforceable by, any purchaser of substantially all of the Company's assets, any corporate successor to the Company or any assignee thereof.

(c) Entire Agreement. This Agreement, together with the Fair Competition Agreement, the Plan, the Stock Option Agreements and the Indemnification Agreement contain the entire agreement and understanding between the parties hereto with respect to the transition of Consultant's officer role with the Company from an employee Chief Executive Officer to non-employee officer positions of Founder of the Company and Vice Chairman of the Board on the terms set forth herein and supersede any prior or contemporaneous written or oral agreements, representations and warranties between them respecting the subject matter hereof. Notwithstanding anything to the contrary herein and only for purposes of amplification and not of limitation, the parties acknowledge that Consultant, as shareholder, is party to a separate Fair Competition Agreement. Consultant agrees that to the extent that Consultant has remaining obligations under the Fair Competition Agreement which have not expired and which are also the subject of this Agreement, then the terms of the Fair Competition Agreement (as amended by Section 1(b) of this Agreement) control.

(d) Amendment and Waiver; Rights Cumulative. This Agreement may be amended, waived or discharged only by a writing signed by Consultant and by a duly authorized representative of Holdings and the Operating Company (other than Consultant). No failure or neglect of either party hereto in any instance to exercise any right, power or privilege hereunder or under law shall constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by either party hereto must be contained in a written instrument signed by the party to be charged and, in the case of Holdings and the Operating Company, by a duly authorized representative of Holdings and the Operating Company (other than Consultant). The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by either party hereto (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, shall not preclude or waive its right to exercise any or all other rights and remedies.

(e) Severability. If any term, provision, covenant or condition of this Agreement, or the application thereof to any person, place or circumstance, shall be held to be invalid, unenforceable or void, the remainder of this Agreement and such term, provision, covenant or condition as applied to other persons, places and circumstances shall remain in full force and effect.

(f) Remedy for Breach. In the event of breach or threatened breach of any Restrictive Covenants and Agreements of Consultant hereunder, including any breach of Sections 7 or 8, the damage or imminent damage to the value and the goodwill of the Company and its subsidiaries' business would be inestimable and irreparable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, (i) the provisions of Section 11(h) shall not preclude the Company from obtaining provisional relief, including injunctive relief, from a court of appropriate jurisdiction to protect its rights under this Agreement, and (ii) the Company shall be entitled to seek an injunction to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions thereof in addition to any other remedy (including damages) to which they are entitled at law or in equity. Each party agrees and consents to personal jurisdiction, service of process and venue in any federal or state court within the State of Delaware, County of New Castle, in connection with any action brought in connection with a request for any such provisional or injunctive relief, and in connection with any action to enforce this arbitration clause or an award in arbitration. The prevailing party in any action instituted pursuant to this Agreement shall be entitled to recover from the other party its reasonable attorneys' fees and other expenses incurred in such action. In the event Consultant violates (i) the Restrictive Covenants and Agreements (pursuant to the terms thereof) or (ii) Consultant's obligations in Sections 7 or 8 above, and does not cure such violations within 30 days of written notice from the Company to Consultant that such violation has occurred, then any outstanding vested and unvested Options held by Consultant shall immediately terminated and no longer be exercisable. This Section 12(f) shall survive termination of this Agreement and of the Consulting Period.

(g) Notices. All notices, demands or requests made pursuant to, under or by virtue of this Agreement must be in writing and sent to the party to which the notice, demand or request is being made by (i) by nationally recognized overnight courier delivery for next business day delivery, (ii) by hand delivery, or (iii) by facsimile or electronic mail transmission followed by overnight delivery the next business day to the addresses listed below; or to such other street address to which hand deliveries may be made as is specified by a party by not less than five days prior notice to the other party given in accordance with the provisions of this Section. Any notice given in accordance with the provisions of this Section shall be deemed given on the date of initial delivery or initial attempted delivery in the event of rejection or other refusal to accept or inability to deliver because of changed address of which proper notice was not given or which is not a street address shall be deemed to be receipt of the notice, request, demand or other communication, provided that such delivery or attempted delivery at the addresses listed below must be on a business day between 8:30a.m. and 5:30p.m. in the time zone in which such address is located. Legal counsel for the respective parties may send to the other party any notices, requests, demands or other communications required or permitted to be given hereunder by such party.

If to Consultant:

George Vincent West
378 Pine Tree Drive, NE
Atlanta, Georgia 30305-3415
Telephone: (678) 938-5092
Facsimile (404) 320-9439

with a copy to:

Wilson Brock & Irby, L.L.C.
2849 Paces Ferry Road
Suite 700
Atlanta, Georgia 30339
Telephone: (404) 853-5050
Facsimile: (404) 853-1812
Attention: Frank L. Wilson, III, Esq.

If to the Company:

Floor and Decor Outlets of America, Inc.
2233 Lake Park Drive, Suite 400
Smyrna, GA 30080
Telephone: (404) 471-1634
Facsimile: (404) 320-9439
Attention: General Counsel

with copies to:

FDO Holdings, Inc.
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Telephone: (310) 201-4100
Facsimile: (310) 201-4170
Attention: Adam Stein

and

Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
Telephone: (310) 201-4100
Facsimile: (310) 201-4170
Attention: Adam Stein

and

Proskauer Rose LLP
2049 Century Park East, Suite 3200
Los Angeles, CA 90067
Telephone: (310) 284-4544
Facsimile: (310) 557-2193
Attention: Monica J. Shilling, Esq.

(h) Arbitration. Subject to Section 12(f), any dispute, claim, controversy or cause of action, in law (but not in equity), directly or indirectly relating to or arising out of or related to this Agreement, the termination or validity hereof, including the determination of the scope or applicability of this agreement to arbitrate, or the service relationship, shall, to the fullest extent permitted by law, be exclusively determined by final, binding and confidential arbitration in Wilmington, Delaware conducted by JAMS, Inc. ("JAMS"), or its successor, pursuant to the JAMS Comprehensive Arbitration Rules and Procedures in effect as of the Effective Date. If Consultant files a demand for arbitration hereunder, Consultant shall not be required to pay the cost of the filing fees in excess of the amount Consultant would be required to pay to commence a comparable action in the applicable state or federal courts of Delaware and the Company shall be responsible for the payment of any excess. There shall be limited discovery prior to the arbitration hearing as follows: (a) exchange of witness lists and copies of documentary evidence and documents relating to or arising out of the issues to be arbitrated, (b) depositions of all party witnesses and (c) such other depositions as may be allowed by the arbitrators upon a showing of good cause. Depositions shall be conducted in accordance with Delaware law, the arbitrators shall be required to provide in writing to the parties the basis for the award or order of such arbitrator, and a court reporter shall record all hearings, with such record constituting the official transcript of such proceedings. The arbitrator shall, in their award, allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing party, against the party who did not prevail. The award in the arbitration shall be final and binding. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§1—16, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The arbitrator will have the same, but *no greater, remedial authority than would a court of law* (except that the arbitrator shall not have the power or authority to award punitive damages, consequential damages, lost profits or speculative damages to either party). This agreement to resolve any disputes by binding arbitration extends to claims by or against the Company and claims by or against any of its affiliates, and applies to claims directly or indirectly arising under or out of (i) federal, state and local laws, including claims of alleged discrimination on any basis, or (ii) the common law. In the event of a conflict between this provision and any provision in the applicable rules of JAMS, the provisions of this Agreement will prevail. The parties shall keep confidential the existence of the claim, controversy or disputes from third parties (other than the arbitrator), and the determination thereof, unless otherwise required by law or necessary for the business of the Company or the other parties to the arbitration, provided that notwithstanding the foregoing, Consultant shall be entitled to disclose the existence of, and information and documentation regarding, the claim, controversy or disputes to Consultant's accountants, lawyers and financial and other consultants on a "need to know" basis who are assisting or representing such Consultant in connection with the arbitration proceeding. **If for any reason this arbitration clause becomes not applicable, then each party, to the fullest extent permitted by applicable law, hereby irrevocably waives all right to trial by jury as to any issue relating hereto in any action, proceeding, or counterclaim arising out of or relating to this Agreement or any other matter involving the parties hereto**. Each of the parties hereto agree and consent to personal jurisdiction, service of process and venue in any federal or state court within the City of Wilmington in the State of Delaware in connection with any action brought to enforce an award in arbitration. This Section 12(h) shall survive the termination of this Agreement and of the Consulting Period.

By initialing below, the parties hereby agree to the provisions set forth in this Section 12(h):

CONSULTANT: /s/ V.W. OPERATING COMPANY: /s/ T.L. HOLDINGS: /s/ T.L.

(i) Further Assurances. Consultant shall, upon the Company's reasonable request, execute such further documents and take such other actions as may be permitted or reasonably required by law to implement the purposes, objectives, terms, and provisions of this Agreement. The Company shall, upon the Consultant's reasonable request, execute such further documents and take such other actions as may be permitted or reasonably required by law to implement the purposes, objectives, terms, and provisions of this Agreement.

(j) Interpretation. The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed according to its fair meaning and not strictly for or against the Company or Consultant. As used herein: (i) reference to any gender includes each other gender; (ii) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof; (iii) reference to any law, rule or regulation means such law, rule or regulation as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations

promulgated thereunder, and reference to any section or other provision of any law, rule or regulation means that provision of such law, rule or regulation from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision; (iv) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular article, section or other provision hereof; (v) numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement; (vi) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; (vii) "or" is used in the inclusive sense of "and/or"; (viii) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto; and (ix) reference to dollars or $ shall be deemed to refer to U.S. dollars.

(k) Acknowledgement. Consultant understands the terms and conditions set forth in this Agreement and acknowledges having had adequate time to consider whether to agree to the terms and conditions and to consult a lawyer or other advisor of Consultant's choice.

(l) Counterparts; Facsimile and Electronic Signatures. This Agreement may be executed in multiple counterparts, each of which shall be considered to have the force and effect of an original. This Agreement may be executed by any party using a facsimile or a PDF or other electronic signature, and such facsimile or PDF or other electronic signature shall be binding and enforceable to the same extent as an original signature by such party.

(m) Each Party the Drafter. Consultant understands the terms and conditions set forth in this Agreement and acknowledges having had adequate time to consider whether to agree to the terms and conditions and to consult a lawyer or other advisor of Consultant's choice. This Agreement and the provisions contained herein shall not be construed or interpreted for or

against any party to this Agreement because that party drafted or caused that party's legal representative to draft any of its provisions.

(n) Time of Essence. Time is and shall be of the essence in connection with this Agreement and the terms and conditions contained herein.

(o) Survival. To the extent not otherwise expressly provided in this Agreement, all rights and obligations of any party to this Agreement not fully satisfied or performed, as applicable, on the date on which this Agreement is terminated by any party, shall survive the termination of this Agreement and all Sections of this Agreement necessary or helpful in connection with the satisfaction or performance of such rights and obligations shall also survive the termination of this Agreement, including, without limitation, Section 1(a)(i)-(iii), the second sentence of Section 1(a), Section 2(c), Sections 6-12.

(p) Terms and Conditions. Wherever "terms and conditions," "term," "provisions" or other the words or phrases of similar import are used in this Agreement, such words and phrases shall be construed to have the same meaning and shall not be construed to have different meanings when used in this Agreement.

(q) Recitals. The Recitals set forth at the beginning of this Agreement are incorporated into the body of this Agreement and made a part hereof by this reference.

[Remainder of Page Intentionally Left Blank / Signatures on Next Page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the Effective Date.

FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation

By: /s/ Trevor Lang

Name: Trevor Lang

Title: Chief Financial Officer

FDO HOLDINGS, INC., a Delaware corporation

By: /s/ Trevor Lang

Name: Trevor Lang

Title: Chief Financial Officer

GEORGE VINCENT WEST

/s/ George Vincent West

Exhibit A

Competitive Area

Locations

Almeda / Houston, TX
11542 Gulf Freeway
Houston, TX 77034

Arlington, TX
2540 E. Pioneer Pkwy
Arlington, TX 76010

Arvada, CO
7350 West 52nd Avenue
Arvada, CO 80002

Atlanta, GA
1690 NE Expressway NE
Atlanta, GA 30329

1706 NE Expressway NE
Atlanta, GA 30329

Austin, TX
4501 West Braker Lane
Austin, TX 78759

Boynton Beach, FL
1974 High Ridge Road
Boynton Beach, FL 33426

Brandon / Tampa, FL
10059 East Adamo Drive
Tampa, FL 33619

Clearwater / Tampa, FL
21760 US Hwy 19
Clearwater, FL 33765

Dallas, TX
2350 Alberta Dr.
Dallas, TX 75229

Glendale, AZ
5880 West Bell Rd.
Glendale, AZ 85308

Locations

Gretna, LA
4 Westside Shopping Center
Gretna, LA 70053

Henderson, NV
1080 Sunset Road
Henderson, NV 89014

Hialeah, FL
3890 West 18th Avenue
Hialeah, FL 33012

Highlands Ranch, CO
1980 E. County Line Road
Highlands Ranch, CO 80126

Hillard / Columbus, OH
3780 Park Mill Run Drive
Hillard, OH 43026

Houston, TX
17211 North Freeway
Houston, TX 77090

Jacksonville, FL
8102 Blanding Blvd.
Jacksonville, FL 32244

Kennesaw, GA

1200 Ernest W Barrett Pkwy NW
Kennesaw, GA 30144

Lombard, IL
1000 North Rohlwing Road
Lombard, IL 60118

Mesquite, TX
1330 North Town East Blvd
Mesquite, TX 75150

Morrow, GA
1056 Personal Place
Morrow, GA 30260

New Orleans, LA
2801 Magazine Street
New Orleans, LA 70115

Locations

Norco, CA
200 Hidden Valley Pkwy
Norco, CA 92860

Orange County / Santa Ana, CA
1801 East Dyer Road
Santa Ana, CA 92705

Orlando, FL
2628 East Colonial Drive
Orlando, FL 32803

Plano, TX
800A West 15th Street
Plano, TX 75075

Pompano Beach, FL
1914 West Atlantic Blvd.
Pompano Beach, FL 33069

Roswell, GA
610 Holcomb Bridge Road
Roswell, GA 30076

San Antonio, TX
5776 Stemmons Drive
San Antonio, TX 78238

Tempe, AZ
7500 South Priest Road
Tempe, AZ 85283

West Oaks / Houston, TX
14409 Park Hollow Drive
Houston, TX 77082

CREDIT AGREEMENT

Dated as of May 1, 2013

among

FLOOR AND DECOR OUTLETS OF AMERICA, INC.,

as the Lead Borrower,

the other Borrowers Named Herein,

the Guarantors Named Herein,

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Administrative Agent, Collateral Agent and Swing Line Lender,

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Term Loan Agent,

the Lenders Party Hereto,

SUNTRUST BANK

as Syndication Agent

and

WELLS FARGO CAPITAL FINANCE, LLC,

As Sole Lead Arranger and Sole Bookrunner

Table of Contents

		Page
Article I DEFINITIONS AND ACCOUNTING TERMS		1
1.01	Defined Terms.	1
1.02	Other Interpretive Provisions.	50
1.03	Accounting Terms Generally.	51
1.04	Rounding.	51
1.05	Times of Day.	51
1.06	Letter of Credit Amounts.	51
1.07	Currency Equivalents Generally.	52
Article II THE COMMITMENTS AND CREDIT EXTENSIONS		52
2.01	Loans; Reserves.	52
2.02	Borrowings, Conversions and Continuations of Committed Loans.	53
2.03	Letters of Credit.	55
2.04	Swing Line Loans.	62
2.05	Prepayments.	64
2.06	Termination or Reduction of Commitments.	66
2.07	Repayment of Loans.	67
2.08	Interest.	67
2.09	Fees.	68
2.10	Computation of Interest and Fees.	68
2.11	Evidence of Debt.	68
2.12	Payments Generally; Agent's Clawback.	69
2.13	Sharing of Payments by Lenders.	71
2.14	Settlement Amongst Lenders.	71
2.15	Uncommitted Increase.	72
2.16	Extensions of Revolving Commitments and/or Term Loan.	73
Article III TAXES, YIELD PROTECTION AND ILLEGALITY; APPOINTMENT OF LEAD BORROWER		75
3.01	Taxes.	75
3.02	Illegality.	78
3.03	Inability to Determine Rates.	78
3.04	Increased Costs; Reserves on LIBO Rate Loans.	78

3.05	Compensation for Losses.	80
3.06	Mitigation Obligations; Replacement of Lenders.	80
3.07	Survival.	81

Table of Contents

		Page
3.08	Designation of Lead Borrower as Borrowers' Agent.	81
Article IV CONDITIONS PRECEDENT TO CREDIT EXTENSIONS		81
4.01	Conditions of Initial Credit Extension.	81
4.02	Conditions to all Credit Extensions.	84
Article V REPRESENTATIONS AND WARRANTIES		85
5.01	Organization; Powers.	85
5.02	Authorization.	85
5.03	Enforceability.	86
5.04	Governmental Approvals.	86
5.05	Reserved.	86
5.06	Financial Statements.	86
5.07	Title to Properties; Possession Under Leases.	87
5.08	Subsidiaries; Equity Interests.	87
5.09	Litigation; Compliance with Laws.	87
5.10	Federal Reserve Regulations.	88
5.11	Investment Company Act.	88
5.12	Use of Proceeds.	88
5.13	Tax Returns.	88
5.14	No Material Misstatements.	89
5.15	Employee Benefit Plans.	89
5.16	Environmental Matters.	90
5.17	Security Documents.	90
5.18	Location of Real Estate and Leased Premises.	91
5.19	Solvency.	91
5.20	No Material Adverse Effect.	91
5.21	Insurance.	91
5.22	USA PATRIOT Act; OFAC.	91
5.23	Intellectual Property; Licenses, Etc.	92
5.24	No Default.	92
5.25	Labor Matters.	92
5.26	Deposit Accounts; Credit Card Arrangements	93
Article VI AFFIRMATIVE COVENANTS		93
6.01	Existence; Businesses and Properties.	93
6.02	Insurance.	94

Table of Contents

		Page
6.03	Taxes.	95
6.04	Financial Statements, Reports, etc.	95
6.05	Litigation and Other Notices.	98
6.06	Compliance with Laws.	99
6.07	Maintaining Records; Access to Properties and Inspections; Appraisals.	99
6.08	Use of Proceeds.	101
6.09	Compliance with Environmental Laws.	101
6.10	Further Assurances; Additional Security	101
6.11	Cash Management.	102
6.12	Fiscal Year; Accounting.	104
6.13	Lender Calls.	104
6.14	Deposit Accounts; Credit Card Processors.	105
6.15	Post-Closing Matters	105
Article VII NEGATIVE COVENANTS		105
7.01	Indebtedness.	105
7.02	Liens.	108
7.03	Reserved.	110
7.04	Investments, Loans and Advances.	110
7.05	Mergers, Consolidations, Sales of Assets and Acquisitions.	113
7.06	Restricted Payments.	115
7.07	Transactions with Affiliates.	116
7.08	Business of Borrower Holdco and its Subsidiaries.	118

7.09	Limitation on Payments and Modifications of Indebtedness; Modifications of Certificate of Incorporation, By Laws and Certain Other Agreements; etc.	118
7.10	Financial Performance Covenant.	120
7.11	Fiscal Year.	120
Article VIIA BORROWER HOLDCO COVENANT		120
Article VIII EVENTS OF DEFAULT		121
8.01	Events of Default.	121
8.02	Right to Cure.	124
8.03	Remedies Upon Events of Default.	124
8.04	Application of Funds.	126
Article IX THE AGENT		128
9.01	Appointment and Authority.	128

Table of Contents

		Page
9.02	Rights as a Lender.	128
9.03	Exculpatory Provisions.	128
9.04	Reliance by Agent and Term Loan Agent.	129
9.05	Delegation of Duties.	129
9.06	Resignation of Agent.	130
9.07	Non-Reliance on Agent, Term Loan Agent, and Other Lenders.	130
9.08	No Other Duties, Etc.	131
9.09	Agent May File Proofs of Claim.	131
9.10	Collateral and Guaranty Matters.	131
9.11	Notice of Transfer.	132
9.12	Reports and Financial Statements.	132
9.13	Agency for Perfection.	133
9.14	Indemnification of Agent.	133
9.15	Relation among Lenders.	133
9.16	Defaulting Lenders.	133
9.17	Syndication Agent; and Co-Lead Arrangers.	134
Article X MISCELLANEOUS		135
10.01	Amendments, Etc.	135
10.02	Notices; Effectiveness; Electronic Communications.	138
10.03	No Waiver; Cumulative Remedies.	139
10.04	Expenses; Indemnity; Damage Waiver.	140
10.05	Payments Set Aside.	141
10.06	Successors and Assigns.	142
10.07	Treatment of Certain Information; Confidentiality.	145
10.08	Right of Setoff.	146
10.09	Interest Rate Limitation.	146
10.10	Counterparts; Integration; Effectiveness.	147
10.11	Survival.	147
10.12	Severability.	147
10.13	Replacement of Lenders.	147
10.14	Governing Law; Jurisdiction; Etc.	148
10.15	Waiver of Jury Trial.	149
10.16	No Advisory or Fiduciary Responsibility.	149
10.17	USA PATRIOT Act Notice.	150

Table of Contents

		Page
10.18	Foreign Asset Control Regulations.	150
10.19	Time of the Essence.	150
10.20	Press Releases.	150
10.21	Additional Waivers.	151
10.22	No Strict Construction.	152
10.23	Attachments.	152
10.24	Keepwell.	152

SCHEDULES

1.01	Borrowers
1.02	Guarantors
1.03	Prohibited Countries
2.01	Commitments and Applicable Percentages
5.01	Loan Parties Organizational Information
5.04	Governmental Approvals
5.06	Material Indebtedness
5.08	Subsidiaries; Other Equity Investments; Equity Interests in the Borrower
5.09	Litigation
5.13	Taxes
5.16	Environmental Matters
5.18(a)	Owned Real Estate
5.18(b)	Leased Real Estate
5.21	Insurance
5.23	Intellectual Property Matters
5.24	Material Contracts
5.26(a)	DDAs
5.26(b)	Credit Card Arrangements
6.04	Financial and Collateral Reporting
7.02	Existing Liens
7.04	Existing Investments
10.02	Agent's Office; Certain Addresses for Notices

EXHIBITS

	Form of
A	Committed Loan Notice
B	Swing Line Loan Notice
C-1	Revolving Note
C-2	Swing Line Note
C-3	Term Note
D	Compliance Certificate
E	Assignment and Assumption
F	Borrowing Base Certificate
G	Credit Card Notification
H	DDA Notification
I	Form of Joinder

CREDIT AGREEMENT

This CREDIT AGREEMENT ("Agreement") is entered into as of May 1, 2013, among FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation (the "Lead Borrower"), the Persons named on Schedule 1.01 hereto (as such schedule may be updated from time to time), jointly and severally (collectively with the Lead Borrower, the "Borrowers"), FDO ACQUISITION CORP., a Delaware corporation ("Borrower Holdco"), and each of the other Persons named on Schedule 1.02 hereto jointly and severally (collectively with Borrower Holdco, the "Guarantors"), each lender from time to time party hereto (collectively, the "Lenders" and each individually, a "Lender"), WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, Collateral Agent, and Swing Line Lender, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Term Loan Agent.

The Borrowers have requested that the Lenders provide a revolving credit facility and a term loan, and the Lenders have indicated their willingness to lend and the L/C Issuer has indicated its willingness to issue Letters of Credit, in each case on the terms and conditions set forth herein.

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

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Accelerated Borrowing Base Delivery Event" means either (a) the occurrence and continuance of any Event of Default, or (b) at the election of the Agent, the failure of the Borrowers to maintain Availability at least equal to twenty percent (20%) of the Loan Cap for any three (3) consecutive Business Days. For purposes of this Agreement, the occurrence of an Accelerated Borrowing Base Delivery Event shall be deemed continuing at the Agent's or at that Term Loan Agent's option (i) so long as such Event of Default has not been waived, and/or (ii) if the Accelerated Borrowing Base Delivery Event arises as a result of the Borrowers' failure to achieve Availability as required hereunder, until Availability has exceeded twenty percent (20%) of the Loan Cap for thirty (30) consecutive calendar days, in which case an Accelerated Borrowing Base Delivery Event shall no longer be deemed to be continuing for purposes of this Agreement. The termination of an Accelerated Borrowing Base Delivery Event as provided herein shall in no way limit, waive or delay the occurrence of a subsequent Accelerated Borrowing Base Delivery Event in the event that the conditions set forth in this definition again arise.

"Acceptable Document of Title" means, with respect to any Inventory, a tangible, negotiable bill of lading or other Document (as defined in the UCC) that (a) is issued by a common carrier which is not an Affiliate of the Approved Foreign Vendor or any Loan Party which is in actual possession of such Inventory, (b) is issued to the order of a Loan Party or, if so requested by the Agent, to the order of the Agent, (c) names the Agent as a notify party and bears a conspicuous notation on its face of the Agent's security interest therein, (d) is not subject to any Lien (other than in favor of: (i) the Agent, (ii) the Term Loan B Agent to the extent subject to the Term Loan B Intercreditor Agreement, and (iii) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent and for which the Agent shall have established Reserves in its Permitted Discretion), and (e) is on terms otherwise reasonably acceptable to the Agent.

"Acceptable Transport Document" means, with respect to any Inventory, a tangible, non-negotiable bill of lading or sea waybill that (a) is issued by a common carrier which is not an Affiliate of the Approved Foreign Vendor or any Loan Party which is in actual possession of such Inventory, (b) names a Borrower (or, at its request, the Agent) as consignee, (c) names the Agent as a notify party and bears a conspicuous notation on its face of the Agent's security interest therein, (d) is not subject to any

Lien (other than in favor of: (i) the Agent, (ii) the Term Loan B Agent to the extent subject to the Term Loan B Intercreditor Agreement, and (iii) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent and for which the Agent shall have established Reserves in its Permitted Discretion), (e) either (i) contains an express waiver from the consignor / shipper of its right to alter the named consignee and its right of stoppage in transit, or (ii) for which the consignor / shipper thereunder shall have entered a Customs Broker/Carrier Agreement with the Agent which contains an express waiver from such consignor / shipper of its right to alter the named consignee and its right of stoppage in transit, and (f) is on terms otherwise reasonably acceptable to the Agent.

"ACH" means automated clearing house transfers.

"Accommodation Payment" as defined in Section 10.21(d).

"Account" means "accounts" as defined in the UCC, and also means a right to payment of a monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a policy of insurance issued or to be issued, (d) for a secondary obligation incurred or to be incurred, or (e) arising out of the use of a credit or charge card or information contained on or for use with the card.

"Acquisition" means, with respect to any Person (a) a purchase or other acquisition of a Controlling interest in the Equity Interests of any other Person, (b) a purchase or other acquisition of all or substantially all of the assets or properties of another Person or of any business unit of another Person, (c) a merger or consolidation of such Person with any other Person or any other transaction or series of transactions resulting in the acquisition of all or substantially all of the assets or a Controlling interest in the Equity Interests of any Person or (d) any acquisition of any Store locations of any Person, in each case, in any transaction or group of transactions which are part of a common plan.

"Act" has the meaning specified in Section 10.17.

"Additional Commitment Lender" has the meaning specified in Section 2.15(a)(iii).

"Adjusted LIBO Rate" means:

(a) for any Interest Period with respect to any LIBO Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of one percent) equal to (i) the LIBO Rate for such Interest Period multiplied by (ii) the Statutory Reserve Rate; and

(b) for any interest rate calculation with respect to any Base Rate Loan, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of one percent) equal to (i) the LIBO Rate for an Interest Period commencing on the date of such calculation and ending on the date that is thirty (30) days thereafter multiplied by (ii) the Statutory Reserve Rate.

The Adjusted LIBO Rate will be adjusted automatically as of the effective date of any change in the Statutory Reserve Rate.

"Adjustment Date" means the first day of each Fiscal Month, commencing June 1, 2013.

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Agent.

"Affiliate" means, with respect to any Person, (i) another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified, (ii) any other Person directly or indirectly holding 10% or more of any class of the Equity Interests of that Person, and (iii) any other Person 10% or more of any class of whose Equity Interests is held directly or indirectly by that Person; provided that an employee of any such Person shall not be considered an "Affiliate" unless such employee falls within one of the three (3) categories described in clauses (i) through (iii) above.

"Agent" means Wells Fargo in its capacity as Administrative Agent and Collateral Agent under any of the Loan Documents, or any successor thereto.

"Agent Parties" has the meaning specified in Section 10.02(c).

"Agent's Office" means the Agent's address and, as appropriate, account as set forth on Schedule 10.02, or such other address or account as the Agent may from time to time notify the Lead Borrower and the Lenders.

"Aggregate Revolving Commitments" means the Revolving Commitments of all the Lenders. As of the Closing Date, the Aggregate Revolving Commitments are $100,000,000.

"Agreement" has the meaning specified in the preamble.

"Allocable Amount" has the meaning specified in Section 10.21(d).

"Annual Financial Statements" has the meaning specified in Section 6.04(a).

"Applicable Lenders" means the Required Lenders, Required Revolving Lenders, Required Term Lenders, all affected Lenders, or all Lenders, as the context may require.

"Applicable Margin" means:

(a) From and after the Closing Date until the first Adjustment Date, the percentages set forth in Level II of the pricing grid below; and

(b) From and after the first Adjustment Date and on each Adjustment Date thereafter, the Applicable Margin shall be determined from the following pricing grid based upon the Average Daily Availability for the most recent Fiscal Month ended immediately preceding such Adjustment Date; provided, however, notwithstanding anything to the contrary set forth herein, upon the occurrence of an Event of Default under Sections 8.01(b), (c), (h) or (i) or if an Event of Default arises based on a breach of Section 6.04(a), (b), (c) or (h), the Agent may, and at the direction of the Required Lenders shall, immediately increase the Applicable Margin to that set forth in Level III (even if the Average Daily Availability requirements for a different Level have been met) and interest shall accrue at the Default Rate; provided further if the foregoing financial statements or any Borrowing Base Certificates are at any time restated or otherwise revised (including as a result of an audit) or if the information set forth in such financial statements or any Borrowing Base Certificates otherwise proves to be false or incorrect such that the Applicable Margin would have been higher than was otherwise in effect during any period, without constituting a waiver of any Default or Event of Default arising as a result thereof,

interest due under this Agreement shall be immediately recalculated at such higher rate for any applicable periods and shall be due and payable on demand.

Level	Average Daily Availability	LIBOR Margin	Base Rate Margin	Commercial Letter of Credit Fee	Standby Letter of Credit Fee
I	Greater than or equal to 66% of the Loan Cap	1.50%	0.50%	1.00%	1.50%
II	Less than 66% of the Loan Cap, but greater than 33% of the Loan Cap	1.75%	0.75%	1.25%	1.75%
III	Less than or equal to 33% of the Loan Cap	2.00%	1.00%	1.50%	2.00%

"Applicable Percentage" means, as the context requires, (a) with respect to any Revolving Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Revolving Commitments represented by such Lender's Revolving Commitment at such time, (b) with respect to any Term Lender at any time, the portion of the Term Loan represented by the outstanding principal balance of such Term Lender's Term Loan at such time, or (c) with respect to all Lenders at any time, the percentage of the sum of the Aggregate Revolving Commitments represented by the sum of such Lender's Revolving Commitment and the outstanding principal balance of such Lender's Term Loan at such time, in each case as the context provides. If the commitments of each Lender to make Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.03 or if the Aggregate Revolving Commitments have expired, then the Applicable Percentage of each Revolving Lender shall be determined based on the Applicable Percentage of such Revolving Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Appraisal Percentage" means 90%.

"Appraised Value" means, with respect to Eligible Inventory, the appraised orderly liquidation value, net of costs and expenses to be incurred in connection with any such liquidation, which value is expressed as a percentage of Cost of Eligible Inventory as set forth in the inventory stock ledger of the Lead Borrower, which value shall be determined from time to time by the most recent appraisal undertaken by an independent appraiser engaged by the Agent.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Approved Foreign Vendor" means a Foreign Vendor which (a) is not located in any country listed onSchedule 1.03 or any such other countries that are referred to in the Trading with the Enemy Act (or similar Laws) as in effect from time to time, (b) has received timely payment or performance of all obligations owed to it listed on by the Loan Parties, (c) has not asserted and no event has occurred for which it has a right to assert any reclamation, repossession, diversion, stoppage in transit, Lien or title retention rights in respect of such Inventory, and (d), if so reasonably requested by the Agent, has entered into and is in full compliance with the terms of a Foreign Vendor Agreement.

"Arranger" means Wells Fargo Capital Finance, LLC, in its capacity as sole lead arranger and sole book manager.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or two or more Approved Funds managed by the same investment advisor.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.06(b)), and accepted by the Agent, in substantially the form of Exhibit E or any other form approved by the Agent.

"Audited Financial Statements" means the audited consolidated balance sheet of the Parent and its Subsidiaries for the Fiscal Year ended December 29, 2011, and the related consolidated statements of income or operations, Shareholders' Equity and cash flows for such Fiscal Year of the Parent and its Subsidiaries, including the notes thereto.

"Availability" means, as of any date of determination thereof by the Agent, the result, if a positive number, of:

(a) the Loan Cap plus the balance of the Segregated Investment Account;

minus

(b) the Total Revolving Outstandings.

In calculating Availability at any time and for any purpose under this Agreement, the Lead Borrower shall certify to the Agent that all accounts payable and Taxes are being paid on a timely basis as provided in Section 5.13 and Section 6.03.

"Availability Period" means the period from and including the Closing Date to the earliest of (a) the Maturity Date, (b) the date of termination of the Aggregate Revolving Commitments pursuant to Section 2.06(a), and (c) the date of termination of the commitment of each Revolving Lender to make Committed Revolving Loans and of the obligation of the L/C Issuer to make L/C Credit Extensions pursuant to Section 8.03.

"Availability Reserves" means, the sum of (a) the Term Loan Reserve, as determined by the Term Loan Agent from time to time in its Permitted Discretion, and (b) without duplication of any other Reserves or items to the extent such items are otherwise addressed or excluded through eligibility criteria, such reserves as the Agent from time to time determines in its Permitted Discretion as being appropriate (i) to reflect the impediments to the Agent's ability to realize upon the Collateral, (ii) to reflect claims and liabilities that the Agent determines will need to be satisfied in connection with the realization upon the Collateral, (iii) to reflect criteria, events, conditions, contingencies or risks which adversely affect any component of the Borrowing Base, or (iv) to reflect that a Default or an Event of Default then exists. Without limiting the generality of the foregoing, Availability Reserves may include, in the Agent's Permitted Discretion, (but are not limited to) reserves based on: (a) rent; (b) customs duties, and other costs to release Inventory which is being imported into the United States; (c) outstanding Taxes and other governmental charges, including, without limitation, ad valorem, real estate, personal property, sales, claims of the PBGC and other Taxes which may have priority over the interests of the Agent in the Collateral; (d) salaries, wages and benefits due to employees of any Borrower, (e) Customer Credit Liabilities, (f) Customer Deposits, (g) reserves for reasonably anticipated changes in the Appraised Value of Eligible Inventory between appraisals, (h) warehousemen's or bailee's charges and other Permitted

Encumbrances which may have priority over the interests of the Agent in the Collateral, (i) amounts due to vendors on account of consigned goods, (j) Cash Management Reserves, and (k) Bank Products Reserves.

"Average Daily Availability" means the average daily Availability for the immediately preceding Fiscal Month.

"Bank Products" means any services of facilities provided to any Loan Party by any Credit Party or any of their respective Affiliates (but excluding Cash Management Services) including, without limitation, on account of (a) Swap Contracts, (b) merchant services constituting a line of credit, (c) leasing, (d) Factored Receivables, and (e) supply chain finance services including, without limitation, trade payable services and supplier accounts receivable purchases (but, in each case, only to the extent that the applicable Lender, other than Wells Fargo, furnishing such services or facilities notifies the Agent and the Lead Borrower in writing that such services or facilities are to be deemed Bank Products hereunder).

"Bank Product Reserves" means such reserves as the Agent from time to time determines in its discretion as being appropriate to reflect the liabilities and obligations of the Loan Parties with respect to Bank Products then provided or outstanding.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate, as in effect from time to timeplus one-half of one percent (0.50%), (b) the Adjusted LIBO Rate plus one percent (1.00%), or (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo as its "prime rate." The "prime rate" is a rate set by Wells Fargo based upon various factors including Wells Fargo's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Wells Fargo shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Blocked Account" has the meaning provided in Section 6.11(a)(ii).

"Blocked Account Agreement" means with respect to an account established by a Loan Party, an agreement, in form and substance reasonably satisfactory to the Agent, establishing control (as defined in the UCC) of such account by the Agent and whereby the bank maintaining such account agrees, upon the occurrence and during the continuance of a Cash Dominion Event, to comply only with the instructions originated by the Agent without the further consent of any Loan Party.

"Blocked Account Bank" means each bank with whom deposit accounts are maintained in which any funds of any of the Loan Parties from one or more DDAs are concentrated and with whom a Blocked Account Agreement has been, or is required to be, executed in accordance with the terms hereof.

"Board" shall mean the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower Holdco" has the meaning specified in the introductory paragraph hereto.

"Borrower Materials" has the meaning specified in Section 6.04.

"Borrowers" has the meaning specified in the introductory paragraph hereto.

"Borrowing" means a Revolving Credit Borrowing, a Swing Line Borrowing, or a Term Borrowing, as the context may require.

"Borrowing Base" means each of the Revolving Borrowing Base and the Term Loan Borrowing Base.

"Borrowing Base Certificate" means a certificate substantially in the form of Exhibit F hereto (with such changes therein as may be reasonably required by the Agent to reflect the components of and reserves against the Borrowing Base as provided for hereunder from time to time), executed and certified as accurate and complete by a Responsible Officer of the Lead Borrower which shall include appropriate exhibits, schedules, supporting documentation, and additional reports as reasonably requested by the Agent.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Agent's Office is located and, if such day relates to any LIBO Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank market.

"Capital Expenditures" shall mean, for any person in respect of any period, the aggregate of all expenditures incurred by such person during such period that, in accordance with GAAP, are or should be included in "additions to property, plant or equipment" or similar items reflected in the statement of cash flows of such person; provided, however, that Capital Expenditures for Borrower Holdco and its Subsidiaries shall not include:

(a) expenditures to the extent they are made with (i) Equity Interests of the Parent or (ii) proceeds of the issuance of Equity Interests of, or a cash capital contribution to, the Lead Borrower after the Closing Date;

(b) expenditures with proceeds of insurance settlements, condemnation awards and other settlements in respect of lost, destroyed, damaged or condemned assets, equipment or other property to the extent such expenditures are made to replace or repair such lost, destroyed, damaged or condemned assets, equipment or other property or otherwise to acquire, maintain, develop, construct, improve, upgrade or repair assets or properties used or useful in the business of Borrower Holdco and its Subsidiaries within one hundred eighty (180) days of receipt of such proceeds (or, to the extent such proceeds are committed to be used for such purpose pursuant to a binding written agreement during such one hundred (180) day period, expenditures made with such proceeds within two hundred seventy (270) days of receipt thereof);

(c) expenditures that are accounted for as capital expenditures of such person and that actually are paid for in cash by a third party (excluding Borrower Holdco, the Borrower and any other Subsidiary) which cash payment by such third party may be made directly or may be made as a cash reimbursement to a Loan Party, and for which none of Borrower Holdco, the Borrower or any other Subsidiary has provided or is required to provide or incur, directly or indirectly, any consideration or obligation to such third party or any other person (whether before, during or after such period);

(d) the purchase price of equipment purchased during such period to the extent the consideration therefor consists of any combination of (i) used or surplus equipment traded in at the time of such purchase and (ii) the proceeds of a concurrent sale of used or surplus equipment, in each case, in the ordinary course of business;

(e) Investments in respect of a Permitted Business Acquisition; or

(f) the purchase of an asset made within one hundred eighty (180) days of the sale of any asset (to the extent such asset sale is permitted hereunder) to the extent such new asset is purchased with the proceeds of such sale (or, to the extent such proceeds are committed to be used for such purpose pursuant to a binding written

agreement during such one hundred eighty (180) day period, purchases made with such proceeds within two hundred seventy (270) days of receipt thereof).

"Capital Lease Obligations" means, with respect to any Person for any period, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as liabilities on a balance sheet of such Person under GAAP and the amount of which obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Collateral Account" means a non-interest bearing account established by one or more of the Loan Parties with Wells Fargo, and in the name of, the Agent (or as the Agent shall otherwise direct) and under the sole and exclusive dominion and control of the Agent, in which deposits are required to be made in accordance with Section 2.03(g) or 8.03.

"Cash Collateralize" has the meaning specified in Section 2.03(g). Derivatives of such term have corresponding meanings.

"Cash Dominion Event" means either (i) the occurrence and continuance of any Event of Default, or (ii) if, at any time, Availability is less than twelve and one half percent (12.5%) of the Loan Cap for three (3) consecutive Business Days. For purposes of this Agreement, the occurrence of a Cash Dominion Event shall be deemed continuing at the Agent's option (i) so long as such Event of Default has not been waived, and/or (ii) if the Cash Dominion Event arises as a result of the Borrowers' failure to achieve Availability as required hereunder, until Availability has exceeded twelve and one half percent (12.5%) of the Loan Cap for thirty (30) consecutive days, in which case a Cash Dominion Event shall no longer be deemed to be continuing for purposes of this Agreement; provided that a Cash Dominion Event shall be deemed continuing (even if an Event of Default is no longer continuing and/or Availability exceeds the required amount for thirty (30) consecutive days) at all times after a Cash Dominion Event has occurred and been discontinued on two (2) occasions in any Fiscal Year or on four (4) occasions after the Closing Date. The termination of a Cash Dominion Event as provided herein shall in no way limit, waive or delay the occurrence of a subsequent Cash Dominion Event in the event that the conditions set forth in this definition again arise.

"Cash Management Reserves" means such reserves as the Agent, from time to time, determines in its Permitted Discretion as being appropriate to reflect the reasonably anticipated liabilities and obligations of the Loan Parties with respect to Cash Management Services then provided or outstanding.

"Cash Management Services" means any cash management services or facilities provided to any Loan Party by any Credit Party or any of their respective Affiliates, including, without limitation: (a) ACH transactions, (b) controlled disbursement services, treasury, depository, overdraft, and electronic funds transfer services, (c) credit or debit cards, (d) credit card processing services, and (e) purchase cards.

"CFC" means a Person that is a controlled foreign corporation under Section 957 of the Code.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the

force of law) by any Governmental Authority; provided, however, for the purposes of this Agreement: (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means an event or series of events by which:

(a) at any time prior to a Public Offering, Permitted Holders shall cease to own and control legally and beneficially (free and clear of all Liens), either directly or indirectly, equity securities in the Parent representing more than 51% of all of the Equity Interests of the Parent on a fully-diluted basis;

(b) Permitted Holders shall fail to have the power to elect a majority of the board of directors of Parent, or, indirectly, the power to elect a majority of the board of directors of the Lead Borrower;

(c) at any time after a Public Offering, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 30% or more of the Equity Interests of the Parent entitled to vote for members of the board of directors or equivalent governing body of the Parent on a fully-diluted basis (and taking into account all such Equity Interests that such "person" or "group" has the right to acquire pursuant to any option right);

(d) any "change of control" occurs under the Term Loan B Credit Agreement;

(e) any "change in control" or similar event as defined in any Organizational Document of any Loan Party; or

(f) the Parent fails at any time to own, directly or indirectly, 100% of the Equity Interests of each other Loan Party free and clear of all Liens (other than the Liens in favor of the Agent and the Term Loan B Agent and holders of Indebtedness under Section 7.01(q) which are subject to the Term Loan B Intercreditor Agreement), except where any transfer or sale of any such Equity Interests are permitted in the Loan Documents.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 10.01.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended and in effect.

"Collateral" means any and all "Collateral" as defined in any applicable Security Document and all other property that is or is intended under the terms of the Security Documents to be subject to Liens in favor of the Agent.

"Collateral Access Agreement" means an agreement reasonably satisfactory in form and substance to the Agent executed by (a) a bailee or other Person in possession of Collateral, or (b) any landlord of Real Estate leased by any Loan Party.

"Collateral and Guaranty Requirements" means to cause any such Person (a) to (i) become a Loan Party by executing and delivering to the Agent a Joinder to this Agreement or a Joinder to the Facility Guaranty or such other documents as the Agent shall deem appropriate for such purpose, (ii) grant a Lien to the Agent on such Person's

assets of the same type that constitute Collateral to secure the Obligations, and (iii) deliver to the Agent documents of the types referred to in clauses (iii) and (iv) of Section 4.01(a) and, if reasonably requested by Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (a)), and (b) if any Equity Interests or Indebtedness of such Person are owned by or on behalf of any Loan Party, to pledge such Equity Interests and promissory notes evidencing such Indebtedness, in each case in form, content and scope reasonably satisfactory to the Agent in accordance with the provisions of the Security Agreement. In no event shall compliance with these requirements waive or be deemed a waiver or Consent to any transaction giving rise to the need to comply with these requirements if such transaction was not otherwise expressly permitted by this Agreement or constitute or be deemed to constitute, with respect to any Subsidiary, an approval of such Person as a Borrower or permit the inclusion of any acquired assets in the computation of the Borrowing Base.

"Commercial L/C Sublimit" means $5,000,000.

"Commercial Letter of Credit" means any Letter of Credit issued for the purpose of providing the primary payment mechanism in connection with the purchase of any materials, goods or services by a Loan Party in the ordinary course of business of such Loan Party.

"Commercial Letter of Credit Agreement" means the Commercial Letter of Credit Agreement relating to the issuance of a Commercial Letter of Credit in the form from time to time in use by the L/C Issuer.

"Commitment" means, as to each Lender, such Lender's Revolving Commitment or Term Commitment, as applicable.

"Commitment Increase" has the meaning specified in Section 2.15(a)(i).

"Committed Loan Notice" means a notice of (a) a Revolving Credit Borrowing or a Term Loan Borrowing, (b) a conversion of Committed Revolving Loans or Term Loans from one Type to the other, or (c) a continuation of LIBO Rate Loans, pursuant to Section 2.02, which, if in writing, shall be substantially in the form of Exhibit A.

"Committed Revolving Loan" has the meaning specified in Section 2.01.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate substantially in the form of Exhibit D.

"Concentration Account" has the meaning provided in Section 6.11(c).

"Confidential Information" has the meaning specified in Section 10.07.

"Consent" means actual consent given by a Lender from whom such consent is sought; or the passage of ten (10) Business Days from receipt of written notice to a Lender from the Agent of a proposed course of action to be followed by the Agent without such Lender's giving the Agent written notice of that Lender's objection to such course of action; provided, however, with respect to any modifications or consents addressed in Sections 10.01(a) through (k), in each case, with respect to the Loans owed to any particular Lender, such Lender shall be deemed to have rejected the request for its consent after the passage of such ten (10) Business Day period if it has not provided its actual consent for same.

"Consolidated" means, when used to modify a financial term, test, statement, or report of a Person, the application or preparation of such term, test, statement or report (as applicable) based upon the consolidation, in accordance with GAAP, of the financial condition or operating results of such Person and its Subsidiaries.

"Consolidated Depreciation and Amortization Expense" means, with respect to Borrower Holdco and its Subsidiaries for any period, the total amount of depreciation and amortization expense, including the amortization of key money and other intangible assets and deferred financing fees and amortization of unrecognized prior service costs, of Borrower Holdco and its Subsidiaries as set forth on the most recently delivered Required Financial Statements for such period and otherwise determined in accordance with GAAP.

"Consolidated EBITDA" means, with respect to a Person and its consolidated Subsidiaries for any period, the Consolidated Net Income of such Person and its consolidated Subsidiaries for such period:

(a) increased, in each case to the extent deducted (and not added back) in Consolidated Net Income and, in each case, without duplication, by:

(i) provision for taxes based on income, profits or capital, including state, franchise, excise and similar taxes and foreign withholding taxes paid or accrued; plus

(ii) Consolidated Interest Charges; plus

(iii) Consolidated Depreciation and Amortization Expense; plus

(iv) (A) extraordinary losses, charges and expenses and (B) non-recurring losses, charges and expenses not to exceed the greater of $3,000,000 or 10% of Consolidated EBITDA for such period (calculated prior to giving effect to this clause (iv)(B)) during any applicable 12-month measurement period with respect to this clause (B); plus

(v) (A) losses, charges and expenses relating to the transactions contemplated hereby (including, without limitation, repayment of the Existing Credit Agreement and the Subordinated Notes), (B) transaction fees, costs and expenses (including upfront fees, commissions, premiums and charges) incurred (1) in connection with the consummation of any of the following transactions (or any of the following transactions proposed but not consummated; provided that the aggregate amount added back pursuant to this clause (v) in any twelve (12) Fiscal Month period with respect to non-consummated transactions shall not exceed $1,000,000) permitted under the Loan Documents: equity issuances, Investments, Acquisitions, Dispositions,

recapitalizations, mergers and the incurrence, modification or repayment of Indebtedness permitted to be incurred hereunder and under the Term Loan B Facility (in each case, including any refinancing thereof) or any amendments, waivers or other modifications under the agreements relating to such indebtedness or similar transactions or (2) in connection with a Public Offering, and (C) transaction fees, costs and expenses (including upfront fees, commissions, premiums and charges) relating to any transactions permitted under the Loan Documents (whether or not consummated) to the extent (1) actually reimbursed in cash during the applicable measurement period by third parties pursuant to indemnification provisions or similar agreements or (2) reimbursed by insurance in cash during the applicable measurement period; plus

(vi) unrealized net losses in the fair market value of any non-speculative hedge agreements;plus

(vii) the amount of management, monitoring, consulting, transaction and advisory fees (including termination fees) and related indemnities and out-of-pocket expense reimbursements paid or accrued to or on behalf of any direct or indirect parent of the Lead Borrower or any Permitted Holder, or any Affiliate thereof, in each case, to the extent permitted hereunder; plus

(viii) to the extent relating to any Permitted Business Acquisitions, the amount of net cost savings and synergies projected by the Lead Borrower in good faith to be realized as a result of specified actions taken or expected to be taken (which cost savings or synergies shall be subject to certification by management of the Lead Borrower, shall be calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of such period and shall either be (A) supported by a quality of earnings report prepared by a Registered Public Accounting Firm, and in form and substance reasonably acceptable to Agent or (B) otherwise reasonably acceptable to the Agent), net of the amount of actual benefits realized during such period from such actions; provided that (1) such cost savings or synergies are reasonably identifiable and factually supportable and (2) such actions have been taken or are expected to be taken within six months after the date of determination to take such action; and provided, further, that the aggregate amount added back pursuant to this clause (ix) in any twelve (12) Fiscal Month period shall not exceed the lesser of $3,000,000 and 10.0% of Consolidated EBITDA for such period calculated prior to giving effect to this clause (ix); plus

(ix) charges and expenses related to the pre-opening and opening of stores, distribution centers or other facilities;plus

(x) earn-out obligations incurred in connection with any Permitted Business Acquisition or other investment and paid or accrued during the applicable period to the extent such earn-out is deducted from the calculation of Consolidated Net Income; plus

(xi) business interruption insurance proceeds in an amount representing the earnings for the applicable period that such proceeds are intended to replace (whether or not received, so long as the Lead Borrower in good faith expects to receive the same within the next six (6) Fiscal Months (it being understood that to the extent not actually received within such six (6) Fiscal Month period, such proceeds shall be deducted in calculating Consolidated EBITDA for the next twelve (12) Fiscal Month period)); plus

(xii) losses from the sale, exchange, transfer or other Disposition of property or assets not in the ordinary course of business of Borrower Holdco and its Subsidiaries; plus

(xiii) (A) any charges, costs, expenses, accruals or reserves in connection with the rollover, acceleration or payout of equity interests held by management and (B) losses, charges and expenses related to payments made to option holders of the Lead Borrower or any of its direct or indirect parents in connection with, or as a result of, any distribution being made to equityholders of such person or any of its direct or indirect parents, which payments are being made to compensate such option holders as though they were equityholders at the time of, and entitled to share in, such distribution, in each case pursuant to clauses (A) and (B) hereof, to the extent such charges, costs, expenses, accruals or reserves are funded with net cash proceeds contributed to the Lead Borrower as a capital contribution or as a result of the sale or issuance of equity (other than Disqualified Stock) of the Lead Borrower; plus

(xiv) unrealized net currency translation losses impacting net income (including currency remeasurements of indebtedness and any net losses resulting from hedge agreements for currency exchange risk associated with the above or other currency-related risk); plus

(xv) the excess of GAAP rent expense over actual cash rent paid due to the use of straight-line rent for GAAP purposes;plus

(xvi) any other non-cash losses, charges and expenses, including any write offs or write downs (whether due to recapitalization accounting, purchase accounting or otherwise), but excluding in any event (i) write-offs or write-downs of accounts receivable and (ii) any such non-cash charge, loss or expense that represents an accrual or reserve for a cash expenditure or payment to be made, or anticipated to be made, in a future period.

(a) decreased by (without duplication and to the extent increasing Consolidated Net Income of Borrower Holdco and its Subsidiaries for such period), (i) non-cash gains (including non-cash gains resulting from recapitalization accounting and purchase accounting), excluding any non-cash gains that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that were deducted (and not added back) in the calculation of Consolidated EBITDA for any prior period, (ii) the excess of actual cash rent paid over GAAP rent expense due to the use of straight line rent for GAAP purposes, (iii) extraordinary gains for such period, (iv) credits for taxes based on income, profits or capital, including state, franchise, excise and similar taxes and foreign withholding taxes, (v) gains from the sale, exchange, transfer or other Disposition of property or assets not in the ordinary course of business of the Borrower Holdco and its Subsidiaries, (vi) unrealized net losses in the fair market value of any non-speculative hedge agreements and (vii) unrealized net currency translation gains impacting net income (including currency remeasurements of indebtedness and any net gains resulting from hedge agreements for currency exchange risk associated with the above or other currency-related risk).

"Consolidated Fixed Charge Coverage Ratio" means, on any date, the ratio of (a) (i) Consolidated EBITDA for the most recent period of twelve (12) consecutive Fiscal Months for which Required Financial Statements have been provided as required hereunder minus (ii) non-financed Capital Expenditures of Borrower Holdco and its Subsidiaries during such period (it being understood that Capital Expenditures funded with proceeds of Committed Revolving Loans shall not be deemed to be "financed" for the purpose of this clause (ii)) minus (iii) taxes of Borrower Holdco and its Subsidiaries based on income that are paid in cash during such period (including tax distributions paid in cash during such period) to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges" means, for any period, the sum, without duplication, of the following for such period:

(a) Consolidated Interest Charges paid or payable currently in cash;

(b) scheduled principal amortization payments of Indebtedness for borrowed money of Borrower Holdco and its Subsidiaries, including payments in respect of Capitalized Lease Obligations, but excluding payments of intercompany Indebtedness; and

(c) Restricted Payments made pursuant to Section 7.06 (other than pursuant to clause (c) thereof), in each case paid or payable currently in cash.

"Consolidated Interest Charges" means, with respect to Borrower Holdco and its Subsidiaries for any period, (a) the sum, without duplication, of (i) consolidated interest expense of Borrower Holdco and its Subsidiaries for such period, to the extent such expense was deducted (and not added back) in computing Consolidated Net Income (including amortization of original issue discount, the interest component of Capital Lease Obligations, net payments and receipts (if any) pursuant to interest rate Swap Contracts, deferred financing fees, debt issuance costs, commissions, fees and expenses and expensing of any bridge, commitment or other financing fees), plus (b) consolidated capitalized interest of such person and its Subsidiaries for such period, whether paid or accrued, plus (c) any amounts paid or payable in respect of interest and/or principal on Indebtedness the proceeds of which have been contributed to Borrower Holdco or any of its Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of Borrower Holdco and its Subsidiaries, together with any interest in respect thereof; provided that when determining Consolidated Interest Charges

in respect of any period ending prior to the first anniversary of the Closing Date, Consolidated Interest Charges shall be calculated by multiplying the aggregate Consolidated Interest Charges accrued since the Closing Date by 365 and then dividing such product by the number of days from and including the Closing Date to and including the last day of such period minus (b) interest income for such period.

"Consolidated Net Income" means, as of any date of determination, the net income of Borrower Holdco and its Subsidiaries for the most recently completed Measurement Period, all as determined on a Consolidated basis in accordance with GAAP; provided, however, that there shall be excluded therefrom (a) the income (or loss) of such Person during such Measurement Period in which any other Person has a joint interest, except to the extent of the amount of cash dividends or other distributions actually paid in cash to such Person during such period, (b) the income (or loss) of such Person during such Measurement Period and accrued prior to the date it becomes a Subsidiary of a Person or any of such Person's Subsidiaries or is merged into or consolidated with a Person or any of its Subsidiaries or that Person's assets are acquired by such Person or any of its Subsidiaries, and (c) the income of any direct or indirect Subsidiary of a Person to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that income is not at the time permitted by operation of the terms of its Organization Documents or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary, except that Borrower Holdco and its Subsidiaries' equity in any net loss of any such Subsidiary for such Measurement Period shall be included in determining Consolidated Net Income.

"Consolidated Tangible Assets" means the total assets of the Borrower Holdco and its Subsidiaries appearing on the balance sheet on the most recently delivered Required Financial Statements, *minus* all intangible assets, including, without limitation, Intellectual Property, goodwill and other like intangible assets,*minus* unamortized debt discount and expense and the par value of all Equity Interests held thereby.

"Consolidated Total Indebtedness" means (i) all Obligations and any undrawn portion of the Aggregate Revolving Commitments, and (ii) all other consolidated Indebtedness of Borrower Holdco and its Subsidiaries (consisting of Indebtedness for borrowed money, Capital Lease Obligations, purchase

money debt, and all guarantees of the foregoing, in each case, set forth on the most recently delivered Required Financial Statements for such period).

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Cost" means the lower of cost or market value of Inventory, based upon the Borrowers' accounting practices, known to the Agent, which practices are in effect on the Closing Date or with any changes permitted hereunder as such calculated cost is determined from invoices received by the Borrowers, the Borrowers' purchase journals or the Borrowers' stock ledger.

"Covenant Compliance Event" means Availability at any time is less than or equal to ten percent (10%) of the Loan Cap. For purposes hereof, the occurrence of a Covenant Compliance Event shall be deemed continuing at the Agent's option until Availability has exceeded ten percent (10%) of the Loan Cap for forty-five (45) consecutive calendar days, in which case a Covenant Compliance Event shall no longer be deemed to be continuing for purposes of this Agreement; provided that a Covenant Compliance Event shall be deemed continuing (even if Availability exceeds the required amount for forty-five (45) consecutive calendar days) at all times after a Covenant Compliance Event has occurred and been discontinued on four (4) occasions after the Closing Date. The termination of a Covenant Compliance Event as provided herein shall in no way limit, waive or delay the occurrence of a subsequent Covenant Compliance Event in the event that the conditions set forth in this definition again arise.

"Credit Card Advance Rate" means 90%.

"Credit Card Issuer" means any person (other than a Borrower or other Loan Party) who issues or whose members issue credit cards, including, without limitation, MasterCard or VISA bank credit or debit cards or other bank credit or debit cards issued through MasterCard International, Inc., Visa, U.S.A., Inc. or Visa International and American Express, Discover, Diners Club, Carte Blanche and other non-bank credit or debit cards, including, without limitation, credit or debit cards issued by or through American Express Travel Related Services Company, Inc., and Novus Services, Inc. and other issuers approved by the Agent in its reasonable discretion.

"Credit Card Processor" means any servicing or processing agent or any factor or financial intermediary who facilitates, services, processes or manages the credit authorization, billing transfer and/or payment procedures with respect to any Borrower's sales transactions involving credit card or debit card purchases by customers using credit cards or debit cards issued by any Credit Card Issuer.

"Credit Card Notifications" has the meaning specified in Section 6.11(a)(i).

"Credit Card Receivables" means each "Account" (as defined in the UCC) together with all income, payments and proceeds thereof, owed by a Credit Card Issuer or Credit Card Processor to a Loan Party resulting from charges by a customer of a Loan Party on credit or debit cards issued by such issuer in connection with the sale of goods by a Loan Party, or services performed by a Loan Party, in each case in the ordinary course of its business.

"Credit Extensions" mean each of the following: (a) a Borrowing and (b) an L/C Credit Extension.

"Credit Party" or "Credit Parties" means (a) individually, (i) each Lender and its Affiliates, (ii) the Agent, (iii) the Term Loan Agent, (iv) each L/C Issuer, (v) the Arranger, (vi) any other Person to

whom Obligations under this Agreement and other Loan Documents are owing, and (vii) the successors and assigns of each of the foregoing, and (b) collectively, all of the foregoing.

"Credit Party Expenses" means, without limitation, (a) all reasonable and documented out-of-pocket expenses incurred by the Agent, the Term Loan Agent, and their respective Affiliates, in connection with this Agreement and the other Loan Documents, including without limitation (i) the reasonable fees, charges and disbursements of (A) counsel for the Agent and Term Loan Agent, (B) outside consultants for the Agent, (C) appraisers, (D) commercial finance examinations, and (E) all such reasonable and documented out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Obligations, (ii) in connection with (A) the syndication of the credit facilities provided for herein, (B) the preparation, negotiation, administration, management, execution and delivery of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (C) the enforcement or protection of their rights in connection with this Agreement or the Loan Documents or efforts to preserve, protect, collect, or enforce the Collateral, or (D) any workout, restructuring or negotiations in respect of any Obligations, and (b) with respect to the L/C Issuer, and its Affiliates, all reasonable out-of-pocket expenses incurred in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder; and (c) all customary and reasonable and invoiced fees and charges (as adjusted from time to time) of Agent and Term Loan Agent with respect to the disbursement of funds (or the receipt of funds) to or for the account of Loan Parties (whether by wire transfer or otherwise), together with any reasonable out-of-pocket costs and expenses incurred in connection therewith; and (d) all reasonable and documented out-of-pocket expenses incurred by the Credit Parties who are not the Agent, the Term Loan Agent, or the L/C Issuer, after the occurrence and during the continuance of an Event of Default, provided that such Credit Parties shall be entitled to reimbursement for no more than one counsel (plus any local counsel) representing the Agent and Term Loan Agent and one counsel representing all other Credit Parties (absent a conflict of interest in which case the Credit Parties may engage and be reimbursed for additional counsel).

"Cure Amount" has the meaning specified in Section 8.02.

"Cure Right" has the meaning specified in Section 8.02.

"Customer Credit Liabilities" means at any time, the aggregate remaining value at such time of (a) outstanding gift certificates and gift cards of the Borrowers entitling the holder thereof to use all or a portion of the certificate or gift card to pay all or a portion of the purchase price for any Inventory, (b) outstanding merchandise credits of the Borrowers, and (c) liabilities in connection with frequent shopping programs of the Borrowers.

"Customer Deposits" means at any time, the aggregate amount at such time of (a) deposits made by customers with respect to the purchase of goods or the performance of services and (b) layaway obligations of the Borrowers.

"Customs Broker/Carrier Agreement" means an agreement in form and substance satisfactory to the Agent among a Borrower, a customs broker, freight forwarder, consolidator or carrier, and the Agent.

"DDA" means each checking, savings or other demand deposit account maintained by any of the Loan Parties. All funds in each DDA shall be conclusively presumed to be Collateral and proceeds of Collateral and the Agent, the Term Loan Agent, and the Lenders shall have no duty to inquire as to the source of the amounts on deposit in any DDA.

"DDA Notification" has the meaning specified in Section 6.11(a)(iii).

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means (a) when used with respect to Obligations other than Letter of Credit Fees and the Term Loan, an interest rate equal to (i) the Base Rate plus (ii) the Applicable Margin, if any, applicable to Base Rate Loans, plus (iii) 2% per annum; provided, however, that with respect to a LIBO Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Margin) otherwise applicable to such Loan plus 2% per annum, (b) when used with respect to Letter of Credit Fees, a rate equal to the Applicable Margin for Standby Letters of Credit or Commercial Letters of Credit, as applicable, plus 2% per annum, and (c) when used with respect to the Term Loan, an interest rate equal to (i) the Base Rate plus (ii) the Term Applicable Margin, if any, applicable to Base Rate Loans, plus (iii) 2% per annum; provided, however, that with respect to a LIBO Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Term Applicable Margin) otherwise applicable to such Loan plus 2% per annum.

"Defaulting Lender" means any Revolving Lender that (a) has failed to fund any portion of the Committed Revolving Loans, participations in L/C Obligations or participations in Swing Line Loans required to be funded by it hereunder within three (3) Business Days of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Agent or any other Revolving Lender any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, (c) has failed or refused to abide by any of its obligations under this Agreement, or (d) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Disinterested Director" means, with respect to any person and transaction, a member of the board of directors of such person who does not have any material direct or indirect financial interest in or with respect to such transaction.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (whether in one transaction or in a series of transactions, and including any sale and leaseback transaction and any sale, transfer, license or other disposition) of any property (including, without limitation, any Equity Interests) by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Disqualified Institution" means (a) the persons identified in writing to the Agent on or prior to the Closing Date as competitors that are directly engaged in the same line of business as the Loan Parties (or, if after the Closing Date, that are mutually agreed upon between the Lead Borrower and the Agent, each party acting reasonably) (or any Affiliates of the foregoing that are reasonably identifiable as such); provided such competitors described in this clause (a) shall exclude any bank, financial institution or fund (other than a Disqualified Institution under clause (b) below) that regularly invests in commercial loans or similar extensions of credit in the ordinary course of business, and (b) certain banks, financial institutions and other institutional lenders and investors that have been specifically identified in writing to the Agent on or prior to the Closing Date.

"Disqualified Stock" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder

thereof), or upon the happening of any event, matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, on or prior to the date that is ninety-one (91) days after the date on which the Loans and all other Obligations (other than Obligations in respect of Bank Products, Cash Management Services and contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) are paid in full; provided, however, that (i) only the portion of such Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock and (ii) with respect to any Equity Interests issued to any employee or to any plan for the benefit of employees of the Lead Borrower or its Subsidiaries or by any such plan to such employees, such Equity Interest shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Lead Borrower or one of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, resignation, death or disability and if any class of Equity Interest of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of an Equity Interest that is not Disqualified Stock, such Equity Interests shall not be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Equity Interest that would constitute Disqualified Stock solely because the holders thereof have the right to require a Loan Party to repurchase such Equity Interest upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Agreement will be the maximum amount that the Lead Borrower and its Subsidiaries may become obligated to pay upon maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock or portion thereof, plus accrued dividends.

"Dollars" and "$" mean lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of the United States of America, any State thereof or the District of Columbia (excluding, for the avoidance of doubt, any Subsidiary organized under the laws of Puerto Rico or any other territory).

"Early Termination Fee" has the meaning specified in Section 2.09(b).

"Eligible Assignee" means (a) a Lender or any of its Affiliates; (b) in the case of an assignment of a Revolving Commitment, a bank, insurance company, or company engaged in the business of making commercial loans, which Person, together with its Affiliates, has a combined capital and surplus in excess of $250,000,000; (c) an Approved Fund; (d) any Person to whom a Credit Party assigns its rights and obligations under this Agreement as part of an assignment and transfer of such Credit Party's rights in and to a material portion of such Credit Party's portfolio of asset based credit facilities, and (e) any other Person (other than a natural person) approved by (i) (x) in the case of a Revolving Commitment, the Agent, the L/C Issuer and the Swing Line Lender, (y) in the case of a portion of the Term Loan, the Term Loan Agent, and (ii) unless an Event of Default has occurred and is continuing, the Lead Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include (A) a Loan Party or any of the Loan Parties' Affiliates or Subsidiaries or (B) any Disqualified Institution.

"Eligible Credit Card Receivables" means at the time of any determination thereof, each Credit Card Receivable that satisfies the following criteria at the time of creation and continues to meet the same at the time of such determination: such Credit Card Receivable (i) has been earned by performance and represents the bona fide amounts due to a Borrower from a Credit Card Issuer or Credit Card Processor, and in each case originated in the ordinary course of business of such Borrower, and (ii) in each case is acceptable to the Agent in its Permitted Discretion, and is not ineligible for inclusion in the calculation of

the Borrowing Base pursuant to any of clauses (a) through (j) below. Without limiting the foregoing, to qualify as an Eligible Credit Card Receivable, such Credit Card Receivable shall indicate no Person other than a Borrower as payee or remittance party. In determining the amount to be so included, the face amount of such Credit Card Receivable shall be reduced by, without duplication, to the extent not reflected in such face amount, (i) the amount of all accrued and actual discounts, claims, credits or credits pending, promotional program allowances, price adjustments, finance charges or other allowances (including any amount that a Borrower may be obligated to rebate to a customer, a Credit Card Issuer or Credit Card Processor pursuant to the terms of any agreement or understanding (written or oral)) and (ii) the aggregate amount of all cash received in respect of such Credit Card Receivable but not yet applied by the Loan Parties to reduce the amount of such Credit Card Receivable. Except as otherwise agreed by the Agent, any Credit Card Receivable included within any of the following categories shall not constitute an Eligible Credit Card Receivable:

(a) Credit Card Receivables which do not constitute a "payment intangible" (as defined in the UCC);

(b) Credit Card Receivables that have been outstanding for more than six (6) Business Days from the date of sale;

(c) Credit Card Receivables (i) that are not subject to a perfected first priority and exclusive Lien in favor of the Agent, or (ii) with respect to which a Borrower does not have good, valid and marketable title thereto, free and clear of any Lien (other than (1) Liens granted to the Agent pursuant to the Security Documents, (2) Liens granted to the Term Loan B Agent pursuant to the Term Loan B Documents and are subject to the Term Loan B Intercreditor Agreement, (3) Liens permitted under Section 7.02(d) for which the Agent has established Reserves, and (4) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent for which the Agent has established Reserves in its Permitted Discretion);

(d) Credit Card Receivables which are disputed, are with recourse, or with respect to which a claim, counterclaim, offset or chargeback has been asserted (to the extent of such claim, counterclaim, offset or chargeback);

(e) Credit Card Receivables as to which the Credit Card Issuer or Credit Card Processor has the right under certain circumstances to require a Loan Party to repurchase the Credit Card Receivables from such Credit Card Issuer or Credit Card Processor;

(f) Credit Card Receivables due from Credit Card Issuer or Credit Card Processor of the applicable credit card which is the subject of any bankruptcy or insolvency proceedings;

(g) Credit Card Receivables which are not a valid, legally enforceable obligation of the applicable Credit Card Issuer or Credit Card Processor with respect thereto;

(h) Credit Card Receivables which do not conform to all representations, warranties or other provisions in the Loan Documents relating to Credit Card Receivables;

(i) Credit Card Receivables which are evidenced by "chattel paper" or an "instrument" of any kind unless, to the extent required under the Security Agreement, such "chattel paper" or "instrument" is in the possession of the Agent, and to the extent necessary or appropriate, endorsed to the Agent; or

(j) Credit Card Receivables which the Agent determines in its Permitted Discretion to be uncertain of collection or which do not meet such other reasonable eligibility criteria for Credit Card Receivables as the Agent may determine in its Permitted Discretion.

"Eligible In-Transit Inventory" means, as of any date of determination thereof, without duplication of other Eligible Inventory, items of In-Transit Inventory deemed by the Agent in its sole discretion to be eligible for inclusion in the calculation of the Revolving Borrowing Base and the Term Loan Borrowing Base which will, subject to the proviso, include the In-Transit Inventory which meets each of the following criteria:

(a) which has been shipped from a foreign port (FOB shipping point) for receipt by a Borrower, but which has not yet been delivered to such Borrower, which In-Transit Inventory has been in transit for sixty (60) days or less from the date of shipment of such Inventory;

(b) for which the purchase order is in the name of a Borrower and title and risk of loss has passed to such Borrower;

(c) for which an Acceptable Document of Title or Acceptable Transport Document has been issued, and in each case as to which the Agent has control (as defined in the UCC) over the documents of title which evidence ownership of the subject Inventory (such as, if requested by the Agent, by the delivery of a Customs Broker/Carrier Agreement);

(d) which is insured to the reasonable satisfaction of the Agent (including, without limitation, marine cargo insurance);

(e) the Foreign Vendor with respect to such In-Transit Inventory is an Approved Foreign Vendor; and

(f) which otherwise would constitute Eligible Inventory;

provided that the Agent may, in its discretion, exclude any particular Inventory from the definition of "Eligible In-Transit Inventory" in the event the Agent determines that such Inventory is subject to any Person's right of reclamation, repudiation, stoppage in transit or any event has occurred or is reasonably anticipated by the Agent to arise which may otherwise adversely impact the ability of the Agent to realize upon such Inventory.

"Eligible Inventory" means, as of the date of determination thereof, without duplication, (i) Eligible In-Transit Inventory, and (ii) items of Inventory of a Borrower that are finished goods, merchantable and readily saleable to the public in the ordinary course of the Borrowers' business and deemed by the Agent in its Permitted Discretion to be eligible for inclusion in the calculation of the Revolving Borrowing Base or the Term Loan Borrowing Base, in each case that, except as otherwise agreed by the Agent, (A) complies with each of the representations and warranties respecting Inventory made by the Borrowers in the Loan Documents, and (B) is not excluded as ineligible by virtue of one or more of the criteria set forth below. Except as otherwise agreed by the Agent, in its discretion, the following items of Inventory shall not be included in Eligible Inventory:

(a) Inventory that is not solely owned by a Borrower or a Borrower does not have good and valid title thereto;

(b) Inventory that is leased by or is on consignment to a Borrower or which is consigned by a Borrower to a Person which is not a Loan Party;

(c) Inventory (other than Eligible In-Transit Inventory) that is not located in the United States of America (excluding territories or possessions of the United States);

(d) Inventory that is not located at a location that is owned or leased by a Borrower, except (i) Inventory in transit between such owned or leased locations or locations which meet the criteria set forth in clause (ii) below, or (ii) to the extent that the Borrowers have furnished the Agent with (A) any UCC financing statements or other documents that the Agent may determine to be necessary to perfect its security interest in such Inventory at such location, and (B) a Collateral Access Agreement executed by the Person owning any such location on terms reasonably acceptable to the Agent, or, with respect to Inventory located at third party-operated warehouses located in the United States of America (excluding territories or possessions of the United States) where the Loan Parties' obligations to such third party operator are subject to a use and occupancy arrangement under which there is a monthly fee charged for such usage, to the extent, the Borrowers have used commercially reasonable efforts to deliver any such Collateral Access Agreements and are unable to do so, and the Agent has implemented Reserves for such location in its Permitted Discretion (which, for the avoidance of doubt, shall consist of two (2) months of rent and shall consist of three (3) months for all other usage amounts due to such third party operator, plus all unpaid rent or usage fees due and payable at the time such Reserve is established;

(e) Inventory that is located: (i) in a distribution center or warehouse leased by a Borrower unless the applicable lessor has delivered to the Agent a Collateral Access Agreement or, to the extent the Borrowers have used commercially reasonable efforts to deliver any such Collateral Access Agreements and are unable to do so, the Agent has implemented Reserves for such location in the amount of two (2) months' rent, plus all unpaid rent fees due and payable at the time such Reserve is established, or (ii) at any leased location in a Landlord Lien State unless the applicable lessor has delivered to the Agent a Collateral Access Agreement or the Agent has implemented Reserves for such location;

(f) Inventory that is comprised of goods which (i) are damaged, defective, "seconds," or otherwise unmerchantable, (ii) are to be returned to the vendor, (iii) are obsolete or slow moving (i.e. beyond what was recognized on the most recent appraisal delivered to the Agent hereunder), or custom items, work in process, raw materials, or that constitute samples, spare parts, promotional, marketing, labels, bags and other packaging and shipping materials or supplies used or consumed in a Borrower's business, (iv) are seasonal in nature and which have been packed away for sale in the subsequent season, (v) are not in compliance with all standards imposed by any Governmental Authority having regulatory authority over such Inventory, its use or sale, or (vi) are bill and hold goods;

(g) Inventory that is not subject to a perfected first priority and exclusive Lien in favor of the Agent (other than (1) Liens granted to the Agent pursuant to the Security Documents, (2) Liens granted to the Term Loan B Agent pursuant to the Term Loan B Documents and are subject to the Term Loan B Intercreditor Agreement, (3) Liens permitted under Section 7.02(d) for which the Agent has established Reserves, and (4) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent for which the Agent has established Reserves in its Permitted Discretion);

(h) Inventory that is not insured in compliance with the provisions of Section 6.02 hereof;

(i) to the extent not reserved for as a customer deposit, Inventory that has been sold but not yet delivered or as to which a Borrower has accepted a deposit;

(j) Inventory that is subject to any licensing, patent, royalty, trademark, trade name or copyright agreement with any third party from which any Borrower or any of its Subsidiaries has received notice of a dispute in respect of any such agreement; or

(k) Inventory acquired in a Permitted Business Acquisition or which is not of the type usually sold in the ordinary course of the Borrowers' business, unless and until the Agent has completed or received (A) an appraisal of such Inventory from appraisers satisfactory to the Agent and establishes an advance rate therefor and Inventory Reserves (if applicable) therefor, and otherwise agrees that such Inventory shall be deemed Eligible Inventory, and (B) such other due diligence as the Agent may require, all of the results of the foregoing to be reasonably satisfactory to the Agent; provided that (1) as long as the Lead Borrower reasonably cooperates with the Agent in connection with the completion of such due diligence and all other eligibility criteria are satisfied with respect to such Inventory, seventy-five percent (75%) of the Cost of such Inventory shall be deemed Eligible Inventory pending the completion of such due diligence, and (2) as long as the Lead Borrower reasonably cooperates with the Agent in connection with the completion of such due diligence, if such due diligence is not completed within ninety (90) days after the date of the Permitted Business Acquisition, as long as all other eligibility criteria are satisfied with respect to such Inventory, 100% of the Cost of such Inventory shall be deemed Eligible Inventory until such time as the due diligence shall be completed.

"Eligible On-Hand Inventory" means all Eligible Inventory other than Eligible In-Transit Inventory.

"Eligible Trade Receivables" means Accounts deemed by the Agent in its Permitted Discretion to be eligible for inclusion in the calculation of the Revolving Borrowing Base or the Term Loan Borrowing Base arising from the sale of the Borrowers' Inventory (other than those consisting of Credit Card Receivables) that satisfies the following criteria at the time of creation and continues to meet the same at the time of such determination: such Account (i) has been earned by performance and represents the bona fide amounts due to a Borrower from an account debtor, and in each case originated in the ordinary course of business of such Borrower, and (ii) in each case is acceptable to the Agent in its Permitted Discretion, and is not ineligible for inclusion in the calculation of the Revolving Borrowing Base or the Term Loan Borrowing Base pursuant to any of clauses (a) through (v) below. Without limiting the foregoing, to qualify as an Eligible Trade Receivable, an Account shall indicate no Person other than a Borrower as payee or remittance party. In determining the amount to be so included, the face amount of an Account shall be reduced by, without duplication, to the extent not reflected in such face amount, (i) the amount of all accrued and actual discounts, claims, credits or credits pending, promotional program allowances, price adjustments, finance charges or other allowances (including any amount that a Borrower may be obligated to rebate to a customer pursuant to the terms of any agreement or understanding (written or oral)) and (ii) the aggregate amount of all cash received in respect of such Account but not yet applied by the Borrowers to reduce the amount of such Eligible

Trade Receivable. Except as otherwise agreed by the Agent, any Account included within any of the following categories shall not constitute an Eligible Trade Receivable:

(a) Accounts that are not evidenced by an invoice;

(b) Accounts that have been outstanding for more than ninety (90) days from the date of sale or more than sixty (60) days past the due date;

(c) Accounts due from any account debtor which is obligated on any accounts described in clause (b), above.

(d) from and after the time when Eligible Trade Receivables first equal the greater of $5,000,000 and five percent (5%) of the Borrowing Base, the aggregate amount of Accounts owed by an account debtor and/or its Affiliates exceed such percentage as may be established by the Agent in its Permitted Discretion from time to time for any account debtor (but the portion of the Accounts not in excess of the applicable percentages may be deemed Eligible Trade Receivables, in the Agent's Permitted Discretion);

(e) Accounts (i) that are not subject to a perfected first priority and exclusive Lien in favor of the Agent, or (ii) with respect to which a Borrower does not have good, valid and marketable title thereto, free and clear of any Lien (other than (1) Liens granted to the Agent pursuant to the Security Documents, (2) Liens granted to the Term Loan B Agent pursuant to the Term Loan B Documents and are subject to the Term Loan B Intercreditor Agreement, (3) Liens permitted under Section 7.02(d) for which the Agent has established Reserves, and (4) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent for which the Agent has established Reserves in its Permitted Discretion);

(f) Accounts which are disputed or with respect to which a claim, counterclaim, offset or chargeback has been asserted, but only to the extent of such dispute, counterclaim, offset or chargeback;

(g) Accounts which arise out of any sale made not in the ordinary course of business, made on a basis other than upon credit terms usual to the business of the Borrowers or are not payable in Dollars;

(h) Accounts which are owed by any account debtor whose principal place of business is not within the continental United States;

(i) Accounts which are owed by any Affiliate or any employee of a Loan Party;

(j) Accounts for which all consents, approvals or authorizations of, or registrations or declarations with any Governmental Authority required to be obtained, effected or given in connection with the performance of such Account by the account debtor or in connection with the enforcement of such Account by the Agent have been duly obtained, effected or given and are in full force and effect;

(k) Accounts due from an account debtor which is the subject of any bankruptcy or insolvency proceeding, has had a trustee or receiver appointed for all or a substantial part of its property, has made an assignment for the benefit of creditors or has suspended its business;

(l) Accounts due from any Governmental Authority except to the extent that the subject account debtor is the federal government of the United States of America and has complied with the Federal Assignment of Claims Act of 1940 and any similar state legislation;

(m) Accounts (i) owing from any Person that is also a supplier to or creditor of a Loan Party or any of its Subsidiaries unless such Person has waived any right of setoff in a manner acceptable to the Agent or (ii) representing any manufacturer's or supplier's credits, discounts, incentive plans or similar arrangements entitling a Loan Party or any of its Subsidiaries to discounts on future purchase therefrom;

(n) Accounts arising out of sales on a bill-and-hold, guaranteed sale, sale-or-return, sale on approval or consignment basis or subject to any right of return, set off or charge back;

(o) Accounts arising out of sales to account debtors outside the United States unless such Accounts are fully backed by an irrevocable letter of credit on terms, and issued by a financial institution, acceptable to the Agent and such irrevocable letter of credit is in the possession of the Agent;

(p) Reserved;

(q) Accounts evidenced by a promissory note or other instrument;

(r) Accounts consisting of amounts due from vendors as rebates or allowances;

(s) Accounts which are in excess of the credit limit for such account debtor established by the Borrowers in the ordinary course of business and consistent with past practices;

(t) Accounts which include extended payment terms (datings) beyond those generally furnished to other account debtors in the ordinary course of business;

(u) Accounts which constitute Credit Card Receivables; or

(v) Accounts which the Agent determines in its Permitted Discretion to be unacceptable for borrowing.

"Enforcement Action" means the exercise by the Agent in good faith of any of its enforcement rights and remedies as a secured creditor hereunder or under the other Loan Documents, applicable law or otherwise at any time upon the occurrence and during the continuance of an Event of Default (including, without limitation, the solicitation of bids from third parties to conduct the liquidation of the Collateral, the engagement or retention of sales brokers, marketing agents, investment bankers, accountants, appraisers, auctioneers or other third parties for the purposes of valuing, marketing, promoting and selling the Collateral, the commencement of any action to foreclose on the security interests or Liens of Agent in or on all or any material portion of the Collateral, notification of account debtors to make payments to the Agent, any action to take possession of all or any portion of the Collateral or commencement of any legal proceedings or actions against or with respect to all or any portion of the Collateral, but excluding, for the avoidance of doubt, notification from the Agent pursuant to a Blocked Account Agreement upon the occurrence of a Cash Dominion Event).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any Hazardous Materials into the environment.

"Environmental Liability" means any liability, obligation, damage, loss, claim, action, suit, judgment, order, fine, penalty, fee, expense, or cost, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal or presence of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract,

agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equipment" has the meaning specified in the UCC.

"Equity Interests" means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Lead Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Lead Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Lead Borrower or any ERISA Affiliate from a Multiemployer Plan or written notification that a Multiemployer Plan is in reorganization within the meaning of Title IV of ERISA; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate, a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Lead Borrower or any ERISA Affiliate.

"Event of Default" has the meaning specified in Section 8.01. An Event of Default shall be deemed to be continuing unless and until that Event of Default has been duly waived as provided in Section 10.01 hereof.

"Excluded Swap Obligation" means any Swap Obligation that arises from any guaranty or collateral pledge with respect to the Obligations that becomes impermissible under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of Guarantor's failure for any reason to constitute an "eligible contract participant" as defined in the Commodity Exchange Act at the time this Guaranty becomes effective with respect to such related Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one (1) swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to swaps for which such guaranty or collateral pledge becomes illegal.

"Excluded Taxes" means, with respect to the Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Loan Parties hereunder, (a)

taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), in each case (i) imposed as a result of such recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which any Loan Party is located, (c) in the case of a Foreign Lender, (i) any withholding tax that is imposed on amounts payable to such Foreign Lender (A) at the time such Foreign Lender becomes a party hereto (other than as an assignee pursuant to a request by the Lead Borrower under Section 10.13) or (B) designates a new Lending Office, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Loan Parties with respect to such withholding tax pursuant to Section 3.01(a) or (ii) is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.01(e), and (d) any U.S. federal, state or local backup withholding tax, and (e) any U.S. federal withholding tax imposed under FATCA.

"Executive Order" has the meaning set forth in Section 10.18.

"Existing Credit Agreement" means that certain Credit Agreement, dated as of June 21, 2011 (as amended by the First Amendment to Credit Agreement, dated as of September 29, 2011, and as further amended by the Second Amendment to Credit Agreement, dated as of May 8, 2012), among the Lead Borrower, Borrower Holdco and Parent, Wells Fargo Bank, National Association, as administrative agent, Suntrust Bank, as syndication agent, Barclays Bank PLC, as documentation agent, and the other lenders named therein, Wells Fargo Securities, LLC and Suntrust Robinson Humphrey, Inc., as joint lead arrangers, and Wells Fargo Securities, LLC, as sole bookrunner.

"Existing Indebtedness" means all obligations under the Existing Credit Agreement and all obligations under the Subordinated Notes and the documents executed in connection therewith.

"Existing Letter of Credit" means that certain Irrevocable Standby Letter of Credit, dated October 1, 2012, issued by Wells Fargo for the benefit of America Casualty Company of Reading Pennsylvania and/or Transportation Insurance Company.

"Extended Revolving Commitment" has the meaning specified in Section 2.16(a).

"Extended Term Loan" has the meaning specified in Section 2.16(a).

"Extension" has the meaning specified in Section 2.16(a).

"Extension Amendment" has the meaning specified in Section 2.16(c).

"Extension Offer" has the meaning specified in Section 2.16(a).

"Extraordinary Receipt" means any cash received by or paid to or for the account of any Person not in the ordinary course of business, including tax refunds, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost earnings),

condemnation awards (and payments in lieu thereof), indemnity payments and any purchase price adjustments.

"Facility Guaranty" means the Guarantee dated as of the Closing Date made by the Guarantors in favor of the Agent and the Term Loan Agent and the other Credit Parties, in form reasonably satisfactory

to the Agent and the Term Loan Agent, as the same now exists or may hereafter be amended, modified, supplemented, renewed, restated or replaced (including, without limitation, through any joinder agreements).

"FATCA" means current Section 1471 through 1474 of the Code or any amended version or successor provision that is substantively similar to and, in each case, any regulations promulgated thereunder and any interpretation and other guidance issued in connection therewith.

"Factored Receivables" means any Accounts originally owed or owing by a Loan Party to another Person which have been purchased by or factored with Wells Fargo or any of its Affiliates pursuant to a factoring arrangement or otherwise with the Person that sold the goods or rendered the services to the Loan Party which gave rise to such Account.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Wells Fargo on such day on such transactions as determined by the Agent.

"Fee Letter" means the letter agreement, dated the date hereof, among the Lead Borrower, the Agent and the Term Loan Agent.

"Financial Performance Covenant" shall mean the covenant set forth in Section 7.10.

"Fiscal Month" means any fiscal month of any Fiscal Year, which month shall generally end on the last Thursday of each calendar month in accordance with the fiscal accounting calendar of the Loan Parties.

"Fiscal Quarter" means any fiscal quarter of any Fiscal Year, which quarters shall generally end on the last Thursday of each March, June, September, and December of such Fiscal Year in accordance with the fiscal accounting calendar of the Loan Parties.

"Fiscal Year" means any period of twelve (12) consecutive months ending on the last Thursday of any calendar year.

"Foreign Asset Control Regulations" has the meaning specified in Section 10.18.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Lead Borrower is organized. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means each Subsidiary other than a Domestic Subsidiary, including, without limitation, any CFCs.

"Foreign Vendor" means a Person that sells In-Transit Inventory to a Borrower.

"Foreign Vendor Agreement" means an agreement between a Foreign Vendor and the Agent in form and substance reasonably satisfactory to the Agent and pursuant to which, among other things, the parties shall agree upon their relative rights with respect to In-Transit Inventory of a Borrower purchased from such Foreign Vendor.

"Fronting Fee" has the meaning specified in Section 2.03(j).

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided, however, that the term "Guarantee" shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantor" has the meaning specified in the introductory paragraph hereto, and each other Subsidiary of the Borrower Holdco that shall be required to execute and

deliver a Facility Guaranty pursuant to Section 6.10(c).

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature, in each case, that are regulated pursuant to any Environmental Law.

"Honor Date" has the meaning specified in Section 2.03(c)(i).

"Immaterial Subsidiaries" means any Subsidiary that (a) did not, as of the last day of the fiscal quarter of Parent most recently ended, have assets with a value in excess of 5.0% of the Consolidated Tangible Assets or revenues representing in excess of 5.0% of total revenues of Parent and its Subsidiaries on a Consolidated basis as of such date, and (b) taken together with all Immaterial Subsidiaries as of the last day of the fiscal quarter of Parent most recently ended, did not have assets with a value in excess of 10.0% of Consolidated Tangible Assets or revenues representing in excess of 10.0% of total revenues of Parent and its Subsidiaries on a Consolidated basis as of such date. All Accounts and Inventory of the Immaterial Subsidiaries shall be segregated or otherwise identifiable in a manner sufficient to distinguish ownership of such Accounts and Inventory from the Accounts and Inventory of the Borrowers.

"Increase Effective Date" has the meaning specified in Section 2.15(a)(iv).

"Indebtedness" means, with respect to any person, without duplication, (a) all obligations of such person for borrowed money, (b) all obligations of such person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such person under conditional sale or title retention agreements relating to property or assets purchased by such person, (d) all obligations of such person issued or assumed as the deferred purchase price of property or services, to the extent the same would be required to be shown as a long-term liability on a balance sheet prepared in accordance with GAAP, (e) all Capital Lease Obligations of such person, (f) all net payments that such person would have to make in the event of an early termination, on the date Indebtedness of such person is being determined, in respect of outstanding Swap Contracts, (g) the principal component of all obligations, contingent or otherwise, of such person as an account party in respect of letters of credit and bank guarantees, (h) the principal component of all obligations of such person in respect of bankers' acceptances, (i) all Guarantees by such person of Indebtedness described in clauses (a) through (h) above) and (j) the amount of all obligations of such person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (excluding accrued dividends that have not increased the liquidation preference of such Disqualified Stock); provided that Indebtedness shall not include (i) trade payables, accrued expenses and intercompany liabilities arising in the ordinary course of business, (ii) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase prices of an asset to satisfy unperformed obligations of the seller of such asset, (iii) earn-out obligations until such obligations become a liability on the balance sheet of such person in accordance with GAAP or (iv) obligations under or in respect of the Sale/Lease-Back Documents. The Indebtedness of any person shall include the Indebtedness of any partnership in which such person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such person in respect thereof.

"Indemnified Taxes" means Taxes other than Excluded Taxes imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document.

"Indemnitees" has the meaning specified in Section 10.04(b).

"Information" has the meaning specified in Section 5.14(a).

"Intellectual Property" means all present and future: trade secrets, know-how and other proprietary information; trademarks, trademark applications, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and combinations of the foregoing) indicia and other source and/or business identifiers, and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights and copyright applications; (including copyrights for computer programs) and all tangible and intangible property embodying the copyrights, unpatented inventions (whether or not patentable); patents and patent applications; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing.

"Interest Payment Date" means, (a) as to any LIBO Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Dateprovided, however, that if any Interest Period for a LIBO Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates; and (b) as to any Base Rate Loan (including a Swing Line Loan), the first day after the end of each quarter and the Maturity Date.

"Interest Period" means, as to each LIBO Rate Loan, the period commencing on the date such LIBO Rate Loan is disbursed or converted to or continued as a LIBO Rate Loan and ending on the date one, two, or three or six months thereafter, as selected by the Lead Borrower in its Committed Loan Notice; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period;

(iii) no Interest Period shall extend beyond the Maturity Date; and

(iv) notwithstanding the provisions of clause (iii) no Interest Period shall have a duration of less than one (1) month, and if any Interest Period applicable to a LIBO Borrowing would be for a shorter period, such Interest Period shall not be available hereunder.

For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Internal Control Event" means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Parent's and/or its Subsidiaries' internal controls over financial reporting, in each case as described in the Securities Laws.

"In-Transit Inventory" means Inventory of a Borrower which is in the possession of a common carrier and is in transit from a Foreign Vendor of a Borrower from a location outside of the continental United States to a location of a Borrower that is within the continental United States.

"Inventory" has the meaning specified in the UCC, and shall also include, without limitation, all: (a) goods which (i) are leased by a Person as lessor, (ii) are held by a Person for sale or lease or to be furnished under a contract of service, (iii) are furnished by a Person under a contract of service, or (iv) consist of raw materials, work in process, finished goods or materials used or consumed in a business; (b) goods of said description in transit; (c) goods of said description which are returned, repossessed or rejected; and (d) packaging, advertising, and shipping materials related to any of the foregoing.

"Inventory Reserves" means such reserves as may be established from time to time by the Agent in its Permitted Discretion with respect to the determination of the saleability, at retail, of the Eligible Inventory, which reflect such other factors as affect the market value of the Eligible Inventory or which reflect claims and liabilities that the Agent determines will need to be satisfied in connection with the realization upon the Inventory. Without limiting the generality of the foregoing, Inventory Reserves may, in the Agent's Permitted Discretion, include (but are not limited to) reserves based on:

(a) obsolescence;

(b) seasonality;

(c) Shrink;

(d) imbalance;

(e) change in Inventory character;

(f) change in Inventory composition;

(g) change in Inventory mix;

(h) markdowns (both permanent and point of sale);

(i) purchase price and freight variances;

(j) consigned inventory;

(k) retail markons and markups inconsistent with prior period practice and performance, industry standards, current business plans or advertising calendar and planned advertising events; and

(l) out-of-date and/or expired Inventory.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person, (c) any Acquisition, or (d) any other investment of money or capital. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment, but adjusted for any dividends or other return of capital upon such Investment.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance).

"Issuer Documents" means with respect to any Letter of Credit, the Letter of Credit Application, the Standby Letter of Credit Agreement or Commercial Letter of Credit Agreement, as applicable, and any other document, agreement and instrument entered into by the L/C Issuer and the Borrower (or any Subsidiary) or in favor of the L/C Issuer and relating to any such Letter of Credit.

"Joinder" means an agreement, substantially in the form attached hereto as Exhibit I, pursuant to which, among other things, a Person becomes a party to, and bound by the terms of, this Agreement and/or the other Loan Documents in the same capacity and to the same extent as either a Borrower or a Guarantor, as applicable.

"Landlord Lien State" means such state(s) in which a landlord's claim for rent may have priority over the Lien of the Agent in any of the Collateral.

"Laws" means each international, foreign, Federal, state and local statute, treaty, rule, guideline, regulation, ordinance, code and administrative or judicial precedent or authority, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and each applicable administrative order, directed duty, request, license, authorization and permit of, and agreement with, any Governmental Authority, in each case whether or not having the force of law.

"L/C Credit Extension" means, with respect to any Letter of Credit, the issuance thereof or extension of the expiry date thereof, or the increase of the amount thereof.

"L/C Issuer" means (a) Wells Fargo in its capacity as issuer of Letters of Credit hereunder, or any successor issuer of Letters of Credit hereunder (which successor may only be a Revolving Lender reasonably acceptable to the Agent) and (b) with respect to the Existing Letter of Credit and until such Existing Letter of Credit expires or is returned undrawn, Wells Fargo. The L/C Issuer may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the L/C Issuer and/or for such Affiliate to act as an advising, transferring, confirming and/or nominated bank in connection with the issuance or administration of any such Letter of Credit, in which case the term "L/C Issuer" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"L/C Obligations" means, as at any date of determination, the aggregate undrawn amount available to be drawn under all outstanding Letters of Credit. For purposes of computing the amounts available to be drawn under any Letter of Credit, the amount of such Letter of Credit shall be determined in accordance with Section 1.06. For all purposes of this Agreement, if on any date of determination a Letter of Credit has expired by its terms but any amount may still be drawn thereunder by reason of the operation of any "rule" under the ISP or any article of UCP 600, such Letter of Credit shall be deemed to be "outstanding" in the amount so remaining available to be drawn.

"Lead Borrower" has the meaning specified in the preamble of this Agreement.

"Lease" means any agreement, whether written or oral, no matter how styled or structured, pursuant to which a Loan Party is entitled to the use or occupancy of any space in a structure, land, improvements or premises for any period of time.

"Lender" mean, individually, a Revolving Lender or a Term Lender (and, as the context requires, includes the Swing Line Lender).

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"Letter of Credit" means each Standby Letter of Credit and each Commercial Letter of Credit issued hereunder and shall include the Existing Letter of Credit.

"Letter of Credit Application" means an application for the issuance or amendment of a Letter of Credit in the form from time to time in use by the L/C Issuer.

"Letter of Credit Expiration Date" means the day that is seven (7) days prior to the Maturity Date then in effect (or, if such day is not a Business Day, the next preceding Business Day).

"Letter of Credit Fee" has the meaning specified in Section 2.03(i).

"Letter of Credit Sublimit" means the sum of the Standby L/C Sublimit and the Commercial L/C Sublimit. The Letter of Credit Sublimit (which, for the avoidance of doubt, includes the Standby L/C Sublimit and Commercial L/C Sublimit) is part of, and not in addition to, the Aggregate Revolving Commitments. A permanent reduction of the Aggregate Revolving Commitments shall not require a corresponding pro rata reduction in the Letter of Credit Sublimit, the Standby L/C Sublimit or Commercial L/C Sublimit; provided, however, that if the Aggregate Revolving Commitments are reduced to an amount less than the Letter of Credit Sublimit, then the Standby L/C Sublimit and the Commercial L/C Sublimit shall be reduced, pro rata, until the Letter of Credit Sublimit shall be reduced to an amount equal to (or, at Lead Borrower's option, less than) the Aggregate Revolving Commitments.

"LIBO Borrowing" means a Revolving Credit Borrowing or Term Borrowing comprised of LIBO Rate Loans.

"LIBO Rate" means for any Interest Period with respect to a LIBO Rate Loan, the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR") or any successor thereto, as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as designated by the Agent from time to time) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period. If such rate is not available at such time for any reason, then the "LIBO Rate" for such Interest Period shall be the rate per annum determined by the Agent to be the rate at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the approximate amount of the LIBO Rate Loan being made, continued or converted by Wells Fargo and with a term equivalent to such Interest Period would be offered to Wells Fargo by major banks in the London interbank eurodollar market in which Wells Fargo participates at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"LIBO Rate Loan" means a Committed Revolving Loan or portion of the Term Loan that bears interest at a rate based on the Adjusted LIBO Rate.

"Lien" means (a) any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale, Capital Lease Obligation or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially

the same economic effect as any of the foregoing) and (b) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Liquidation" means the exercise by the Agent of those rights and remedies accorded to the Agent under the Loan Documents and applicable Law as a creditor of the Loan Parties with respect to the realization on the Collateral, including (after the occurrence and during the continuation of an Event of Default) the conduct by the Loan Parties acting with the consent of the Agent, of any public, private or "going out of business", "store closing", or other similarly themed sale or other disposition of the Collateral for the purpose of liquidating the Collateral. Derivations of the word "Liquidation" (such as "Liquidate") are used with like meaning in this Agreement.

"Loan" means an extension of credit by a Lender to the Borrowers under Article II in the form of a Committed Revolving Loan, Term Loan, or a Swing Line Loan.

"Loan Account" has the meaning specified in Section 2.11(a).

"Loan Cap" means, at any time of determination, the lesser of (a) the Aggregate Revolving Commitments and (b) the Revolving Borrowing Base.

"Loan Documents" means this Agreement, each Note, each Issuer Document, the Fee Letter, all Borrowing Base Certificates, the Blocked Account Agreements, the DDA Notifications, the Credit Card Notifications, the Security Documents, the Facility Guaranty, and any other instrument or agreement now or hereafter executed and delivered in connection herewith, or in connection with any transaction arising out of any Cash Management Services and Bank Products provided by a Lender or any of their Affiliates, each as amended and in effect from time to time.

"Loan Parties" means, collectively, the Borrowers and each Guarantor.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Effect" means a material adverse change in, or a material adverse effect upon, (a) the operations, business, assets, liabilities (actual or contingent) or financial condition of the Loan Parties and their Subsidiaries (taken as a whole), (b) the ability of the Loan Parties (taken as a whole) to perform any of their respective obligations under any Loan Documents to which they are parties, or (c) the legality, validity or enforceability of any Loan Document or the rights and remedies of the Agent, the Term Loan Agent and the Lenders (taken as a whole) under any Loan Document. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event in and of itself does not have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other than existing events would result in a Material Adverse Effect.

"Material Contract" means, with respect to any Person, each contract to which such Person is a party, the loss of which is reasonably likely to result in a Material Adverse Effect. Schedule 5.24 annexed hereto sets forth, as of the Closing Date, each of the Loan Parties' Material Contracts.

"Material Indebtedness" means Indebtedness (other than the Obligations) of the Loan Parties in an aggregate principal amount exceeding $10,000,000. For purposes of determining the amount of Material Indebtedness at any time, (a) the amount of the obligations in respect of any Swap Contract at such time shall be calculated at the Swap Termination Value thereof and (b) available yet undrawn committed amounts shall be included.

"Maturity Date" means May 1, 2018.

"Maximum Rate" has the meaning specified in Section 10.09.

"Measurement Period" means, at any date of determination, the most recently completed four Fiscal Quarters of the Parent or, if fewer than four consecutive Fiscal Quarters of the Parent have been completed since the Closing Date, the Fiscal Quarters of the Parent that have been completed since the Closing Date.

"Minimum Extension Condition" has the meaning specified in Section 2.16(b).

"Monthly Financial Statements" has the meaning specified in Section 6.04(b).

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Mortgage Policies" has the meaning specified in Section 6.10(b).

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Lead Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Proceeds" means (a) with respect to any Disposition by any Loan Party or any of its Subsidiaries, or any Extraordinary Receipt received or paid to the account of any Loan Party or any of its Subsidiaries, the excess, if any, of (i) the sum of cash and cash equivalents received in connection with such transaction (including any cash or cash equivalents received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) the principal amount of any Indebtedness that is secured by the applicable asset by a Permitted Encumbrance on such asset and that is required to be repaid (or to establish an escrow for the future repayment thereof) in connection with such transaction (other than Indebtedness under the Loan Documents), and (B) the reasonable and customary out-of-pocket expenses incurred by such Loan Party or such Subsidiary in connection with such transaction (including, without limitation, appraisals, and brokerage, legal, title and recording or transfer tax expenses and commissions) paid by any Loan Party to third parties (other than Affiliates)); and

(b) with respect to the sale or issuance of any Equity Interest by Parent or any Loan Party or any of its Subsidiaries, or the incurrence or issuance of any Indebtedness by Parent or any Loan Party or any of its Subsidiaries, the excess of (i) the sum of the cash and cash equivalents received in connection with such transaction over (ii) the underwriting discounts and commissions, and other reasonable and customary out-of-pocket expenses, incurred by Parent or such Loan Party or such Subsidiary in connection therewith.

"Non-Consenting Lender" has the meaning provided therefor in Section 10.01.

"Note" means (a) a Revolving Note, (b) a Term Note, and (c) the Swing Line Note, as each may be amended, restated, supplemented or modified from time to time.

"Obligations" means (a) all advances to, and debts (including principal, interest, fees, costs, and expenses), liabilities, obligations, covenants, indemnities, and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan or Letter of Credit (including payments in respect of reimbursement of disbursements, interest thereon and obligations to provide cash collateral therefor), whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to

become due, now existing or hereafter arising and including interest, fees, costs, expenses and indemnities that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest ,fees, costs, expenses and indemnities are allowed claims in such proceeding, and (b) any Other Liabilities; provided, however, the "Obligations" shall exclude all Excluded Swap Obligations.

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity, and (d) in each case, all shareholder or other equity holder agreements, voting trusts and similar arrangements to which such Person is a party or which is applicable to its Equity Interests and all other arrangements relating to the Control or management of such Person.

"Other Connection Taxes" means, with respect to any recipient, Taxes imposed on overall net income however denominated and franchise leases imposed (in lieu of net income taken) as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Liabilities" means (a) any obligation on account of (i) any Cash Management Services furnished to any of the Loan Parties or any of their Subsidiaries and/or (ii) any transaction with any Credit Party that arises out of any Bank Product entered into with any Loan Party and any such Person, as each may be amended from time to time.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment pursuant to Section 10.13).

"Outstanding Amount" means (i) with respect to Committed Revolving Loans and Swing Line Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Committed Revolving Loans and Swing Line Loans, as the case may be, occurring on such date; (ii) with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any L/C Credit Extension occurring on such date and any other changes in the aggregate amount of the L/C Obligations as of such date, and (iii) with respect to Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any prepayments or repayments of Term Loans occurring on such date.

"Overadvance" means a Credit Extension to the extent that, immediately after its having been made, Availability is less than zero.

"Parent" means FDO Holdings, Inc., a Delaware corporation.

"Participant" has the meaning specified in Section 10.06(d).

"Participation Register" has the meaning specified in Section 10.06(d).

"Payment Conditions" means no Event of Default shall have occurred and be continuing or would result from the taking of the relevant action as to which the satisfaction of the Payment Conditions is being determined, (A) in the case of any Investment, Permitted Business Acquisition or prepayments of Term Loans, either (1) Availability is at least greater than 17.5% of the Loan Cap after giving effect to such payment or transaction and on a projected four (4) month basis or (2) (x) Availability is at least greater than 12.75% of the Loan Cap after giving effect to such payment or transaction and on a projected four (4) month basis and (y) the Consolidated Fixed Charge Coverage Ratio, on a *Pro Forma* Basis, is at least 1.0 to 1.0 after giving effect to such payment or transaction; and (B) in the case of any Restricted Payment or any prepayment of any Subordinated Indebtedness or Term Loan B Obligations, either (1) Availability is at least greater than 25.0% of the Loan Cap after giving effect to such payment and on a projected four (4) month basis or (2) (x) Availability is at least greater than 15.0% of the Loan Cap after giving effect to such payment or transaction and on a projected four (4) month basis and (y) the Consolidated Fixed Charge Coverage Ratio, on a *Pro Forma* Basis, is at least 1.0 to 1.0 after giving effect to such payment or transaction.

"PBGC" means the Pension Benefit Guaranty Corporation.

"PCAOB" means the Public Company Accounting Oversight Board.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Lead Borrower or any ERISA Affiliate or to which the Lead Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Perfection Certificate" shall mean a perfection certificate with respect to the Loan Parties in a form reasonably satisfactory to the Agent.

"Permitted Business Acquisition" means an Acquisition in which all of the following conditions are satisfied:

(a) no Event of Default then exists, nor would any Default or Event of Default arise from the consummation of such Acquisition;

(b) such Acquisition shall have been approved by the board of directors of the Person (or similar governing body if such Person is not a corporation) which is the subject of such Acquisition and such Person shall not have announced that it will oppose such Acquisition or shall not have commenced any action which alleges that such Acquisition shall violate applicable Law;

(c) any assets acquired shall be utilized in, and if the Acquisition involves a merger, consolidation or Acquisition of Equity Interests, the Person which is the subject of such Acquisition shall be engaged in, a business otherwise permitted to be engaged in by a Borrower under this Agreement;

(d) if the Person which is the subject of such Acquisition will be maintained as a Subsidiary of a Loan Party (other than an Immaterial Subsidiary or an Unrestricted Subsidiary), or if the assets acquired in an acquisition will be transferred to a Subsidiary (other than an Immaterial Subsidiary or an Unrestricted Subsidiary) which is not then a Loan Party, such Subsidiary shall have been joined as a "Borrower" or as a "Guarantor" hereunder, as applicable, pursuant to the requirements of Section 6.10;

(e) in the case of any Acquisition, or series of related Acquisitions, involving consideration in the aggregate in excess of $7,500,000:

(i) the Lead Borrower shall have furnished the Agent and Term Loan Agent with ten (10) days' prior written notice of such intended Acquisition and shall have furnished the Agent and Term Loan Agent with a current draft of the acquisition documents (and final copies thereof as and when executed), a summary of any due diligence undertaken by the Loan Parties in connection with such Acquisition, appropriate financial statements of the Person which is the subject of such Acquisition, pro forma projected financial statements for the twelve (12) month period following such Acquisition after giving effect to such Acquisition (including balance sheets, cash flows and income statements by month for the acquired Person, individually, and on a Consolidated basis with all Loan Parties), and such other information as the Agent or Term Loan Agent may reasonably require, all of which shall be reasonably satisfactory to the Agent and Term Loan Agent; and

(ii) the legal structure of the Acquisition shall be acceptable to the Agent and Term Loan Agent in their discretion;

(f) after giving effect to the Acquisition, if the Acquisition is an Acquisition of the Equity Interests, a Loan Party shall acquire and own, directly or indirectly, a majority of the Equity Interests in the Person being acquired and shall Control a majority of any voting interests or shall otherwise Control the governance of the Person being acquired; and

(g) the total consideration paid for all such Acquisitions (whether in cash, tangible property, notes or other property) after the Closing Date shall not exceed in the aggregate the sum of $15,000,000.

"Permitted Discretion" means a determination made in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Disposition" has the meaning specified in Section 7.05.

"Permitted Encumbrances" has the meaning specified in Section 7.02.

"Permitted Holders" means Ares Corporate Opportunities Fund III, L.P., FS Equity Partners VI, L.P., FS Affiliates VI, L.P., and their Affiliates.

"Permitted Indebtedness" has the meaning specified in Section 7.01.

"Permitted Investments" has the meaning provided in Section 7.04.

"Permitted Cash Equivalent Investments" means:

(a) direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof, in each case, with maturities not exceeding two years;

(b) time deposits, eurodollar time deposits, certificates of deposit and money market deposits, in each case, with maturities not exceeding one year from the date of acquisition thereof, and overnight bank deposits, in each case, with any commercial bank having capital, surplus and undivided profits of not less than $250.0 million and whose long term debt, or whose parent holding company's long term debt, is rated at least "A-2" by Moody's or at least "A" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(c) repurchase obligations for underlying securities of the types described in clauses (a) and (b) above entered into with a bank meeting the qualifications described in clause (b) above;

(d) commercial paper maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Borrower) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time any investment therein is made of at least "P-1" by Moody's or at least "A-1" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(e) securities with maturities of two years or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, having one of the two highest rating categories obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(f) Indebtedness issued by persons (other than any Permitted Holder) with a rating of at least "A-2" by Moody's or "A" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency), in each case with maturities not exceeding one year from the date of acquisition;

(g) shares of mutual funds whose investment guidelines restrict 95% of such funds' investments to those satisfying the provisions of clauses (a) through (g) above;

(h) money market funds that (i) comply with the criteria set forth in Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated "Aaa" by Moody's and "AAA" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency) and (iii) have portfolio assets of at least $5,000.0 million; and

(i) instruments equivalent to those referred to in clauses (a) through (i) above denominated in any foreign currency comparable in credit quality and tenor to those referred to above and commonly used by corporations for cash management purposes in any jurisdiction outside the United States to the extent reasonably required in connection with any business conducted by any Subsidiary organized in such jurisdiction.

"Permitted Overadvance" means an Overadvance made by the Agent, in its Permitted Discretion, which:

(a) is made to maintain, protect or preserve the Collateral and/or the Credit Parties' rights under the Loan Documents or which is otherwise for the benefit of the Credit Parties;

(b) is made to enhance the likelihood of, or to maximize the amount of, repayment of any Obligation;

(c) is made to pay any other amount chargeable to any Loan Party hereunder; and

(d) together with all other Permitted Overadvances then outstanding, shall not (i) exceed five percent (5%) of the Revolving Borrowing Base at any time or (ii) unless a Liquidation is occurring, remain outstanding for more than forty-five (45) consecutive Business Days, unless in each case, the Required Revolving Lenders otherwise agree.

provided, however, that the foregoing shall not (i) modify or abrogate any of the provisions of Section 2.03 regarding the Revolving Lenders' obligations with respect to Letters of Credit or Section 2.04 regarding the Revolving Lenders' obligations with respect to Swing Line Loans, or (ii) result in any claim or liability against the Agent (regardless of the amount of any Overadvance) for Unintentional Overadvances and such Unintentional Overadvances shall not reduce the amount of Permitted Overadvances allowed hereunder; provided further that in no event shall the Agent make an Overadvance, if after giving effect thereto, the principal amount of the Credit Extensions would exceed the Aggregate Revolving Commitments (as in effect prior to any termination of the Revolving Commitments pursuant to Section 2.06(a) hereof).

"Permitted Refinancing" means, with respect to any Person, any Indebtedness issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund (collectively, to "Refinance"), the Indebtedness being Refinanced (or previous refinancings thereof constituting a Permitted Refinancing); provided, that (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so Refinanced (plus unpaid accrued interest and premiums thereon and underwriting discounts, defeasance costs, fees, commissions and expenses), (b) the weighted average life to maturity of such Permitted Refinancing is greater than or equal to the weighted average life to maturity of the Indebtedness being Refinanced (c) such Permitted Refinancing shall not require any scheduled principal payments due prior to the Maturity Date in excess of, or prior to, the scheduled principal payments due prior to such Maturity Date for the Indebtedness being Refinanced, (d) if the Indebtedness being Refinanced is subordinated in right of payment or liens to the Obligations under this Agreement (whether through an intercreditor agreement or otherwise), such Permitted Refinancing shall be subordinated in right of payment or liens, as applicable, to such Obligations on terms at least as favorable to the Credit Parties as those contained in the documentation governing the Indebtedness being Refinanced, and, to the extent such Indebtedness is subject to an intercreditor agreement, such Permitted Refinancing will be subject to the provisions of such intercreditor agreement, (e) no Permitted Refinancing shall have direct or indirect obligors who were not also obligors of the Indebtedness being Refinanced, or greater guarantees or security, than the Indebtedness being Refinanced, (f) such Permitted Refinancing shall be otherwise on terms not materially less favorable to the Credit Parties than those contained in the documentation governing the Indebtedness being Refinanced, including, without limitation, with respect to financial and other covenants and events of default, (g) the interest rate applicable to any such Permitted Refinancing shall not exceed the then applicable market interest rate, and (h) at the time thereof, no Default or Event of Default shall have occurred and be continuing.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership, Governmental Authority or other entity.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established, maintained or contributed to by the Lead Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, by the Lead Borrower or any ERISA Affiliate.

"Platform" has the meaning specified in Section 6.04.

"Post-Closing Letter" means the letter agreement, dated the date hereof, among the Loan Parties and the Agent, as the same now exists or may hereafter be amended, modified, supplemented, renewed, restated or replaced.

"*Pro Forma* Basis" means, for purposes of calculating compliance with any test or financial covenant under this Agreement for any period, that the applicable Permitted Business Acquisition, Restricted Payment, Disposition or Investment (and all other Permitted Business Acquisitions, Restricted Payments, Dispositions or Investments that have been consummated during the applicable period) and the following transactions in connection therewith shall be deemed to have occurred as of the first day of the applicable period of measurement in such test or covenant: (a) income statement items (whether positive or negative) attributable to or projected from the property or Person subject to such Permitted Business Acquisition, Restricted Payment, Disposition or Investment, (i) in the case of a Disposition shall be excluded, and (ii) in the case of a Permitted Business Acquisition, shall be included; (b) any retired Indebtedness; and (c) any Indebtedness incurred or assumed by the Lead Borrower or any of the Subsidiaries in connection therewith and if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination; provided, however, that the foregoing *pro forma* adjustments may be applied to any such test or financial covenant solely to the extent that such adjustments are approved by Agent (other than adjustments described in clause (ix) of the definition of "Consolidated EBITDA" and give effect to events (including operating expense reductions) that are (1) attributable to such transaction, (2) expected to have a continuing impact on the Lead Borrower and its Subsidiaries, and (3) are reasonably deemed in good faith to be achievable based on reasonable assumptions and information then available to the Lead Borrower and Agent.

"Public Lender" has the meaning specified in Section 6.04.

"Public Offering" means an initial public offering of the Equity Interests of the Parent or a Parent Entity in which the aggregate gross offering proceeds are at least $50,000,000 and the aggregate value of all outstanding common stock of the issuer is at least $200,000,000.

"Qualified ECP Guarantor" means, in respect of any Swap Obligation, the Borrower, the Guarantor (if applicable) or any other guarantor of the Obligations that has total assets exceeding $10,000,000 at the time such Swap Obligation is incurred or such other person as constitutes an "Eligible Contract Participant" (an "ECP") as that term is defined under the Commodity Exchange Act or any regulations promulgated thereunder and can cause another person to qualify as an "eligible contract participant" at such time by entering into a keepwell under Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

"Qualified Equity Interests" shall mean any Equity Interests other than Disqualified Stock.

"Real Estate" means all Leases and all land, together with the buildings, structures, parking areas, and other improvements thereon, now or hereafter owned by any Loan Party, including all easements, rights-of-way, and similar rights relating thereto and all leases, tenancies, and occupancies thereof.

"Real Estate Lease" means a lease which either (a) requires the payment of rent in an aggregate amount of $250,000 or more during each twelve (12) month period of its term or (b) has demised 70,000 square feet or more, including all options to expand.

"Receipts and Collections" has the meaning specified in Section 6.11(c).

"Receivables Reserves" means such Reserves as may be established from time to time by the Agent in the Agent's Permitted Discretion with respect to the determination of the collectability in the ordinary course of Eligible Trade Receivables, including, without limitation, dilution reserves.

"Register" has the meaning specified in Section 10.06(c).

"Registered Public Accounting Firm" means a firm of independent public accountants of recognized national or regional standing reasonably acceptable to the Agent.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating in, into, upon, onto or through the environment.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Reports" has the meaning provided in Section 9.12(b).

"Request for Credit Extension" means (a) with respect to a Borrowing, conversion or continuation of Committed Revolving Loans or the Term Loan (or a portion thereof), a Committed Loan Notice, (b) with respect to an L/C Credit Extension, a Letter of Credit Application and, if required by the L/C Issuer, a Standby Letter of Credit Agreement or Commercial Letter of Credit Agreement, as applicable, and (c) with respect to a Swing Line Loan, a Swing Line Loan Notice.

"Required Financial Statements" has the meaning specified in Section 6.04(b).

"Required Lenders" means, as of any date of determination, at least two Lenders holding more than fifty percent (50%) of the sum of the Aggregate Revolving Commitments and the then aggregate outstanding principal balance of the Term Loan or, if the Aggregate Revolving Commitments and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.03, at least two Lenders holding in the aggregate more than fifty percent (50%) of the sum of the Total Outstandings (with the aggregate amount of each Revolving Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Revolving Lender for purposes of this definition); provided, that the Revolving Commitment of, and the portion in the aggregate of the Total Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Required Revolving Lenders" means, as of any date of determination, at least two Lenders holding more than 50% of the Aggregate Revolving Commitments or, if the commitment of each Revolving Lender to make Committed Revolving Loans and the obligation of the L/C Issuer to make L/C Credit Extensions have been terminated pursuant to Section 8.03, at least two Revolving Lenders holding in the aggregate more than 50% of the Total Revolving Outstandings (with the aggregate amount of each

Revolving Lender's risk participation and funded participation in L/C Obligations and Swing Line Loans being deemed "held" by such Revolving Lender for purposes of this definition); provided that the Revolving Commitment of, and the portion of the Total Revolving Outstandings held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Revolving Lenders.

"Required Term Lenders" means, as of any date of determination, Lenders holding more than fifty percent (50%) of the then outstanding principal balance of the Term Loan; provided that the Term Commitment of, and the portion of the Term Loan held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Term Lenders.

"Reserves" means all Inventory Reserves, Availability Reserves, and Receivables Reserves.

"Responsible Officer" means the chief executive officer, president, chief financial officer, vice president of finance, controller, treasurer or assistant treasurer of a Loan Party or any of the other individuals designated in writing to the Agent by an existing Responsible Officer of a Loan Party as an authorized signatory of any certificate or other document to be delivered hereunder. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to such Person's stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment. Without limiting the foregoing, "Restricted Payments" with respect to any Person shall also include all payments made by such Person with any proceeds of a dissolution or liquidation of such Person.

"Revolving Borrowing Base", at any time of calculation, an amount equal to:

(a) the face amount of Eligible Credit Card Receivables multiplied by the Credit Card Advance Rate;

plus

(b) the Cost of Eligible Inventory, net of Inventory Reserves, multiplied by the product of Appraisal Percentage multiplied by the Appraised Value of Eligible Inventory; provided, however, that, Inventory constituting Eligible In-Transit Inventory shall be in an amount no greater than 20% of Eligible On-Hand Inventory;

plus

(c) eighty-five percent (85%) multiplied by the face amount of Eligible Trade Receivables (net of Receivables Reserves applicable thereto);

minus

the then amount of all Availability Reserves.

"Revolving Commitment" means, as to each Revolving Lender, its obligation to (a) make Committed Revolving Loans to the Borrowers pursuant to Section 2.01, (b) purchase participations in L/C Obligations, and (c) purchase participations in Swing Line Loans, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Revolving Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. For the avoidance of doubt, "Revolving Commitment" shall include any Extended Revolving Commitment.

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Committed Revolving Loans of the same Type and, in the case of LIBO Rate Loans which are Committed Revolving Loans, having the same Interest Period made by each of the Revolving Lenders pursuant to Section 2.01.

"Revolving Lender" means each Lender having a Revolving Commitment as set forth on Schedule 2.01 hereto or in the Assignment and Assumption by which such Person becomes a Revolving Lender.

"Revolving Note" a promissory note made by the Borrowers in favor of a Revolving Lender evidencing Committed Revolving Loans made by such Revolving Lender, substantially in the form of Exhibit C-1.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley, and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the PCAOB.

"Security Agreement" means the Security Agreement dated as of the Closing Date among the Loan Parties and the Agent, as the same now exists or may hereafter be amended, modified, supplemented, renewed, restated or replaced (including, without limitation, through any joinder agreements).

"Security Documents" means the Security Agreement, the Blocked Account Agreements, the DDA Notifications, the Credit Card Notifications, and each other security agreement or other instrument or document executed and delivered to the Agent pursuant to this Agreement or any other Loan Document granting a Lien to secure any of the Obligations.

"Segregated Investment Account" means a segregated savings or investment account of the Loan Parties maintained at Wells Fargo, which funds do not flow through the Loan Parties' cash management structure, and which account is subject to a Blocked Account Agreement.

"Settlement Date" has the meaning specified in Section 2.14(a).

"Shareholders' Equity" means, as of any date of determination, consolidated shareholders' equity of the Lead Borrower and its Subsidiaries as of that date

determined in accordance with GAAP.

"Shrink" means Inventory which has been lost, misplaced, stolen, or is otherwise unaccounted for.

"Solvent" and "Solvency" means, with respect to any Person on a particular date, that on such date (a) the fair value of the assets of such Person exceeds its debts and liabilities, direct, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of such Person is greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) such Person is able to pay its debts and liabilities, subordinated, contingent or otherwise, as such liabilities become absolute and matured; and (d) such Person is not engaged in, and is not about to engage in a business for which it has unreasonably small capital. For purposes of determining Solvency, the amount of any contingent liability at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, could reasonably be expected to become an actual or matured liability.

"Spot Rate" has the meaning specified in Section 1.07 hereof.

"Standby L/C Sublimit" means $12,000,000.

"Standby Letter of Credit" means any Letter of Credit that is not a Commercial Letter of Credit and that (a) is used in lieu or in support of performance guaranties or performance, surety or similar bonds (excluding appeal bonds) arising in the ordinary course of business, (b) is used in lieu or in support of stay or appeal bonds, (c) supports the payment of insurance premiums for reasonably necessary casualty insurance carried by any of the Loan Parties, or (d) supports payment or performance for identified purchases or exchanges of products or services in the ordinary course of business.

"Standby Letter of Credit Agreement" means the Standby Letter of Credit Agreement relating to the issuance of a Standby Letter of Credit in the form from time to time in use by the L/C Issuer.

"Stated Amount" means at any time the maximum amount for which a Letter of Credit may be honored.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the FRB to which the Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBO Rate Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Store" means any retail store (which may include any real property, fixtures, equipment, inventory and other property related thereto) operated, or to be operated, by any Loan Party.

"Subordinated Indebtedness" means Indebtedness which is expressly subordinated in right of payment to the prior payment in full of the Obligations and which is in form and on terms approved in writing by the Agent and Term Loan Agent.

"Subordinated Notes" means Parent's 10.0% Subordinated Notes due November 24, 2017 issued pursuant to that certain Note Agreement, dated November 24, 2010 (as amended by Amendment No. 1 to Note Agreement, dated December 13, 2012), between Parent and each of the holders listed on Exhibit A attached thereto.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the Equity Interests having ordinary voting power for the election of directors or other governing body are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Loan Party. Notwithstanding the foregoing, except for purposes of the definition of "Unrestricted Subsidiary", an Unrestricted Subsidiary shall be deemed not to be a Subsidiary of a Loan Party for purposes of this Agreement, other than with respect to the provisions related to ERISA, for which it shall constitute a Subsidiary.

"Subsidiary Redesignation" shall have the meaning specified in the definition of "Unrestricted Subsidiary".

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement, and (c) any other Swap Obligations.

"Swap Obligation" means any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of section 1a(47) of the Commodity Exchange Act.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Swing Line Borrowing" means a borrowing of a Swing Line Loan pursuant to Section 2.04.

"Swing Line Lender" means Wells Fargo, in its capacity as provider of Swing Line Loans, or any successor swing line lender hereunder.

"Swing Line Loan" has the meaning specified in Section 2.04(a).

"Swing Line Loan Notice" means a notice of a Swing Line Borrowing pursuant to Section 2.04(b), which, if in writing, shall be substantially in the form of Exhibit

B.

"Swing Line Note" means the promissory note of the Borrowers substantially in the form of Exhibit C-2, payable to the order of the Swing Line Lender, evidencing the Swing Line Loans made by the Swing Line Lender.

"Swing Line Sublimit" means an amount equal to the lesser of (a) $10,000,000 and (b) the Aggregate Revolving Commitments. The Swing Line Sublimit is part of, and not in addition to, the Aggregate Revolving Commitments.

"Syndication Agent" means SunTrust Bank and its successors and assigns.

"Taxes" or "taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Applicable Margin" means, with respect to LIBO Rate Loans, a rate of 4.5% per annum, and, with respect to Base Rate Loans, a rate of 3.5% per annum.

"Term Borrowing" means the borrowing of the Term Loan made by each of the Term Lenders on the Closing Date pursuant to Section 2.01(a).

"Term Commitment" means, as to each Term Lender, its obligation to make a portion of the Term Loan to the Borrowers pursuant to Section 2.01 in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Term Lender's name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable. As of the Closing Date, the aggregate amount of the Term Commitments is $10,000,000.

"Term Lender" means each Lender having a Term Commitment as set forth on Schedule 2.01 hereto or in the Assignment and Assumption by which such Person becomes a Term Lender, or after the making of the Term Loan, each Lender holding any portion of the Term Loan.

"Term Loan" means the term loan made by the Term Lenders on the Closing Date pursuant to Section 2.01(a) and any Extended Term Loan.

"Term Loan Action Notice" has the meaning specified in Section 8.03(b).

"Term Loan Agent" means Wells Fargo Bank, National Association.

"Term Loan B Agent" means GCI Capital Markets LLC.

"Term Loan B Agreement" means that certain Credit Agreement, dated as of the date hereof, among the Lead Borrower, Borrower Holdco, the Term Loan B Agent and the lenders party thereto.

"Term Loan B Facility" means the $80,000,000 term loan facility under the Term Loan B Agreement.

"Term Loan B Intercreditor Agreement" means that certain Intercreditor Agreement entered into as of the Closing Date by and between the Agent and the Term Loan B Agent, and any holders of the Indebtedness permitted under Section 7.01(q) which join such Intercreditor Agreement, as amended, restated, or otherwise modified from time to time.

"Term Loan B Obligations" means all obligations under the Term Loan B Facility.

"Term Loan B Security Documents" means the "Security Documents" as defined in the Term Loan B Agreement.

"Term Loan Borrowing" means a borrowing of Term Loans.

"Term Loan Borrowing Base", at any time of calculation, an amount equal to:

(a) the face amount of Eligible Credit Card Receivables multiplied by ten percent (10%);

plus

(b) the Cost of Eligible Inventory, net of Inventory Reserves, multiplied by the product of twelve and one half percent (12.5%) multiplied by the Appraised Value of Eligible Inventory; provided, however, that Inventory constituting Eligible In-Transit Inventory shall be in an amount no greater than 20% of Eligible On-Hand Inventory;

plus

(c) ten percent (10%) multiplied by the face amount of Eligible Trade Receivables (net of Receivables Reserves applicable thereto).

"Term Loan Priority Account" means a segregated account into which proceeds of the Term Loan Priority Collateral (but no other Collateral) shall be deposited, for which the Term Loan B Agent shall have a first priority Lien on such account subject to the terms of the Term Loan B Intercreditor Agreement.

"Term Loan Reserve" means the amount, if any, by which the aggregate outstanding principal balance of the Term Loan exceeds the Term Loan Borrowing Base.

"Term Note" means a promissory note made by the Borrowers in favor of a Term Lender evidencing the Term Loan made by such Term Lender, substantially in the form of Exhibit C-3.

"Term Priority Collateral" has the meaning specified in the Term Loan B Intercreditor Agreement.

"Termination Date" means the earliest to occur of (i) the Maturity Date, (ii) the date on which the maturity of the Obligations is accelerated (or deemed accelerated) and the Commitments are irrevocably terminated (or deemed terminated) in accordance with Article VIII, or (iii) the termination of the Revolving Commitments in accordance with the provisions of Section 2.06(a) hereof.

"Total Leverage Ratio" shall mean the ratio of Consolidated Total Indebtedness minus the balance of the segregated Investment Account to Consolidated EBITDA for the trailing twelve (12) month period.

"Total Outstandings" means the aggregate Outstanding principal balance of the Term Loan plus the Total Revolver Outstandings.

"Total Revolver Outstandings" means the aggregate Outstanding Amount of all Committed Revolving Loans, all Swing Line Loans, and all L/C Obligations.

"Trading with the Enemy Act" has the meaning specified in Section 10.18.

"Type" means, with respect to a Committed Revolving Loan or a Term Loan, its character as a Base Rate Loan or a LIBO Rate Loan.

"UCC" or "Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the New York; provided, however, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning specified in Article 9; provided further that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than New York, "Uniform Commercial Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

"UCP 600" means the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce and in effect as of July 1, 2007 (or such later version thereof as may be in effect at the time of issuance).

"UFCA" has the meaning specified in Section 10.21(d).

"UFTA" has the meaning specified in Section 10.21(d).

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"Unintentional Overadvance" means an Overadvance which, to the Agent's knowledge, did not constitute an Overadvance when made but which has become an Overadvance resulting from changed circumstances beyond the control of the Credit Parties, including, without limitation, a reduction in the Appraised Value of property or assets included in the Borrowing Base or misrepresentation by the Loan Parties.

"United States" and "U.S." mean the United States of America.

"Unrestricted Subsidiary" means any Subsidiary of Borrower Holdco (other than the Lead Borrower) formed or acquired after the Closing Date and designated by the Lead Borrower as an Unrestricted Subsidiary hereunder by written notice to the Agent; provided that the Lead Borrower shall only be permitted to so designate an Unrestricted Subsidiary if (a) no Default or Event of Default has occurred and is continuing or would result therefrom, (b) the Consolidated Fixed Charge Coverage Ratio, on a Pro Forma Basis, is at least 1.0 to 1.0, (c) such Unrestricted Subsidiary is capitalized (to the extent capitalized by Borrower Holdco or any of its Subsidiaries) through Investments as permitted by, and in compliance with, Section 7.04(cc), and any prior or concurrent Investments in such Subsidiary by Borrower Holdco or any of its Subsidiaries shall be deemed to have been made under Section 7.04(cc),

(d) without duplication of clause (c), any assets owned by such Unrestricted Subsidiary at the time of the initial designation thereof are treated as Investments pursuant to Section 7.04(cc), and (e) such Subsidiary has been designated an "unrestricted subsidiary" (or otherwise not be subject to the covenants and defaults) under the Term Loan B Credit Agreement; provided that at the time of the initial investment by Borrower Holdco or any of its Subsidiaries in such Subsidiary, Borrower Holdco shall designate such entity as an Unrestricted Subsidiary in a written notice to the Agent. Borrower may designate any Unrestricted Subsidiary to be a Subsidiary for purposes of this Agreement (each, a "Subsidiary Redesignation"); provided that (i) such Unrestricted Subsidiary, both before and after giving effect to such designation, shall be a wholly owned Subsidiary of Borrower Holdco or the Lead Borrower, (ii) no Default or Event of Default shall have occurred and be continuing or would result therefrom, (iii) the Consolidated Fixed Charge Coverage Ratio, on a Pro Forma Basis, shall be at least 1.0 to 1.0, (iv) all representations and warranties contained herein and in the Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Subsidiary Redesignation (both before and after giving effect thereto), unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date, and (v) the Lead Borrower shall have delivered to the Agent an officer's certificate executed by a Responsible Officer of the Lead Borrower, certifying to the best of such officer's knowledge, compliance with the requirements of preceding clauses (i) through (iv), inclusive.

"Wells Fargo" means Wells Fargo Bank, National Association and its successors.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein," "hereof" and "hereunder," and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including."

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of

this Agreement or any other Loan Document.

(d) Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean the repayment in Dollars in full in cash or immediately available funds (or, in the case of contingent reimbursement obligations with respect to Letters of Credit and Bank Products (other than Swap Contracts) and any other contingent Obligations, providing Cash Collateralization or other collateral as may be requested by the Agent) of all of the Obligations (including the payment of any termination amount then applicable (or which would or could become applicable as a result of the repayment of the other Obligations) under Swap Contracts) other than (i) unasserted contingent indemnification Obligations, (ii) any Obligations relating to Bank Products (other than Swap Contracts) that, at such time, are allowed by the applicable Bank Product provider to remain outstanding without being required to be repaid or Cash Collateralized or otherwise collateralized as may be requested by the Agent, and (iii) any Obligations relating to Swap Contracts that, at such time, are allowed by the applicable provider of such Swap Contracts to remain outstanding without being required to be repaid.

1.03 Accounting Terms Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Lead Borrower or the Required Lenders shall so request, the Agent, the Term Loan Agent, the Lenders and the Lead Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Lead Borrower shall provide to the Agent, the Term Loan Agent, and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Borrowers pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

1.06 Letter of Credit Amounts. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to be the Stated Amount of such Letter of Credit in effect at such time; provided, however, that with respect to any Letter of Credit that, by its terms of any Issuer Documents related thereto, provides for one or more automatic increases in the Stated Amount thereof, the amount of such Letter of Credit shall be deemed to be the maximum Stated Amount of such

Letter of Credit after giving effect to all such increases, whether or not such maximum Stated Amount is in effect at such time.

1.07 Currency Equivalents Generally. Any amount specified in this Agreement (other than in Article II, Article IX and Article X) or any of the other Loan Documents to be in Dollars shall also include the equivalent of such amount in any currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Agent at such time on the basis of the Spot Rate (as defined below) for the purchase of such currency with Dollars. For purposes of this Section 1.07, the "Spot Rate" for a currency means the rate determined by the Agent to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date of such determination; provided that the Agent may obtain such spot rate from another financial institution designated by the Agent if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

ARTICLE II
THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 Loans; Reserves.

(a) Subject to the terms and conditions set forth herein, each Term Lender severally agrees to make a loan to the Lead Borrower on the Closing Date in a principal amount not to exceed the lesser of (x) the Term Commitment of such Term Lender, or (y) such Term Lender's Applicable Percentage of the Term Loan Borrowing Base. Amounts repaid in respect of the Term Loan may not be reborrowed, and upon each Term Lender's making of such Term Loan, the Term Commitment of such Term Lender shall be terminated.

(b) Subject to the terms and conditions set forth herein, each Revolving Lender severally agrees to make loans (each such loan, a "Committed Revolving Loan") to the Borrowers from time to time, on any Business Day during the Availability Period, in an aggregate amount not to exceed at any time outstanding the lesser of (x) the amount of such Lender's Revolving Commitment, or (y) such Revolving Lender's Applicable Percentage of the Revolving Borrowing Base; subject in each case to the following limitations:

(i) after giving effect to any Revolving Credit Borrowing, the Total Revolving Outstandings shall not exceed the Loan Cap,

(ii) after giving effect to any Revolving Credit Borrowing, the aggregate Outstanding Amount of the Committed Revolving Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed the lesser of (x) such Lender's Revolving Commitment, and (y) such Lender's Applicable Percentage of the Revolving Borrowing Base, and

(iii) The Outstanding Amount of all L/C Obligations shall not at any time exceed the Letter of Credit Sublimit; the Outstanding Amount of all L/C Obligations owed with respect to Commercial Letters of Credit shall not at any time exceed the Commercial L/C Sublimit; and, the Outstanding Amount of all L/C Obligations owed with respect to Standby Letters of Credit shall not at any time exceed the Standby L/C Sublimit.

Within the limits of each Lender's Revolving Commitment, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.01, prepay under Section 2.05, and reborrow Committed Revolving Loans under this Section 2.01. Committed Revolving Loans and the Term Loan may be Base Rate Loans or LIBO Rate Loans, as further provided herein.

(c) The Inventory Reserves, Receivables Reserves, and Availability Reserves as of the Closing Date are set forth in the Borrowing Base Certificate

delivered pursuant to Section 4.01(c) hereof.

(d) The Agent shall have the right, at any time and from time to time after the Closing Date in its Permitted Discretion to establish, modify or eliminate Reserves upon three (3) days' prior notice to the Lead Borrower (during which period the Agent shall be available to discuss any such proposed Reserve with the Borrowers); provided that no such prior notice shall be required (1) at any time that an Event of Default is continuing, (2) for changes to any Reserves resulting solely by virtue of mathematical calculations of the amount of the Reserve in accordance with the methodology of calculation previously utilized (such as, but not limited to, Rent and Customer Credit Liabilities), or (3) for changes to Reserves or establishment of additional Reserves if a Material Adverse Effect has occurred or it would be reasonably likely that a Material Adverse Effect to the Lenders would occur were such Reserve not changed or established prior to the expiration of such 3 day period.

2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) Committed Revolving Loans (other than Swing Line Loans) and the Term Loan (or any portion thereof) shall be either Base Rate Loans or LIBO Rate Loans as the Lead Borrower may request subject to and in accordance with this Section 2.02. All Swing Line Loans shall be only Base Rate Loans. Subject to the other provisions of this Section 2.02, Revolving Credit Borrowings of more than one Type may be incurred at the same time.

(b) Each Revolving Credit Borrowing, each conversion of Committed Revolving Loans or the Term Loan (or any portion thereof) from one Type to the other, and each continuation of LIBO Rate Loans shall be made upon the Lead Borrower's irrevocable notice to the Agent, which may be given by telephone. Each such notice must be received by the Agent not later than 1:00 p.m. (i) three Business Days prior to the requested date of any Borrowing of, conversion to or continuation of LIBO Rate Loans or of any conversion of LIBO Rate Loans to Base Rate Loans, and (ii) one Business Day prior to the requested date of any Borrowing of Base Rate Loans. Each telephonic notice by the Lead Borrower pursuant to this Section 2.02(b) must be confirmed promptly by delivery to the Agent of a written Committed Loan Notice, appropriately completed and signed by a Responsible Officer of the Lead Borrower. Each Borrowing of, conversion to or continuation of LIBO Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $250,000 in excess thereof. Except as provided in Sections 2.03(c) and 2.04(c), each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $250,000 in excess thereof. Each Committed Loan Notice (whether telephonic or written) shall specify (i) whether the Lead Borrower is requesting a Revolving Credit Borrowing, a conversion of Committed Revolving Loans or the Term Loan (or a portion thereof) from one Type to the other, or a continuation of LIBO Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Committed Revolving Loans to be borrowed, or the principal amount of Committed Revolving Loans or the Term Loan (or portion thereof) to converted or continued, (iv) the Type of Committed Revolving Loans to be borrowed or to which existing Committed Revolving Loans or the Term Loan (or portion thereof) are to be converted, and (v) if applicable, the duration of the Interest Period with respect thereto. If the Lead Borrower fails to specify a Type of Committed Revolving Loan or the Term Loan (or portion thereof) in a Committed Loan Notice or if the Lead Borrower fails to give a

timely notice requesting a conversion or continuation, then the applicable Committed Revolving Loans or portion of the Term Loan shall be made as, or converted to, Base Rate Loans. Any such automatic conversion to Base Rate Loans shall be effective as of the last day of the Interest Period then in effect with respect to the applicable LIBO Rate Loans. If the Lead Borrower requests a Borrowing of, conversion to, or continuation of LIBO Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month. Notwithstanding anything to the contrary herein, a Swing Line Loan may not be converted to a LIBO Rate Loan.

(c) Following receipt of a Committed Loan Notice, the Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the applicable Committed Revolving Loans or the Term Loan (or any portion thereof), and if no timely notice of a conversion or continuation is provided by the Lead Borrower, the Agent shall notify each Lender of the details of any automatic conversion to Base Rate Loans described in Section 2.02(b). In the case of a Committed Revolving Borrowing, each Lender shall make the amount of its Committed Revolving Loan available to the Agent in immediately available funds at the Agent's Office not later than 1:00 p.m. on the Business Day specified in the applicable Committed Loan Notice. Upon satisfaction of the applicable conditions set forth in Section 4.02 (and, if such Borrowing is the initial Credit Extension, Section 4.01), the Agent shall use reasonable efforts to make all funds so received available to the Borrowers in like funds by no later than 3:00 p.m. on the day of receipt by the Agent either by (i) crediting the account of the Lead Borrower on the books of Wells Fargo with the amount of such funds or (ii) wire transfer of such funds, in each case in accordance with instructions provided to (and reasonably acceptable to) the Agent by the Lead Borrower.

(d) The Agent, without the request of the Lead Borrower, may advance as a Revolving Loan any interest, fee, service charge (including direct wire fees), Credit Party Expenses, or other payment to which any Credit Party is entitled from the Loan Parties pursuant hereto or any other Loan Document and may charge the same to the Loan Account notwithstanding that an Overadvance may result thereby. The Agent shall advise the Lead Borrower of any such advance or charge promptly after the making thereof. Such action on the part of the Agent shall not constitute a waiver of the Agent's rights and the Borrowers' obligations under Section 2.05(c). Any amount which is added to the principal balance of the Loan Account as provided in this Section 2.02(d) shall bear interest at the interest rate then and thereafter applicable to Base Rate Loans.

(e) Except as otherwise provided herein, a LIBO Rate Loan may be continued or converted only on the last day of an Interest Period for such LIBO Rate Loan. During the existence of a Default or an Event of Default, (i) no Committed Revolving Loans may be requested as, converted to or continued as LIBO Rate Loans without the Consent of the Required Revolving Lenders, and (ii) neither the Term Loan nor any portion thereof may be converted to or continued as LIBO Rate Loans without the Consent of the Required Term Lenders..

(f) The Agent shall promptly notify the Lead Borrower and the Lenders of the interest rate applicable to any Interest Period for LIBO Rate Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Agent shall notify the Lead Borrower and the Lenders of any change in Wells Fargo's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(g) After giving effect to all Revolving Credit Borrowings, all conversions of Committed Revolving Loans or portions of the Term Loan from one Type to the other, and all continuations of Committed Revolving Loans or portions of the Term Loan as the same Type, there shall not be more than six (6) Interest Periods in effect with respect to LIBO Rate Loans.

(h) The Agent, the Revolving Lenders, the Swing Line Lender and the L/C Issuer shall have no obligation to make any Revolving Loan or to provide any Letter of Credit if an Overadvance would result. The Agent may, in its discretion, make Permitted Overadvances without the consent of the Borrowers, the Lenders, the Swing Line Lender and the L/C Issuer and the Borrowers and each Lender and L/C Issuer shall be bound thereby. Any Permitted Overadvance may constitute a Swing Line Loan. A Permitted Overadvance is for the account of the Borrowers and shall constitute a Revolving Loan which is a Base Rate Loan and an Obligation and shall be repaid by the Borrowers in accordance with the provisions of Section 2.05(c). The making of any such Permitted Overadvance on any one occasion shall not obligate the Agent or any Revolving Lender to make or permit any Permitted Overadvance on any other occasion or to permit such Permitted Overadvances to remain outstanding. The making by the Agent of a Permitted Overadvance shall not modify or abrogate any of the provisions of Section 2.03 regarding the Revolving Lenders' obligations to purchase participations with respect to Letters of Credit or of Section 2.04 regarding the Revolving Lenders' obligations to purchase participations with respect to Swing Line Loans. The Agent shall have no liability for, and no Loan Party or Credit Party shall have the right to, or shall, bring any claim of any kind whatsoever against the Agent with respect to Unintentional Overadvances regardless of the amount of any such Overadvance(s).

2.03 Letters of Credit.

(a) The Letter of Credit Commitment.

(i) Subject to the terms and conditions set forth herein, (A) the L/C Issuer agrees, in reliance upon the agreements of the Revolving Lenders set forth in this Section 2.03, (1) from time to time on any Business Day during the period from the Closing Date until the Letter of Credit Expiration Date, to issue Letters of Credit for the account of the Borrowers, and to amend or extend Letters of Credit previously issued by it, in accordance with Section 2.03(b) below, and (2) to honor drawings under the Letters of Credit; and (B) the Revolving Lenders severally agree to participate in Letters of Credit issued for the account of the Borrowers and any drawings thereunder; provided that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (x) the Total Revolving Outstandings shall not exceed Loan Cap, (y) the aggregate Outstanding Amount of the Committed Revolving Loans of any Lender, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans shall not exceed such Lender's Revolving Commitment or such Lender's Applicable Percentage of the Revolving Borrowing Base, and (z) the Outstanding Amount of the L/C Obligations shall not exceed the Letter of Credit Sublimit (nor shall the Outstanding Amount of all the L/C Obligations owed with respect to Commercial Letters of Credit exceed the Commercial L/C Sublimit, or the Outstanding Amount of all the L/C Obligations owed with respect to Standby Letters of Credit exceed the Standby L/C Sublimit). Each request by the Lead Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation by the Borrowers that the L/C Credit Extension so requested complies with the conditions set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrowers' ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrowers may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed. The Existing Letter of Credit shall be deemed to have been issued pursuant hereto, and from and after the Closing Date shall be subject to and governed by the terms and conditions hereof.

(ii) No Letter of Credit shall be issued if:

(A) subject to Section 2.03(a)(iii), the expiry date of such requested Standby Letter of Credit would occur more than twelve (12) months after the date of issuance or last extension, unless the Required Revolving Lenders have approved such expiry date; or

(B) subject to Section 2.03(a)(iii), the expiry date of such requested Commercial Letter of Credit would occur more than one hundred twenty (120) days after the date of issuance or last extension, unless the Required Revolving Lenders have approved such expiry date; or

(C) the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless either such Letter of Credit is Cash Collateralized on or prior to the date of issuance of such Letter of Credit (or such later date as to which the Agent may agree) or all the Revolving Lenders have approved such expiry date.

(iii) No Letter of Credit shall be issued without the prior consent of the Agent if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain the L/C Issuer from issuing such Letter of Credit, or any Law applicable to the L/C Issuer or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over the L/C Issuer shall prohibit, or request that the L/C Issuer refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon the L/C Issuer with respect to such Letter of Credit any restriction, reserve or capital requirement (for which the L/C Issuer is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon the L/C Issuer any unreimbursed loss, cost or expense which was not applicable on the Closing Date and which the L/C Issuer in good faith deems material to it;

(B) the issuance of such Letter of Credit would violate one or more policies of the L/C Issuer applicable to letters of credit generally;

(C) except as otherwise agreed by the Agent and the L/C Issuer, such Letter of Credit is in an initial Stated Amount less than $100,000, in the case of a Commercial Letter of Credit, or $250,000, in the case of a Standby Letter of Credit;

(D) such Letter of Credit is to be denominated in a currency other than Dollars;provided that if the L/C Issuer, in its discretion, issues a Letter of Credit denominated in a currency other than Dollars, all reimbursements by the Borrowers of the honoring of any drawing under such Letter of Credit shall be paid in Dollars based on the Spot Rate;

(E) such Letter of Credit contains any provisions for automatic reinstatement of the Stated Amount after any drawing thereunder; or

(F) a default of any Revolving Lender's obligations to fund under Section 2.03(c) exists or any Revolving Lender is at such time a Defaulting Lender hereunder, unless the Agent or L/C Issuer has entered into satisfactory arrangements with the Borrowers or such Revolving Lender to eliminate the L/C Issuer's risk with respect to such Revolving Lender.

(iv) The L/C Issuer shall not amend any Letter of Credit if (A) the L/C Issuer would not be permitted at such time to issue such Letter of Credit in its amended form under the

terms hereof or (B) the beneficiary of such Letter of Credit does not accept the proposed amendment to such Letter of Credit.

(v) The L/C Issuer shall act on behalf of the Revolving Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and the L/C Issuer shall have all of the benefits and immunities (A) provided to the Agent in Article IX with respect to any acts taken or omissions suffered by the L/C Issuer in connection with Letters of Credit issued by it or proposed to be issued by it and Issuer Documents pertaining to such Letters of Credit as fully as if the term "Agent" as used in Article IX. included the L/C Issuer with respect to such acts or omissions, and (B) as additionally provided herein with respect to the L/C Issuer.

(b) Procedures for Issuance and Amendment of Letters of Credit.

(i) Each Letter of Credit shall be issued or amended, as the case may be, upon the request of the Lead Borrower delivered to the L/C Issuer (with a copy to the Agent) in the form of a Letter of Credit Application, appropriately completed and signed by a Responsible Officer of the Lead Borrower. Such Letter of Credit Application must be received by the L/C Issuer and the Agent not later than 11:00 a.m. at least two Business Days (or such other date and time as the Agent and the L/C Issuer may agree in a particular instance in their sole discretion) prior to the proposed issuance date or date of amendment, as the case may be. In the case of a request for an initial issuance of a Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the Agent and the L/C Issuer: (A) the proposed issuance date of the requested Letter of Credit (which shall be a Business Day); (B) the amount thereof; (C) the expiry date thereof; (D) the name and address of the beneficiary thereof; (E) the documents to be presented by such beneficiary in case of any drawing thereunder; (F) the full text

of any certificate to be presented by such beneficiary in case of any drawing thereunder; and (G) such other matters as the Agent or L/C Issuer may reasonably require. In the case of a request for an amendment of any outstanding Letter of Credit, such Letter of Credit Application shall specify in form and detail reasonably satisfactory to the Agent and the L/C Issuer (A) the Letter of Credit to be amended; (B) the proposed date of amendment thereof (which shall be a Business Day); (C) the nature of the proposed amendment; and (D) such other matters as the Agent or the L/C Issuer may reasonably require. Additionally, the Lead Borrower shall furnish to the L/C Issuer and the Agent such other documents and information pertaining to such requested Letter of Credit issuance or amendment, and any Issuer Documents (including, if requested by the L/C Issuer, a Standby Letter of Credit Agreement or Commercial Letter of Credit Agreement, as applicable), as the L/C Issuer or the Agent may reasonably require.

(ii) Promptly after receipt of any Letter of Credit Application, the L/C Issuer will confirm with the Agent (by telephone or in writing) that the Agent has received a copy of such Letter of Credit Application from the Lead Borrower and, if not, the L/C Issuer will provide the Agent with a copy thereof. Unless the L/C Issuer has received written notice from any Revolving Lender, the Agent or any Loan Party, at least one Business Day prior to the requested date of issuance or amendment of the applicable Letter of Credit, that one or more applicable conditions contained in Article IV shall not then be satisfied or unless the L/C Issuer would not be permitted, or would have no obligation, at such time to issue such Letter of Credit under the terms hereof (by reason of the provisions of clause (ii) or (iii) of Section 2.03(a) or otherwise), then, subject to the terms and conditions hereof, the L/C Issuer shall, on the requested date, issue a Letter of Credit for the account of the applicable Borrower or enter into the applicable amendment, as the case may be, in each case in accordance with the L/C Issuer's usual and customary business practices. Immediately upon the issuance or amendment of each Letter of Credit, each Revolving Lender shall be deemed to (without any further action), and hereby

irrevocably and unconditionally agrees to, purchase from the L/C Issuer, without recourse or warranty, a risk participation in such Letter of Credit in an amount equal to the product of such Revolving Lender's Applicable Percentage times the Stated Amount of such Letter of Credit. Upon any change in the Revolving Commitments under this Agreement, it is hereby agreed that with respect to all L/C Obligations, there shall be an automatic adjustment to the participations hereby created to reflect the new Applicable Percentages of the assigning and assignee Revolving Lenders.

(iii) Promptly after its delivery of any Letter of Credit or any amendment to a Letter of Credit to an advising bank with respect thereto or to the beneficiary thereof, the L/C Issuer will also deliver to the Lead Borrower and the Agent a true and complete copy of such Letter of Credit or amendment.

(c) Drawings and Reimbursements; Funding of Participations.

(i) Upon receipt from the beneficiary of any Letter of Credit of any notice of a drawing under such Letter of Credit, the L/C Issuer shall notify the Lead Borrower and the Agent thereof not less than two (2) Business Days prior to the Honor Date (as defined below; provided, however, that any failure to give or delay in giving such notice shall not relieve the Borrowers of their obligation to reimburse the L/C Issuer and the Revolving Lenders with respect to any such payment. On the date of any payment by the L/C Issuer under a Letter of Credit (each such date, an "Honor Date"), the Borrowers shall be deemed to have requested a Revolving Credit Borrowing of Base Rate Loans to be disbursed on the Honor Date in an amount equal to the amount of such payment, without regard to the minimum and multiples specified in Section 2.02(b) for the principal amount of Base Rate Loans, and without regard to whether the conditions set forth in Section 4.02 have been met. Any notice given by the L/C Issuer or the Agent pursuant to this Section 2.03(c)(i) may be given by telephone if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(ii) Each Revolving Lender's obligation to make Committed Revolving Loans to reimburse the L/C Issuer for amounts drawn under Letters of Credit, as contemplated by this Section 2.03(c), shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the L/C Issuer, any Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of a Default or Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing, and without regard to whether the conditions set forth in Section 4.02 have been met.

(d) Repayment of Participations. If any payment received by the L/C Issuer pursuant to Section 2.03(c)(c)(i) is required to be returned under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the L/C Issuer in its discretion), each Revolving Lender shall pay to the Agent for the account of the L/C Issuer its Applicable Percentage thereof on demand of the Agent, plus interest thereon from the date of such demand to the date such amount is returned by such Revolving Lender, at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Revolving Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Obligations Absolute. The obligation of the Borrowers to reimburse the L/C Issuer for each drawing under each Letter of Credit shall be absolute, unconditional and irrevocable, and

shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, this Agreement, or any other Loan Document;

(ii) the existence of any claim, counterclaim, setoff, defense or other right that the Borrowers or any Subsidiary may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), the L/C Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction;

(iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit;

(iv) any payment by the L/C Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by the L/C Issuer under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any Debtor Relief Law;

(v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrowers or any of their Subsidiaries; or

(vi) the fact that any Default or Event of Default shall have occurred and be continuing.

The Lead Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with the Lead Borrower's instructions or other irregularity, the Lead Borrower will immediately notify the Agent and the L/C Issuer.

(f) Role of L/C Issuer. Each Revolving Lender and the Borrowers agree that, in paying any drawing under a Letter of Credit, the L/C Issuer shall not have any responsibility to obtain any document (other than any sight draft, certificates and documents expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering any such document. None of the L/C Issuer, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable to any Revolving Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Revolving Lenders or the Required Revolving Lenders, as applicable; (ii) any action taken or omitted in the absence of gross negligence or willful misconduct; (iii) any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit or any error in interpretation of technical terms; or (iv) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or

Issuer Document. The Borrowers hereby assume all risks of the acts or omissions of any beneficiary or transferee with respect to its use of any Letter of Credit; provided, however, that this assumption is not intended to, and shall not, preclude the Borrowers' pursuing such rights and remedies as it may have against the beneficiary or transferee at law or under any other agreement. None of the L/C Issuer, the Agent, any of their respective Related Parties nor any correspondent, participant or assignee of the L/C Issuer shall be liable or responsible for any of the matters described in clauses (i) through (v) of Section 2.03(e) or for any action, neglect or omission under or in connection with any Letter of Credit or Issuer Documents, including, without limitation, the issuance or any amendment of any Letter of Credit, the failure to issue or amend any Letter of Credit, or the honoring or dishonoring of any demand under any Letter of Credit, and such action or neglect or omission will bind the Borrowers; provided, however, that anything in such clauses to the contrary notwithstanding, the Borrowers may have a claim against the L/C Issuer, and the L/C Issuer may be liable to the Borrowers, to the extent, but only to the extent, of any direct, as opposed to consequential, exemplary or punitive damages suffered by the Borrowers which the Borrowers prove were caused by the L/C Issuer's willful misconduct or gross negligence or the L/C Issuer's willful failure to pay under any Letter of Credit after the presentation to it by the beneficiary of a sight draft and certificate(s) strictly complying with the terms and conditions of a Letter of Credit; provided further, however, that any claim against the L/C Issuer by the Borrowers for any loss suffered or incurred by the Borrowers shall be reduced by an amount equal to the sum of (i) the amount (if any) saved by the Borrowers as a result of the breach or other wrongful conduct that allegedly caused such loss, and (ii) the amount (if any) of the loss that would have been avoided had the Borrowers taken all reasonable steps to mitigate such loss, including, without limitation, by enforcing their rights against any beneficiary and, in case of a claim of wrongful dishonor, by specifically and timely authorizing the L/C Issuer to cure such dishonor. In furtherance and not in limitation of the foregoing, the L/C Issuer may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary (or the L/C Issuer may refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit and may disregard any requirement in a Letter of Credit that notice of dishonor be given in a particular manner and any requirement that presentation be made at a particular place or by a particular time of day), and the L/C Issuer shall not be responsible for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason. The L/C Issuer shall not be responsible for the wording of any Letter of Credit (including, without limitation, any drawing conditions or any terms or conditions that are ineffective, ambiguous, inconsistent, unduly complicated or reasonably impossible to satisfy), notwithstanding any assistance the L/C Issuer may provide to the Borrowers with drafting or recommending text for any Letter of Credit Application or with the structuring of any transaction related to any Letter of Credit, and the Borrowers hereby acknowledge and agree that any such assistance will not constitute legal or other advice by the L/C Issuer or any representation or warranty by the L/C Issuer that any such wording or such Letter of Credit will be effective. Without limiting the foregoing, the L/C Issuer may, as it deems appropriate, modify or alter and use in any Letter of Credit the terminology contained on the Letter of Credit Application for such Letter of Credit.

(g) Cash Collateral. Upon the request of the Agent, (i) if the L/C Issuer has honored any full or partial drawing request under any Letter of Credit and such drawing has resulted in an L/C Obligation that remains outstanding, or (ii) if, as of the Letter of Credit Expiration Date, any L/C Obligation for any reason remains outstanding, the Borrowers shall, in each case, promptly (but in all events with respect to clause (i) above, within five (5) Business Days and, with respect to clause (ii) above, within three (3) Business Days) Cash Collateralize the then Outstanding Amount of all L/C Obligations. Sections 2.05(c) and Section 8.03 set forth certain additional requirements to deliver Cash Collateral hereunder. For purposes of this Section 2.03, Section 2.05(c) and Section 8.03, "Cash Collateralize" means to pledge and deposit with or deliver to the Agent, for the benefit of the L/C Issuer

and the Lenders, as collateral for the L/C Obligations, cash or deposit account balances in an amount equal to 105% of the Outstanding Amount of all L/C Obligations (other than L/C Obligations with respect to Letters of Credit denominated in a currency other than Dollars, which L/C Obligations shall be Cash Collateralized in an amount equal to 113% of the Outstanding Amount of such L/C Obligations), pursuant to documentation in form and substance reasonably satisfactory to the Agent and the L/C Issuer (which documents are hereby Consented to by the Lenders). The Borrowers hereby grant to the Agent a security interest in all such cash, deposit accounts and all balances therein and all proceeds of the foregoing. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts at Wells Fargo. If at any time the Agent determines that any funds held as Cash Collateral are subject to any right or claim of any Person other than the Agent or that the total amount of such funds is less than the aggregate Outstanding Amount of all L/C Obligations, the Borrowers will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited as Cash Collateral, an amount equal to the excess of (x) such aggregate Outstanding Amount over (y) the total amount of funds, if any, then held as Cash Collateral that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit as Cash Collateral, such funds shall be applied, to the extent permitted under applicable Laws, to reimburse the L/C Issuer and, to the extent not so applied, shall, so long as no Default or Event of Default has occurred and is continuing, thereafter be returned to the Borrowers.

(h) Applicability of ISP and UCP 600. Unless otherwise expressly agreed by the L/C Issuer and the Lead Borrower when a Letter of Credit is issued (including any such agreement applicable to the Existing Letter of Credit), (i) the rules of the ISP and the UCP 600 shall apply to each Standby Letter of Credit, and (ii) the rules of the UCP 600 shall apply to each Commercial Letter of Credit.

(i) Letter of Credit Fees. The Borrowers shall pay to the Agent for the account of each Revolving Lender in accordance with its Applicable Percentage a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to the Applicable Margin times the daily Stated Amount under each such Letter of Credit (whether or not such maximum amount is then in effect under such Letter of Credit). For purposes of computing the daily amount available to be drawn under any Letter of Credit, the amount of the Letter of Credit shall be determined in accordance with Section 1.06. Letter of Credit Fees shall be (i) due and payable on the first day after the end of each quarter commencing with the first such date to occur after the issuance of such Letter of Credit, and thereafter on demand, and (ii) computed on a quarterly basis in arrears. If there is any change in the Applicable Margin during any quarter, the daily amount available to be drawn under of each Letter of Credit shall be computed and multiplied by the Applicable Margin separately for each period during such quarter that such Applicable Margin was in effect. Notwithstanding anything to the contrary contained herein, while any Event of Default pursuant to Sections 8.01(b), (c), (h) or (i) exists, all Letter of Credit Fees shall accrue at the Default Rate as provided in Section 2.08(b) hereof; provided that, with respect to any Event of Default pursuant to Sections 8.01(b) or (c), the Default Rate shall apply only at the election of the Agent or at the direction of the Required Revolving Lenders.

(j) Fronting Fee and Documentary and Processing Charges Payable to L/C Issuer. The Borrowers shall pay directly to the L/C Issuer, for its own account, a fronting fee (the "Fronting Fee") (i) with respect to each Commercial Letter of Credit, at a rate equal to 0.125% per annum, computed on the amount of such Letter of Credit, and payable upon the issuance or amendment thereof, and (ii) with respect to each Standby Letter of Credit, at a rate equal to 0.250% per annum, computed on the daily amount available to be drawn under such Letter of Credit and on a quarterly basis in arrears. Such Fronting Fees shall be due and payable on the first day after the end of each quarter, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. For purposes of computing the daily amount available to be

drawn under any Letter of Credit, the amount of the Letter of Credit shall be determined in accordance with Section 1.06. In addition, the Borrowers shall pay directly to the L/C Issuer, for its own account, the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the L/C Issuer relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(k) Conflict with Issuer Documents. In the event of any conflict between the terms hereof and the terms of any Issuer Document, the terms hereof shall control.

2.04 Swing Line Loans.

(a) The Swing Line. Subject to the terms and conditions set forth herein, the Swing Line Lender may, in reliance upon the agreements of the other Revolving Lenders set forth in this Section 2.04, make loans (each such loan, a "Swing Line Loan") to the Borrowers from time to time on any Business Day during the Availability Period in an aggregate amount not to exceed at any time outstanding the amount of the Swing Line Sublimit, notwithstanding the fact that such Swing Line Loans, when aggregated with the Applicable Percentage of the Outstanding Amount of Committed Revolving Loans and L/C Obligations of the Lender acting as Swing Line Lender, may exceed the amount of such Lender's Revolving Commitment; provided, however, that after giving effect to any Swing Line Loan, (i) the Total Revolving Outstandings shall not exceed Loan Cap, and (ii) the aggregate Outstanding Amount of the Committed Revolving Loans of any Lender at such time, plus such Lender's Applicable Percentage of the Outstanding Amount of all L/C Obligations at such time, plus such Lender's Applicable Percentage of the Outstanding Amount of all Swing Line Loans at such time shall not exceed such Lender's Revolving Commitment or such Lender's Applicable Percentage of the Revolving Borrowing Base, and provided, further, that the Borrowers shall not use the proceeds of any Swing Line Loan to refinance any outstanding Swing Line Loan, and provided further that the Swing Line Lender shall not be obligated to make any Swing Line Loan at any time when any Revolving Lender is at such time a Defaulting Lender hereunder, unless the Swing Line Lender has entered into satisfactory arrangements with the Borrowers or such Revolving Lender to eliminate the Swing Line Lender's risk with respect to such Lender. Within the foregoing limits, and subject to the other terms and conditions hereof, the Borrowers may borrow under this Section 2.04, prepay under Section 2.05(c), and reborrow under this Section 2.04. Each Swing Line Loan shall bear interest only at the rate applicable to Base Rate Loans. Immediately upon the making of a Swing Line Loan, each Revolving Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Swing Line Lender a risk participation in such Swing Line Loan in an amount equal to the product of such Lender's Applicable Percentage times the amount of such Swing Line Loan. The Swing Line Lender shall have all of the benefits and immunities (A) provided to the Agent in Article IX with respect to any acts taken or omissions suffered by the Swing Line Lender in connection with Swing Line Loans made by it or proposed to be made by it as if the term "Agent" as used in Article IX included the Swing Line Lender with respect to such acts or omissions, and (B) as additionally provided herein with respect to the Swing Line Lender.

(b) Borrowing Procedures. Each Swing Line Borrowing shall be made upon the Lead Borrower's irrevocable notice to the Swing Line Lender and the Agent, which may be given by telephone. Each such notice must be received by the Swing Line Lender and the Agent not later than 1:00 p.m. on the requested borrowing date, and shall specify (i) the amount to be borrowed, which shall be a minimum of $100,000, and (ii) the requested borrowing date, which shall be a Business Day. Each such telephonic notice must be confirmed promptly by delivery to the Swing Line Lender and the Agent of a written Swing Line Loan Notice, appropriately completed and signed by a Responsible Officer of the Lead Borrower. Promptly after receipt by the Swing Line Lender of any telephonic Swing Line Loan Notice, the Swing Line Lender will confirm with the Agent (by telephone or in writing) that the Agent has also received such Swing Line Loan Notice and, if not, the Swing Line Lender will notify the Agent

(by telephone or in writing) of the contents thereof. Unless the Swing Line Lender has received notice (by telephone or in writing) from the Agent at the request of the Required Revolving Lenders prior to 1:00 p.m. on the date of the proposed Swing Line Borrowing (A) directing the Swing Line Lender not to make such Swing Line Loan as a result of the limitations set forth in the proviso to the first sentence of Section 2.04(a), or (B) that one or more of the applicable conditions specified in Section 4.02 is not then satisfied, then, subject to the terms and conditions hereof, the Swing Line Lender may, not later than 1:00 p.m. on the borrowing date specified in such Swing Line Loan Notice, make the amount of its Swing Line Loan available to the Borrowers at its office by crediting the account of the Lead Borrower on the books of the Swing Line Lender in immediately available funds.

(c) Refinancing of Swing Line Loans.

(i) The Swing Line Lender at any time in its sole and absolute discretion may request, on behalf of the Borrowers (which hereby irrevocably authorize the Swing Line Lender to so request on their behalf), that each Revolving Lender make a Base Rate Loan in an amount equal to such Revolving Lender's Applicable Percentage of the amount of Swing Line Loans then outstanding. Such request shall be made in writing (which written request shall be deemed to be a Committed Loan Notice for purposes hereof) and in accordance with the requirements of Section 2.02, without regard to the minimum and multiples specified therein for the principal amount of Base Rate Loans, but subject to the unutilized portion of the Loan Cap and the conditions set forth in Section 4.02. The Swing Line Lender shall furnish the Lead Borrower with a copy of the applicable Committed Loan Notice promptly after delivering such notice to the Agent. Each Revolving Lender shall make an amount equal to its Applicable Percentage of the amount specified in such Committed Loan Notice available to the Agent in immediately available funds for the account of the Swing Line Lender at the Agent's Office not later than 1:00 p.m. on the day specified in such Committed Loan Notice, whereupon, subject to Section 2.04(c)(ii), each Revolving Lender that so makes funds available shall be deemed to have made a Base Rate Loan to the Borrowers in such amount. The Agent shall remit the funds so received to the Swing Line Lender.

(ii) If for any reason any Swing Line Loan cannot be refinanced by such a Revolving Credit Borrowing in accordance with Section 2.04(c)(i), the request for Base Rate Loans submitted by the Swing Line Lender as set forth herein shall be deemed to be a request by the Swing Line Lender that each of the Revolving Lenders fund its risk participation in the relevant Swing Line Loan and each Revolving Lender's payment to the Agent for the account of the Swing Line Lender pursuant to Section 2.04(c)(i) shall be deemed payment in respect of such participation.

(iii) If any Revolving Lender fails to make available to the Agent for the account of the Swing Line Lender any amount required to be paid by such Revolving Lender pursuant to the foregoing provisions of this Section 2.04(c) by the time specified in Section 2.04(c)(i), the Swing Line Lender shall be entitled to recover from such Revolving Lender (acting through the Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to the Swing Line Lender at a rate per annum equal to the greater of the Federal Funds Rate and a rate determined by the Swing Line Lender in accordance with banking industry rules on interbank compensation plus any administrative, processing or similar fees customarily charged by the Swing Line Lender in connection with the foregoing. If such Revolving Lender pays such amount (with interest and fees as aforesaid), the amount so paid shall constitute such Revolving Lender's Committed Revolving Loan included in the relevant Revolving Credit Borrowing or funded participation in the relevant Swing Line Loan, as the case may be. A

certificate of the Swing Line Lender submitted to any Revolving Lender (through the Agent) with respect to any amounts owing under this clause (iii) shall be conclusive absent manifest error.

(iv) Each Revolving Lender's obligation to make Committed Revolving Loans or to purchase and fund risk participations in Swing Line Loans pursuant to this Section 2.04(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the Swing Line Lender, the Borrowers or any other Person for any reason whatsoever, (B) the occurrence or continuance of a Default or an Event of Default, or (C) any other occurrence, event or condition, whether or not similar to any of the foregoing; provided, however, that each Revolving Lender's obligation to make Committed Revolving Loans pursuant to this Section 2.04(c) is subject to the conditions set forth in Section 4.02. No such funding of risk participations shall relieve or otherwise impair the obligation of the Borrowers to repay Swing Line Loans, together with interest as provided herein.

(d) Repayment of Participations.

(i) At any time after any Revolving Lender has purchased and funded a risk participation in a Swing Line Loan, if the Swing Line Lender receives any payment on account of such Swing Line Loan, the Swing Line Lender will distribute to such Revolving Lender its Applicable Percentage of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Revolving Lender's risk participation was funded) in the same funds as those received by the Swing Line Lender.

(ii) If any payment received by the Swing Line Lender in respect of principal or interest on any Swing Line Loan is required to be returned by the Swing Line Lender under any of the circumstances described in Section 10.05 (including pursuant to any settlement entered into by the Swing Line Lender in its discretion), each Revolving Lender shall pay to the Swing Line Lender its Applicable Percentage thereof on demand of the Agent, plus interest thereon from the date of such demand to the date such amount is returned, at a rate per annum equal to the Federal Funds Rate. The Agent will make such demand upon the request of the Swing Line Lender. The obligations of the Revolving Lenders under this clause shall survive the payment in full of the Obligations and the termination of this Agreement.

(e) Interest for Account of Swing Line Lender. The Swing Line Lender shall be responsible for invoicing the Borrowers for interest on the Swing Line Loans. Until each Revolving Lender funds its Base Rate Loan or risk participation pursuant to this Section 2.04 to refinance such Revolving Lender's Applicable Percentage of any Swing Line Loan, interest in respect of such Applicable Percentage shall be solely for the account of the Swing Line Lender.

(f) Payments Directly to Swing Line Lender. The Borrowers shall make all payments of principal and interest in respect of the Swing Line Loans directly to the Swing Line Lender.

2.05 Prepayments.

(a) The Borrowers may, upon irrevocable notice from the Lead Borrower to the Agent, at any time or from time to time voluntarily prepay Committed Revolving Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Agent not later than 1:00 p.m. (A) three Business Days prior to any date of prepayment of LIBO Rate Loans and (B) on the date of prepayment of Base Rate Loans; (ii) any prepayment of LIBO Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $250,000 in excess thereof; and (iii) any prepayment

of Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $250,000 in excess thereof ($100,000 and $100,000, respectively, in the case of Swing Line Loans) or, in each case, if less, the entire principal amount thereof then outstanding; provided, further, that such notice may state that it is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrowers (by notice to the Agent on or prior to the specified closing date) if such condition is not satisfied. Each such notice shall specify the date and amount of such prepayment and the Type(s) of Loans to be prepaid and, if LIBO Rate Loans, the Interest Period(s) of such Loans. The Agent will promptly notify each Revolving Lender of its receipt of each such notice, and of the amount of such Revolving Lender's Applicable Percentage of such prepayment. If such notice is given by the Lead Borrower, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a LIBO Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the Committed Revolving Loans of the Lenders in accordance with their respective Applicable Percentages.

(b) The Borrowers may, upon irrevocable notice from the Lead Borrower to the Swing Line Lender (with a copy to the Agent), at any time or from time to time, voluntarily prepay Swing Line Loans in whole or in part without premium or penalty; provided that (i) such notice must be received by the Swing Line Lender and the Agent not later than 1:00 p.m. on the date of the prepayment, and (ii) any such prepayment shall be in a minimum principal amount of $100,000. Each such notice shall specify the date and amount of such prepayment. If such notice is given by the Lead Borrower, the Borrowers shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(c) If for any reason the Total Revolving Outstandings at any time exceed the Loan Cap as then in effect, the Borrowers shall immediately prepay Committed Revolving Loans, Swing Line Loans and/or Cash Collateralize the L/C Obligations in an aggregate amount equal to such excess; provided, however, that the Borrowers shall not be required to Cash Collateralize the L/C Obligations pursuant to this Section 2.05(c) unless after the prepayment in full of the Committed Revolving Loans and Swing Line Loans, the Total Revolving Outstandings exceed the Loan Cap as then in effect.

(d) After the occurrence and during the continuance of a Cash Dominion Event, the Borrower shall prepay the Committed Revolving Loans, all outstanding interest fees and Credit Party Expenses, and Cash Collateralize the L/C Obligations with proceeds and collections received by the Loan Parties to the extent so required under the provisions of Section 6.11 hereof.

(e) Prepayments made pursuant to Section 2.05(c), and (d)(i) above, first, shall be applied to the Swing Line Loans, second, shall be applied ratably to the outstanding Committed Revolving Loans, third, shall be used to Cash Collateralize the remaining L/C Obligations; and, fourth, the amount remaining, if any, after the prepayment in full of all Swing Line Loans and Committed Revolving Loans outstanding at such time and the Cash Collateralization of the remaining L/C Obligations in full may be retained by the Borrowers for use in the ordinary course of its business. Prepayments made pursuant to Section 2.05(d)(ii) shall be applied in accordance with Section 8.04. Upon the drawing of any Letter of Credit that has been Cash Collateralized, the funds held as Cash Collateral shall be applied (without any further action by or notice to or from the Borrowers or any other Loan Party) to reimburse the L/C Issuer or the Revolving Lenders, as applicable.

(f) Subject to Section 2.09(b), the Borrowers may, upon irrevocable notice from the Lead Borrower to the Agent and the Term Loan Agent, at any time or from time to time, prepay the Term Loan in whole or in part, so long as (A) no Default or Event of Default then exists or would arise as a result of such prepayment; (B) the Payment Conditions have been satisfied, and (C) such notice must be

received by the Agent and the Term Loan Agent not later than 11:00 a.m. three (3) Business Days prior to the date of such prepayment of the Term Loan; provided, further,

that such notice may state that it is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrowers (by notice to the Agent on or prior to the specified closing date) if such condition is not satisfied. Each such notice shall specify the date and amount of such prepayment. The Term Loan Agent will promptly notify each Term Lender of its receipt of each such notice, and of the amount of such Term Lender's Applicable Percentage of such prepayment. If such notice is given by the Lead Borrower, the Borrowers shall make such prepayment, together with any Early Termination Fee then due, and the payment amount specified in such notice shall be due and payable on the date specified therein. Any prepayment of a LIBO Rate Loan shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the outstanding Term Loan in the inverse order of principal payments due pursuant in accordance with the Applicable Percentages of each Term Lender.

2.06 Termination or Reduction of Commitments.

(a) The Borrowers may, upon irrevocable notice from the Lead Borrower to the Agent, terminate the Aggregate Revolving Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit or from time to time permanently reduce the Aggregate Revolving Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit; provided that (i) any such notice shall be received by the Agent not later than 11:00 a.m. five Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $10,000,000 or any whole multiple of $1,000,000 in excess thereof, (iii) the Borrowers shall not terminate or reduce (A) the Aggregate Revolving Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, the Total Revolving Outstandings would exceed the Aggregate Revolving Commitments, (B) the Letter of Credit Sublimit if, after giving effect thereto, any of the following would be true: (1) the Outstanding Amount of L/C Obligations not fully Cash Collateralized hereunder would exceed the Letter of Credit Sublimit, (2) the Outstanding Amount of L/C Obligations owed with respect to Commercial Letters of Credit not fully Cash Collateralized hereunder would exceed the Commercial L/C Sublimit, or (3) the Outstanding Amount of L/C Obligations owed with respect to Standby Letters of Credit not fully Cash Collateralized hereunder would exceed the Standby L/C Sublimit, and (C) the Swing Line Sublimit if, after giving effect thereto, and to any concurrent payments hereunder, the Outstanding Amount of Swing Line Loans hereunder would exceed the Swing Line Sublimit.

(b) If, after giving effect to any reduction of the Aggregate Revolving Commitments, the Letter of Credit Sublimit or the Swing Line Sublimit exceeds the amount of the Aggregate Revolving Commitments, such Letter of Credit Sublimit or Swing Line Sublimit shall be automatically reduced by the amount of such excess (with the Letter of Credit Sublimit being reduced pro rata between the Commercial L/C Sublimit and the Standby L/C Sublimit).

(c) The Agent will promptly notify the Revolving Lenders of any termination or reduction of the Letter of Credit Sublimit, Swing Line Sublimit or the Aggregate Revolving Commitments under this Section 2.06(c). Upon any reduction of the Aggregate Revolving Commitments, the Revolving Commitment of each Revolving Lender shall be reduced by such Revolving Lender's Applicable Percentage of such reduction amount. All fees (including, without limitation, commitment fees and Letter of Credit Fees) and interest in respect of the Aggregate Revolving Commitments accrued until the effective date of any termination of the Aggregate Revolving Commitments shall be paid on the effective date of such termination.

(d) The Term Commitment of each Term Lender shall automatically terminate upon such Term Lender's funding of its portion of the Term Loan, which shall occur no later than the Closing Date.

2.07 Repayment of Loans.

(a) The Borrowers shall repay to the Revolving Lenders on the Termination Date the aggregate principal amount of Committed Revolving Loans outstanding on such date.

(b) To the extent not previously paid, the Borrower shall repay the outstanding balance of the Swing Line Loans on the Termination Date.

(c) The Borrowers shall make quarterly principal payments on the Term Loan in the amount of $166,667 each, commencing on July 1, 2013, and on the first day of each Fiscal Quarter occurring thereafter. The Borrowers shall repay to the Term Lenders on the Termination Date the aggregate principal amount of the Term Loan outstanding on such date, along with accrued but unpaid interest and all other Obligations outstanding with respect to the Term Loan.

2.08 Interest.

(a) Subject to the provisions of Section 2.08(b) below,

(i) each LIBO Rate Loan (A) constituting a Committed Revolving Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Adjusted LIBO Rate for such Interest Period plus the Applicable Margin, and (B) constituting a Term Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Adjusted LIBO Rate for such Interest Period plus the Term Applicable Margin;

(ii) each Base Rate Loan (A) constituting a Committed Revolving Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin, and (B) constituting a Term Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Term Applicable Margin; and

(iii) each Swing Line Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin.

(b) (i) If any Event of Default exists under Section 8.01(h) or (i), or if any amount payable under any Loan Document is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such amount shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws.

(ii) If any Event of Default exists under Section 8.01(b) or (c), then (A) the Agent may, and upon the request of the Required Revolving Lenders shall, notify the Lead Borrower that all Committed Revolving Loans and all other Obligations with respect thereto shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate and thereafter such Obligations shall bear interest at the Default Rate to the fullest extent permitted by applicable Laws, and (B) the Term Loan Agent may, and upon the request of the

Required Term Lenders shall, notify the Lead Borrower that the Term Loan and all other Obligations with respect thereto shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the Default Rate and thereafter such Obligations shall bear interest at the Default Rate to the fullest extent permitted by applicable Laws.

(iii) Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees. In addition to certain fees described in Sections 2.03(i) and 2.03(j):

(a) Commitment Fee. The Borrowers shall pay to the Agent for the account of each Revolving Lender in accordance with its Applicable Percentage, a commitment fee calculated on a per annum basis equal to 0.375% per annum times the actual daily amount by which the Aggregate Revolving Commitments exceed the Total Revolving Outstandings. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the first day after the end of each quarter, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The commitment fee shall be calculated quarterly in arrears.

(b) Early Termination Fee. In the event that the Termination Date occurs, for any reason, prior to November 1, 2014, or in the event that the Borrowers voluntarily prepay the Term Loan, in whole or in part, prior to November 1, 2014, the Borrowers shall pay to the Term Loan Agent, for the ratable benefit of the Term Lenders, a fee (the "Early Termination Fee") in respect of amounts which are or become payable by reason thereof equal to one and one half percent (1.5%) of the Outstanding Term Loan or of the amount of any such voluntary prepayment of the Term Loan, as applicable. All parties to this Agreement agree and acknowledge that the Term Lenders will have suffered damages on account of the early termination of this Agreement or any portion of the Term Loan and that, in view of the difficulty in ascertaining the amount of such damages, the Early Termination Fee constitutes reasonable compensation and liquidated damages to compensate the Term Lenders on account thereof.

(c) Other Fees. The Borrowers shall pay to the Arranger, the Agent, and the Term Loan Agent fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. Except for any computations with respect to clause (c) of the definition of Base Rate (which shall be computed on the basis of a year of 365, or to the extent a leap year, 366), all computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

(a) The Credit Extensions made by each Lender shall be evidenced by one or more accounts or records maintained by the Agent (the "Loan Account") in the ordinary course of business. In addition, each Lender may record in such Lender's internal records, an appropriate notation evidencing the date and amount of each Loan from such Lender, each payment and prepayment of principal of any such Loan, and each payment of interest, fees and other amounts due in connection with the Obligations due to such Lender. The accounts or records maintained by the Agent and each Lender shall be conclusive absent manifest error of the amount of the Credit Extensions made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrowers hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Agent in respect of such matters, the accounts and records of the Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Agent, the Borrowers shall execute and deliver to such Lender (through the Agent) a Note, which shall evidence such Lender's Committed Revolving Loans or portion of the Term Loan, as applicable, in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto. Upon receipt of an affidavit of a Lender as to the loss, theft, destruction or mutilation of such Lender's Note and upon cancellation of such Note, the Borrowers will issue, in lieu thereof, a replacement Note in favor of such Lender, in the same principal amount thereof and otherwise of like tenor.

(b) In addition to the accounts and records referred to in Section 2.11(a), each Revolving Lender and the Agent shall maintain in accordance with its usual practice accounts or records evidencing the purchases and sales by such Revolving Lender of participations in Letters of Credit and Swing Line Loans. In the event of any conflict between the accounts and records maintained by the Agent and the accounts and records of any Revolving Lender in respect of such matters, the accounts and records of the Agent shall control in the absence of manifest error.

(c) Agent shall render monthly statements regarding the Loan Account to the Lead Borrower including principal, interest, fees, and including an itemization of all charges and expenses constituting Credit Party Expenses owing, and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrowers and the Credit Parties unless, within thirty (30) days after receipt thereof by the Lead Borrower, the Lead Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

2.12 Payments Generally; Agent's Clawback.

(a) General. All payments to be made by the Loan Parties shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrowers hereunder shall be made to the Agent, for the account of the respective Lenders to which such payment is owed, at the Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Agent after 2:00 p.m., at the option of the Agent, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrowers shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) (i) Revolving Lenders; Presumption by Agent. Unless the Agent shall have received notice from a Revolving Lender prior to the proposed date of any Revolving Credit Borrowing of LIBO Rate Loans (or in the case of any Revolving Credit Borrowing of Base Rate Loans, prior to 12:00 noon on the date of such Borrowing) that such Revolving Lender will not make available to the Agent such Revolving Lender's share of such Revolving Credit Borrowing, the Agent may assume that such Revolving Lender has made such share available on such date in accordance with Section 2.02 (or in the case of a Revolving Credit Borrowing of Base Rate Loans, that such Lender has made such share available in accordance with and at the time required by Section 2.02) and may, in reliance upon such assumption, make available to the Borrowers a corresponding amount. In such event, if a Revolving Lender has not in fact made its share of the applicable Revolving Credit Borrowing available to the Agent, then the applicable Revolving Lender and the Borrowers severally agree to pay to the Agent forthwith on demand such corresponding amount in immediately available funds with interest thereon, for each day from and including the date such amount is made available to the Borrowers to but excluding the date of payment to the Agent, at (A) in the case of a payment to be made by such Revolving Lender, the greater of the Federal Funds Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation plus any administrative processing or similar fees customarily charged by the Agent in connection with the foregoing, and (B) in the case of a payment to be made by the Borrowers, the interest rate applicable to Committed Revolving Loans comprising Base Rate Loans. If the Borrowers and such Revolving Lender shall pay such interest to the Agent for the same or an overlapping period, the Agent shall promptly remit to the Borrowers the amount of such interest paid by the Borrowers

for such period. If such Revolving Lender pays its share of the applicable Revolving Credit Borrowing to the Agent, then the amount so paid shall constitute such Revolving Lender's Committed Revolving Loan included in such Revolving Credit Borrowing. Any payment by the Borrowers shall be without prejudice to any claim the Borrowers may have against a Revolving Lender that shall have failed to make such payment to the Agent.

(ii) Payments by Borrowers; Presumptions by Agent. Unless the Agent shall have received notice from the Lead Borrower prior to the time at which any payment is due to the Agent for the account of the Lenders or the L/C Issuer hereunder that the Borrowers will not make such payment, the Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the L/C Issuer, as the case may be, the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders or the L/C Issuer, as the case may be, severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender or the L/C Issuer, in immediately available funds with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Agent, at the greater of the Federal Funds Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation.

A notice of the Agent to any Lender or the Lead Borrower with respect to any amount owing under this subsection (b) shall be conclusive, absent manifest error.

(c) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrowers by the Agent because the conditions to the applicable Credit Extension set forth in Article IV are not satisfied or waived in accordance with the terms hereof (subject to the provisions of the last paragraph of Section 4.02 hereof), the Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) Obligations of Lenders Several. The obligations of the Term Lenders hereunder to make the Term Loan and of the Revolving Lenders hereunder to make Committed Revolving Loans, to

fund participations in Letters of Credit and Swing Line Loans and to make payments hereunder are several and not joint. The failure of any Term Lender to make its portion of the Term Loan, or of any Revolving Lender to make any Committed Revolving Loan, to fund any such participation or to make any payment hereunder on any date required hereunder shall not relieve any other Term Lender or Revolving Lender (as applicable) of its corresponding obligation to do so on such date, and no Term Lender or Revolving Lender (as applicable) shall be responsible for the failure of any other Term Lender or Revolving Lender (as applicable) to so make its portion of the Term Loan or its Committed Revolving Loan, (as applicable), to purchase its participation or to make its payment hereunder.

(e) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments by Lenders. If any Credit Party shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, interest on, or other amounts with respect to, any of the Obligations resulting in (a) any Revolving Lender receiving payment of a proportion of the aggregate amount of Obligations in respect of Committed Revolving Loans greater than its pro rata share thereof as provided herein, or (b) a Term Lender receiving payment of a proportion of the aggregate amount of Obligations in respect of the Term Loan greater than its pro rata share thereof as provided herein (including, in each case, as in contravention of the priorities of payment set forth in Section 8.04), then the Credit Party receiving such greater proportion shall (a) notify the Agent and Term Loan Agent, as applicable, of such fact, and (b) purchase (for cash at face value) participations in the Obligations of the other Revolving Lenders or Term Lenders, as applicable, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Credit Parties ratably and in the priorities set forth in Section 8.04, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by the Loan Parties pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its portion of the Term Loan, its Committed Revolving Loans or subparticipations in L/C Obligations or Swing Line Loans to any assignee or participant, other than to the Borrowers or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.14 Settlement Amongst Lenders.

(a) The amount of each Revolving Lender's Applicable Percentage of outstanding Committed Revolving Loans (including outstanding Swing Line Loans), shall be computed weekly (or more frequently in the Agent's discretion) and shall be adjusted upward or downward based on all Committed Revolving Loans (including Swing Line Loans) and repayments of Committed Revolving

Loans (including Swing Line Loans) received by the Agent as of 3:00 p.m. on the first Business Day (such date, the "Settlement Date") following the end of the period specified by the Agent.

(b) The Agent shall deliver to each of the Revolving Lenders promptly after a Settlement Date a summary statement of the amount of outstanding Committed Revolving Loans and Swing Line Loans for the period and the amount of repayments received for the period. As reflected on the summary statement, (i) the Agent shall transfer to each Revolving Lender its Applicable Percentage of repayments, and (ii) each Revolving Lender shall transfer to the Agent (as provided below) or the Agent shall transfer to each Revolving Lender, such amounts as are necessary to insure that, after giving effect to all such transfers, the amount of Committed Revolving Loans made by each Lender shall be equal to such Revolving Lender's Applicable Percentage of all Committed Revolving Loans outstanding as of such Settlement Date. If the summary statement requires transfers to be made to the Agent by the Revolving Lenders and is received prior to 1:00 p.m. on a Business Day, such transfers shall be made in immediately available funds no later than 3:00 p.m. that day; and, if received after 1:00 p.m., then no later than 3:00 p.m. on the next Business Day. The obligation of each Revolving Lender to transfer such funds is irrevocable, unconditional and without recourse to or warranty by the Agent. If and to the extent any Revolving Lender shall not have so made its transfer to the Agent, such Revolving Lender agrees to pay to the Agent, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Agent, equal to the greater of the Federal Funds Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation plus any administrative, processing, or similar fees customarily charged by the Agent in connection with the foregoing.

2.15 Uncommitted Increase.

(a) Uncommitted Increase.

(i) Request for Increase. Provided no Default or Event of Default then exists or would arise therefrom, upon notice to the Agent (which shall promptly notify the Lenders), the Lead Borrower may request an increase in the Aggregate Revolving Commitments by an amount (for all such requests) not exceeding $25,000,000 (the "Commitment Increase"); provided that (i) any such request for an increase shall be in a minimum amount of $5,000,000 and (ii) the Lead Borrower may make a maximum of three such requests. At the time of sending such notice, the Lead Borrower (in consultation with the Agent) shall specify the time period within which each Revolving Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Revolving Lenders). No Lender is required to increase its Commitment.

(ii) Lender Elections to Increase. Each Lender shall notify the Agent within such time period whether or not it agrees to increase its Revolving Commitment and, if so, whether by an amount equal to, greater than, or less than its Applicable Percentage of such requested increase. Any Revolving Lender not responding within such time period shall be deemed to have declined to increase its Revolving Commitment.

(iii) Notification by Agent; Additional Lenders. The Agent shall notify the Lead Borrower and each Revolving Lender of the Revolving Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase and subject to the approval of the Agent, the L/C Issuer and the Swing Line Lender (which approvals shall not be unreasonably withheld), to the extent that the existing Lenders decline to increase their Revolving Commitments, or decline to increase their Revolving Commitments to the amount requested by the Lead Borrower, the Agent, in consultation with the Lead Borrower, will use its reasonable

efforts to arrange for other Eligible Assignees to become a Revolving Lender hereunder and to issue commitments in an amount equal to the amount of the increase in the Aggregate Revolving Commitments requested by the Lead Borrower and not accepted by the existing Revolving Lenders (and the Lead Borrower may also invite additional Eligible Assignees to become Revolving Lenders) (each, an "Additional Commitment Lender"), provided, however, that without the consent of the Agent, at no time shall the Revolving Commitment of any Additional Commitment Lender be less than $10,000,000.

(iv) Effective Date and Allocations. If the Aggregate Revolving Commitments are increased in accordance with this Section, the Agent, in consultation with the Lead Borrower, shall determine the effective date (the "Increase Effective Date") and the final allocation of such increase. The Agent shall promptly notify the Lead Borrower and the Revolving Lenders of the final allocation of such increase and the Increase Effective Date and on the Increase Effective Date (i) the Aggregate Revolving Commitments under, and for all purposes of, this Agreement shall be increased by the aggregate amount of such Commitment Increases, and (ii) Schedule 2.01 shall be deemed modified, without further action, to reflect the revised Commitments and Applicable Percentages of the Revolving Lenders.

(b) Conditions to Effectiveness of Commitment Increase. As a condition precedent to such Commitment Increase, (i) the Lead Borrower shall deliver to the Agent a certificate of the Lead Borrower dated as of the Increase Effective Date signed by a Responsible Officer of the Lead Borrower (A) certifying and attaching the resolutions adopted by the Lead Borrower approving or consenting to such Commitment Increase, and (B) certifying that, before and after giving effect to such Commitment Increase, (1) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects as of such earlier date and except in the case of any representation and warranty qualified by materiality, in which case they shall be true and correct in all respects, and except that for purposes of this Section 2.15, the representations and warranties contained in subsections (a) and (b) of Section 5.06 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.04, and (2) no Default or Event of Default exists or would arise therefrom, (ii) the Borrowers, the Agent, and any Additional Commitment Lender shall have executed and delivered a joinder to the Loan Documents in such form as the Agent shall reasonably require; (iii) the Borrowers shall have paid such fees and other compensation, if any, to the Revolving Lenders increasing their Revolving Commitments and to the Additional Commitment Lenders, as the Lead Borrower and such Revolving Lenders and Additional Commitment Lenders, as applicable, shall agree; (iv) the Borrowers shall have paid such arrangement fees to the Agent as the Lead Borrower and the Agent may agree; (v) if requested by the Agent, the Borrowers shall deliver to the Agent and the Lenders an opinion or opinions, in form and substance reasonably satisfactory to the Agent, from counsel to the Borrowers reasonably satisfactory to the Agent and dated such date; (vi) the Borrowers and the Additional Commitment Lender shall have delivered such other instruments, documents and agreements as the Agent may reasonably have requested; and (vii) no Default or Event of Default exists. The Borrowers shall prepay any Committed Revolving Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 2.05) to the extent necessary to keep the outstanding Committed Revolving Loans ratable with any revised Applicable Percentages arising from any nonratable increase in the Revolving Commitments under this Section.

(c) Conflicting Provisions. This Section shall supersede any provisions in Sections 2.13 or 10.01 to the contrary.

2.16 Extensions of Revolving Commitments and/or Term Loan.

(a) Notwithstanding anything to the contrary in this Agreement, pursuant to one or more offers (each, an "Extension Offer") made from time to time by the Lead Borrower to all Lenders on a *pro rata* basis (based on the aggregate outstanding principal amount of the respective Revolving Commitments or outstanding Term Loan, as the case may be) and on the same terms to each such Lender, the Loan Parties may consummate from time to time transactions with individual Lenders that accept the terms contained in such Extension Offers to extend the Maturity Date of each such Lender's Revolving Commitments or outstanding portion of the Term Loan, as the case may be, and otherwise modify the terms of such Revolving Commitments or outstanding portion of the Term Loan, as the case may be, pursuant to the terms of the relevant Extension Offer (including by increasing the interest rate or fees payable in respect of such Revolving Commitments or portion of the Term Loan, as the case may be) (each, an "Extension", and each group of Revolving Commitments or outstanding portion of the Term Loan, as the case may be, so extended, as well as the original Revolving Commitments or outstanding portion of the Term Loan, as the case may be not so extended, being a "tranche"). Any Extended Revolving Commitments or Term Loan, as the case may be, shall constitute a separate tranche of Revolving Commitments or Term Loan, as the case may be, from the tranche of Revolving Commitments or existing Term Loan, as the case may be, so long as the following terms are satisfied: (i) no Default or Event of Default shall have occurred and be continuing at the time the offering document in respect of an Extension Offer is delivered to the Lenders; (ii) except as to pricing (interest rate and fees) and maturity (which shall be set forth in the relevant Extension Offer but shall be no earlier than the Maturity Date of the Revolving Commitments or outstanding portion of the Term Loan, as the case may be), the Revolving Commitment or outstanding Term Loan, as the case may be, of any Lender that agrees to an Extension with respect to such amounts extended pursuant to any Extension (an "Extended Revolving Commitment" or "Extended Term Loan", as the case may be), and the related outstandings, shall be a Revolving Commitment (or related outstandings, as the case may be) or Term Loan, as the case may be, with the same terms as the original Revolving Commitments (and related outstandings) or Term Loan, as the case may be; provided that (A) the borrowing and repayment (except for (1) payments of interest and fees at different rates on Extended Revolving Commitments (and related outstandings) or Extended Term Loan, (2) repayments required upon the Maturity Date of the non-extending Revolving Commitments or Term Loan, as the case may be, and (3) repayments made in connection with a permanent repayment and termination of any portion of the Revolving Commitments or Term Loan, as the case may be) of Loans with respect to Extended Revolving Commitments and Extended Term Loan after the applicable date of such Extension shall be made on a *pro rata* basis with all other Revolving Commitments or outstanding portion of Term Loan, as the case may be, (B) the permanent repayment of Committed Revolving Loans or outstanding portion of the Term Loan, as the case may be, with respect to, and termination of, Extended Revolving Commitments or Extended Term Loans, as the case may be, after the applicable date of such Extension shall be made on a *pro rata* basis with all other Revolving Commitments or outstanding portion of the Term Loan, as the case may be,, except that the Loan Parties shall be permitted to permanently repay and terminate Revolving Commitments prior to any Extended Revolving Commitments and the outstanding Term Loan prior to any Extended Term Loan, (C) assignments and participations of Extended Revolving Commitments and extended Committed Revolving Loans or Extended Term

Loans, as the case may be, shall be governed by the same assignment and participation provisions applicable to Revolving Commitments and Committed Revolving Loans or Term Loans, as the case may be, and (D) at no time shall there be Revolving Commitments hereunder (including Extended Revolving Commitments) or Term Loan (including any Extended Term Loan) which have more than two different Maturity Dates; (iii) if the aggregate principal amount of Revolving Commitments or outstanding Term Loans, as the case may, be (calculated on the face amount thereof) in respect of which Lenders shall have accepted the relevant Extension Offer shall exceed the maximum aggregate principal amount of Revolving Commitments or portion of the Term Loan, as the case may be, offered to be extended by the Loan Parties pursuant to such Extension Offer, then the Revolving Commitments or outstanding portion of the Term Loan of such Lenders shall be extended ratably up to such maximum amount based on the respective principal amounts (but not to exceed actual holdings of record) with

respect to which such Lenders have accepted such Extension Offer; and (iv) any applicable Minimum Extension Condition (as defined below) shall be satisfied unless waived by the Loan Parties and, to extent provided below, the Agent.

(b) With respect to all Extensions consummated by the Loan Parties pursuant to this Section 2.16, (i) such Extensions shall not constitute voluntary or mandatory payments for purposes of this Agreement and (ii) each Extension Offer shall specify the minimum amount of Revolving Commitments or outstanding portion of the Term Loan, as the case may be, to be tendered, which shall be with respect to Revolving Commitments or outstanding portion of the Term Loan, as the case may be, of a Class an integral multiple of $5,000,000 and an aggregate principal amount that is not less than $10,000,000 (or if less, the remaining outstanding principal amount thereof) (or such lesser minimum amount reasonably approved by the Agent) (a "Minimum Extension Condition"). The transactions contemplated by this Section 2.16 (including, for the avoidance of doubt, payment of any interest, fees or premium in respect of any Extended Revolving Commitments or portion of the Term Loan, as the case may be, on such terms as may be set forth in the relevant Extension Offer) shall not require the consent of any Lender or any other person (other than as set forth in clause (c) of this Section 2.16.

(c) The consent (such consent not to be unreasonably withheld, delayed or conditioned) of the Agent shall be required to effectuate any Extension. No consent of any Lender or any other person shall be required to effectuate any Extension, other than the consent of the Loan Parties and each Lender agreeing to such Extension with respect to one or more of its Revolving Commitments or outstanding portion of the Term Loan, as the case may be. The Lenders hereby irrevocably authorize the Agent to enter into amendments to this Agreement and the other Loan Documents (an "Extension Amendment") with the Loan Parties as may be necessary in order to establish new tranches in respect of Revolving Commitments or Term Loan, as the case may be, so extended and such technical amendments as may be necessary or appropriate in the reasonable opinion of the Agent and the Loan Parties in connection with the establishment of such new tranches, in each case, on terms consistent with this Section 2.16.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY; APPOINTMENT OF LEAD BORROWER

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrowers under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law. If the Borrowers or any other withholding agent shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Agent, the Term Loan Agent, the applicable Lender or L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholding been made.

(b) Payment of Other Taxes by the Borrowers. Without limiting the provisions of subsection (a) above, the Borrowers shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Loan Parties. The Loan Parties shall indemnify the Agent, the Term Loan Agent, each Lender and the L/C Issuer, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Agent, the Term Loan Agent, such Lender or the L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Lead Borrower by a Lender or the L/C Issuer (with a copy to the Agent), or by the Agent or the Term Loan Agent, in each case, on its own behalf or on behalf of the Term Loan Agent, or Agent, as applicable, a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrowers to a Governmental Authority, the Lead Borrower shall deliver to the Agent and the Term Loan Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent or Term Loan Agent, as applicable.

(e) Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which any Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Lead Borrower (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by the Lead Borrower or the Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. Such delivery shall be provided on the Closing Date and on or before such documentation expires or becomes obsolete or after the occurrence of an event requiring a change in the documentation most recently delivered. In addition, any Lender, if requested by the Lead Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Lead Borrower or the Agent as will enable the Lead Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that any Borrower is a U.S. Person within the meaning of Code Section 7701(a)(30) (a "U.S. Person"), any Lender shall deliver to the Lead Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Lead Borrower or the Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) any Lender that is a U.S. Person shall deliver executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax; and

(ii) any Foreign Lender shall deliver whichever of the following is applicable:

(A) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party;

(B) duly completed copies of Internal Revenue Service Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate ("Tax Compliance Certificate") to the effect that such Foreign Lender is not (1) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (2) a "10 percent shareholder" of the Borrowers within the meaning of section 881(c)(3)(B) of the Code, or (3) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN;

(D) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a Tax Compliance Certificate, IRS Form W-9 and/or other certification documents from each beneficial owner, as applicable;

(E) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Lead Borrower to determine the withholding or deduction required to be made;

(F) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Lead Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Lead Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Lead Borrower or the Agent as may be necessary for the Borrowers and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this clause (F), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. If the Agent, the Term Loan Agent, any Lender or the L/C Issuer determines, in its sole discretion, exercised in good faith, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Loan Parties or with respect to which the Loan Parties have paid or remitted additional amounts pursuant to this Section, it shall pay to the Loan Parties an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Loan Parties under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent, the Term Loan Agent, such Lender or the L/C Issuer, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Loan Parties, upon the request of the Agent, the Term Loan Agent, such Lender or the L/C Issuer, agree to repay the amount paid over to the Loan Parties (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent, the Term Loan Agent, such Lender or the L/C Issuer in the event

the Agent, the Term Loan Agent, such Lender or the L/C Issuer is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Agent, the Term Loan Agent, any Lender or the L/C Issuer to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the Loan Parties or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund LIBO Rate Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Lead Borrower through the Agent and the Term Loan Agent, any obligation of such Lender to make or continue LIBO Rate Loans or to convert Base Rate Loans to LIBO Rate Loans shall be suspended until such Lender notifies the Agent, the Term Loan Agent and the Lead Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrowers shall, upon demand from such Lender (with a copy to the Agent), prepay or, if applicable, convert all LIBO Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBO Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBO Rate Loans. Upon any such prepayment or conversion, the Borrowers shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a LIBO Rate Loan or a conversion to or continuation thereof that (a) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount and Interest Period of such LIBO Rate Loan, (b) adequate and reasonable means do not exist for determining the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan , or (c) the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Agent will promptly so notify the Lead Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBO Rate Loans shall be suspended until the Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Lead Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of LIBO Rate Loans or, failing that, will be deemed to have converted such request into a request for a Revolving Credit Borrowing of Base Rate Loans in the amount specified therein.

3.04 Increased Costs; Reserves on LIBO Rate Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBO Rate) or the L/C Issuer;

(ii) subject any Lender or the L/C Issuer to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any LIBO Rate Loan made by it, or change the basis of taxation of payments to such Lender or the L/C Issuer in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender or the L/C Issuer); or

(iii) impose on any Lender or the L/C Issuer or the London interbank market any other condition, cost or expense affecting this Agreement or LIBO Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBO Rate Loan (or of maintaining its obligation to make any such Loan), or to increase the cost to such Lender or the L/C Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the L/C Issuer hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or the L/C Issuer, the Borrowers will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the L/C Issuer determines that any Change in Law affecting such Lender or the L/C Issuer or any Lending Office of such Lender or such Lender's or the L/C Issuer's holding company, if any, regarding capital requirements or liquidity has or would have the effect of reducing the rate of return on such Lender's or the L/C Issuer's capital or on the capital of such Lender's or the L/C Issuer's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the L/C Issuer, to a level below that which such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the L/C Issuer's policies and the policies of such Lender's or the L/C Issuer's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender or the L/C Issuer, as the case may be, such additional amount or amounts as will compensate such Lender or the L/C Issuer or such Lender's or the L/C Issuer's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender or the L/C Issuer setting forth the amount or amounts necessary to compensate such Lender or the L/C Issuer or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Lead Borrower shall be conclusive absent manifest error. The Borrowers shall pay such Lender or the L/C Issuer, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the L/C Issuer to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's or the L/C Issuer's right to demand such compensation, provided that the Borrowers shall not be required to compensate a Lender or the L/C Issuer pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender or the L/C Issuer, as the case may be, notifies the Lead Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the L/C Issuer's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on LIBO Rate Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional interest on the unpaid principal amount of each LIBO Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination

shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Lead Borrower shall have received at least ten (10) days' prior notice (with a copy to the Agent and the Term Loan Agent) of such additional interest from such Lender. If a Lender fails to give notice ten (10) days prior to the relevant Interest Payment Date, such additional interest shall be due and payable ten (10) days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Agent and the Term Loan Agent) from time to time, the Borrowers shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrowers (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Lead Borrower; or

(c) any assignment of a LIBO Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Lead Borrower pursuant to Section 10.13;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrowers shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrowers to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each LIBO Rate Loan made by it at the LIBO Rate for such Loan by a matching deposit or other borrowing in the London interbank market for a comparable amount and for a comparable period, whether or not such LIBO Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrowers may replace such Lender in accordance with Section 10.13.

3.07 Survival. Each party's obligations under this Article III shall survive termination of the Aggregate Revolving Commitments and repayment of the Term Loan, the Committed Revolving Loans, the Swing Line Loans, and all other Obligations.

3.08 Designation of Lead Borrower as Borrowers' Agent.

(a) Each Borrower hereby irrevocably designates and appoints the Lead Borrower as such Borrower's agent to obtain Credit Extensions, the proceeds of which shall be available to each Borrower for such uses as are permitted under this Agreement. As the disclosed principal for its agent, each Borrower shall be obligated to each Credit Party on account of Credit Extensions so made as if made directly by the applicable Credit Party to such Borrower, notwithstanding the manner by which such Credit Extensions are recorded on the books and records of the Lead Borrower and of any other Borrower. In addition, each Loan Party other than the Borrowers hereby irrevocably designates and appoints the Lead Borrower as such Loan Party's agent to represent such Loan Party in all respects under this Agreement and the other Loan Documents.

(b) Each Borrower recognizes that credit available to it hereunder is in excess of and on better terms than it otherwise could obtain on and for its own account and that one of the reasons therefor is its joining in the credit facility contemplated herein with all other Borrowers. Consequently, each Borrower hereby assumes and agrees to discharge all Obligations of each of the other Borrowers.

(c) The Lead Borrower shall act as a conduit for each Borrower (including itself, as a "Borrower") on whose behalf the Lead Borrower has requested a Credit Extension. Neither the Agent nor any other Credit Party shall have any obligation to see to the application of such proceeds therefrom.

ARTICLE IV
CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 Conditions of Initial Credit Extension. The obligation of the L/C Issuer and each Lender to make its initial Credit Extension hereunder is subject to satisfaction of the following conditions precedent:

(a) The Agent's and Term Loan Agent's receipt of the following, each of which shall be originals, facsimiles or other electronic image scan transmission (e.g., "pdf" or "tif " via e-mail) (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party or the Lenders, as applicable, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Agent and Term Loan Agent:

(i) executed counterparts of this Agreement sufficient in number for distribution to the Agent, each Lender and the Lead Borrower;

(ii) a Note executed by the Borrowers in favor of each Lender requesting a Note;

(iii) copies of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Loan Party as the Agent may require evidencing (A) the authority of each Loan Party to enter into this Agreement and the other Loan Documents to which such Loan Party is a party or is to become a party and (B) the identity, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in

connection with this Agreement and the other Loan Documents to which such Loan Party is a party or is to become a party;

(iv) copies of each Loan Party's Organization Documents and such other documents and certifications as the Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and that each Loan Party is validly existing, in good standing and qualified to engage in business in each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, except to the extent that failure to so qualify in such jurisdiction could not reasonably be expected to have a Material Adverse Effect;

(v) a favorable opinion(s) of Proskauer Rose LLP, counsel to the Loan Parties, addressed to the Agent, the Term Loan Agent, and each Lender, as to such matters concerning the Loan Parties and the Loan Documents as the Agent may reasonably request;

(vi) a certificate signed by a Responsible Officer of the Lead Borrower certifying (A) that the conditions specified in Sections 4.02(a) and 4.02(b) have been satisfied, (B) that there has been no event or circumstance since the date of the Audited Financial Statements that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (C) to the Solvency of the Loan Parties, on a consolidated basis, as of the Closing Date after giving effect to the transactions contemplated hereby, and (D) either that (1) no consents, licenses or approvals are required in connection with the execution, delivery and performance by such Loan Party and the validity against such Loan Party of the Loan Documents to which it is a party, or (2) that all such consents, licenses and approvals have been obtained and are in full force and effect;

(vii) evidence that all insurance required to be maintained pursuant to the Loan Documents and all endorsements in favor of the Agent required under the Loan Documents have been obtained and are in effect;

(viii) (1) a payoff letter from the agent for the lenders under the Existing Credit Agreement reasonably satisfactory in form and substance to the Agent and Term Agent evidencing that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated, all obligations thereunder are being paid in full, and all Liens securing obligations under the Existing Credit Agreement have been or concurrently with the Closing Date are being released; and (2) the Agent and Term Loan Agent shall be reasonably satisfied that the Subordinated Notes have been or concurrently with the Closing Date are being terminated, all obligations thereunder are being paid in full, and all Liens securing obligations under the Subordinated Notes, if any, have been or concurrently with the Closing Date are being released (which, for the avoidance of doubt, shall consist of the funds flow and copies of communications sent to each of the holders of the Subordinated Notes delivering repayment in full on the Closing Date);

(ix) the Security Documents and certificates evidencing any stock being pledged thereunder, together with undated stock powers executed in blank, each duly executed by the applicable Loan Parties;

(x) the Term Loan B Intercreditor Agreement, duly executed by all applicable parties;

(xi) the Facility Guaranty, Fee Letter, Perfection Certificate, Grant of Security Interest in Trademarks, Disbursement Letter, Post-Closing Letter, and Borrowing Base Certificate, each duly executed by the applicable Loan Parties;

(xii) (A) appraisals (based on net liquidation value) by a third party appraiser acceptable to the Agent of all Inventory of the Loan Parties, the results of which are satisfactory to the Agent and (B) a written report regarding the results of a commercial finance examination of the Loan Parties, which shall be satisfactory to the Agent;

(xiii) results of searches or other evidence reasonably satisfactory to the Agent and Term Loan Agent (in each case dated as of a date reasonably satisfactory to the Agent and Term Loan Agent) indicating the absence of Liens on the assets of the Loan Parties, except for Permitted Encumbrances and Liens for which termination statements and releases, satisfactions and discharges of any mortgages, and releases or subordination agreements satisfactory to the Agent and Term Loan Agent are being tendered concurrently with such extension of credit or other arrangements satisfactory to the Agent for the delivery of such termination statements and releases, satisfactions and discharges have been made;

(xiv) (A) all documents and instruments, including Uniform Commercial Code financing statements, required by law or reasonably requested by the Agent or the Term Loan Agent to be filed, registered or recorded to create or perfect the first priority Liens intended to be created under the Loan Documents and all such documents and instruments shall have been so filed, registered or recorded to the satisfaction of the Agent and (B) the DDA Notifications, Credit Card Notifications required pursuant to Section 6.11 hereof; and

(xv) such other assurances, certificates, documents, consents or opinions as the Agent reasonably may require.

(b) After giving effect to (i) the first funding under the Loans, (ii) any charges to the Loan Account made in connection with the establishment of the credit facility contemplated hereby and (iii) all Letters of Credit to be issued at, or immediately subsequent to, such establishment (including, without limitation, the Existing Letter of Credit), Availability shall be not less than $20,000,000.

(c) The Agent and Term Loan Agent shall have received a Borrowing Base Certificate dated the Closing Date, relating to the month ended on March 28, 2013, and executed by a Responsible Officer of the Lead Borrower.

(d) The Agent shall be reasonably satisfied that any financial statements delivered to it fairly present the business and financial condition of the Loan Parties and that there has been no Material Adverse Effect since February 27, 2013.

(e) The Agent and Term Loan Agent shall have received and be satisfied with (i) a detailed forecast for the period commencing on the Closing Date and through and including the Maturity Date, which shall include an Availability model, Consolidated income statement, balance sheet, and statement of cash flow (on a monthly basis for the 2013 Fiscal Year, and on an annual basis for each Fiscal Year thereafter), each prepared in conformity with GAAP and consistent with the Loan Parties' then current practices and (ii) such other information (financial or otherwise) reasonably requested by the Agent.

(f) There shall not be pending any litigation or other proceeding, the result of which, either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(g) [Reserved];

(h) The consummation of the transactions contemplated hereby shall not violate any applicable Law or any Organization Document.

(i) All fees and expenses required to be paid to the Agent, the Term Loan Agent, or the Arranger, as applicable, on or before the Closing Date shall have been paid in full, and all fees and expenses required to be paid to the Lenders on or before the Closing Date shall have been paid in full.

(j) The Borrowers shall have paid all fees, charges and disbursements of counsel to the Agent and Term Loan Agent to the extent invoiced at least two (2) Business Days prior to or on the Closing Date, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the Closing Date (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrowers, and the Agent and Term Loan Agent).

(k) The Agent, Term Loan Agent, and the Lenders shall have received all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

(l) [Reserved];

(m) The Loan Parties shall have received not less than $80,000,000 in gross proceeds in connection with the Term Loan B Agreement.

Without limiting the generality of the provisions of Section 9.04, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have Consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be Consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Conditions to all Credit Extensions. The obligation of each Lender to honor any Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Revolving Loans or a portion of the Term Loan to the other Type, or a continuation of LIBO Rate Loans) and each L/C Issuer to issue each Letter of Credit is subject to the following conditions precedent:

(a) The representations and warranties of each other Loan Party contained in Article V or in any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, shall be true and correct in all material respects on and as of the date of such Credit Extension, except (i) to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, (ii) in the case of any representation and warranty qualified by materiality, they shall be true and correct in all respects, and (iii) for purposes of this Section 4.02, the representations and warranties contained in subsections (a) and (b) of Section 5.06 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b), respectively, of Section 6.04;

(b) No Default or Event of Default shall exist, or would result immediately after giving effect to such proposed Credit Extension or from the application of the proceeds thereof;

(c) The Agent and, if applicable, the L/C Issuer or the Swing Line Lender shall have received a Request for Credit Extension in accordance with the requirements hereof; and

(d) No Overadvance shall result from such Credit Extension.

Each Request for Credit Extension (other than a Committed Loan Notice requesting only a conversion of Committed Revolving Loans or a portion of the Term Loan to the other Type, or a continuation of LIBO Rate Loans) submitted by the Lead Borrower shall be deemed to be a representation and warranty by the Borrowers that the conditions

specified in Sections 4.02(a) and (b) have been satisfied on and as of the date of the applicable Credit Extension. The conditions set forth in this Section 4.02 are for the sole benefit of the Agent, Term Loan Agent, Lenders, L/C Issuer, and Swing Line Lender but, until the Required Revolving Lenders otherwise direct the Agent to cease making Committed Revolving Loans and direct the L/C Issuer to cease issuing Letters of Credit, the Revolving Lenders will fund their Applicable Percentage of all Committed Revolving Loans and participate in all Swing Line Loans and Letters of Credit whenever made or issued, which are requested by the Lead Borrower and which, notwithstanding the failure of the Loan Parties to comply with the provisions of this Article IV, agreed to by the Agent, provided, however, the making of any such Loans or the issuance of any Letters of Credit shall not be deemed a modification or waiver by any Credit Party of the provisions of this Article IV on any future occasion or a waiver of any rights or the Credit Parties as a result of any such failure to comply.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to each Agent, Lender, L/C Issuer, and Swing Line Lender that:

5.01 Organization; Powers. Each Loan Party and each of their Subsidiaries (a) is a partnership, limited liability company or corporation duly organized, validly existing and in good standing (or in any foreign jurisdiction where an equivalent status exists, enjoys the equivalent status under the laws of such foreign jurisdiction of organization) under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted, (c) is qualified and is licensed, and where applicable, in good standing to do business in each jurisdiction where such qualification is required, except where the failure so to qualify or be in good standing could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, and (d) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of the Borrower, to borrow and otherwise obtain credit hereunder. Schedule 5.01 annexed hereto sets forth, as of the Closing Date, each Loan Party's name as it appears in official filings in its state of incorporation or organization, its state of incorporation or organization, organization type, organization number, if any, issued by its state of incorporation or organization, and its federal employer identification number.

5.02 Authorization. The execution, delivery and performance by the Loan Parties of each of the Loan Documents to which it is a party and the borrowings hereunder (a) have been duly authorized by all corporate, stockholder, partnership or limited liability company action required to be taken by the Loan Parties and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, in any material respect, (B) the certificate or articles of incorporation or other constitutive documents (including any partnership, limited liability company or operating agreement or by-laws) of any Loan Party, (C) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (D) any provision of any indenture, certificate of designation for preferred stock, agreement or other instrument to

which any Loan Party is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of, constitute (alone or with notice or lapse of time or both) a default under, or give rise to a right of or result in any cancellation or acceleration of any Material Contract or Material Indebtedness or right or obligation (including any payment) or to a loss of a material benefit under any such indenture, certificate of designation for preferred stock, agreement or other instrument, other than with respect to the constitutive documents of any Loan Party, where any such conflict, violation, breach or default referred to in clause (i) (A) or (C) of this Section 5.02(b) could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon any property or assets of any Loan Party, other than the Liens created by the Loan Documents and Permitted Encumbrances.

5.03 Enforceability. This Agreement has been duly executed and delivered by each of the Loan Parties and constitutes, and each other Loan Document when executed and delivered by each Loan Party that is party thereto will constitute, a legal, valid and binding obligation of such Loan Party enforceable against each such Loan Party in accordance with its terms, subject to (a) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (c) implied covenants of good faith and fair dealing.

5.04 Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority or third party is required for the perfection or maintenance of the Liens created under the Security Documents or the exercise by the Agent, the Term Loan Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral, except for (a) the filing of Uniform Commercial Code financing statements and equivalent filings in foreign jurisdictions, (b) filings with the United States Patent and Trademark Office and the United States Copyright Office and comparable offices in foreign jurisdictions and equivalent filings in foreign jurisdictions, (c) filings which may be required under Environmental Laws, (d) such as have been made or obtained and are in full force and effect, (e) such actions, consents and approvals the failure of which to be obtained or made could not reasonably be expected to have a Material Adverse Effect and (f) filings or other actions listed on Schedule 5.04.

5.05 Reserved.

5.06 Financial Statements.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and (ii) fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein.

(b) The unaudited Consolidated balance sheet of the Parent and its Subsidiaries dated February 28, 2013, and the related Consolidated statements of income or operations, Shareholders' Equity and cash flows for the Fiscal Month ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. Schedule 5.06 sets forth all Material Indebtedness of the Loan Parties and their Consolidated Subsidiaries as of the Closing Date.

(c) To the best knowledge of the Borrowers, no Internal Control Event exists or has occurred since the date of the Audited Financial Statements that has resulted in or could reasonably be expected to result in a misstatement in any material respect, (i) in any financial information delivered or to be delivered to the Agent, Term Loan Agent, or the Lenders, (ii) of the Borrowing Base, (iii) of covenant compliance calculations provided hereunder or (iv) of the assets, liabilities, financial condition or results of operations of the Parent and its Subsidiaries on a Consolidated basis; it being understood and agreed that any Internal Control Event disclosed in connection with preparation for an imminent Public Offering may be remedied within six (6) months following the date of such Public Offering.

5.07 Title to Properties; Possession Under Leases.

(d) Each of the Loan Parties has valid fee simple title to, or valid leasehold interests in, or easements or other limited property interests in, all of its Real Estate and has valid title to its personal property and assets, in each case, except for Permitted Encumbrances and defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes and except where the failure to have such title would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. All such properties and assets are free and clear of Liens, other than Permitted

Encumbrances.

(e) Neither the Loan Parties nor any of their Subsidiaries has defaulted under any lease to which it is a party, except for such defaults as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each of the Loan Parties' and their Subsidiaries' leases is in full force and effect, except leases in respect of which the failure to be in full force and effect would not reasonably be expected to have a Material Adverse Effect. The Loan Parties and each of their Subsidiaries enjoys peaceful and undisturbed possession under all such leases, other than leases in respect of which the failure to enjoy peaceful and undisturbed possession would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.08 Subsidiaries; Equity Interests. As of the Closing Date, the Loan Parties have no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.08, which Schedule sets forth the legal name, jurisdiction of incorporation or formation and authorized Equity Interests of each such Subsidiary. All of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by a Loan Party (or a Subsidiary of a Loan Party) and are free and clear of all Liens except for those created under the Security Documents or those in favor of the Term Loan B Agent and holders of Indebtedness under Section 7.01(r), and, as of the Closing Date, are in the amounts listed on Part (a) of Schedule 5.08. On the Closing Date, except as set forth in Schedule 5.08, there are no outstanding rights to purchase any Equity Interests in any Subsidiary. As of the Closing Date, Parent and the Loan Parties have no equity investments in any other corporation or entity other than those specifically disclosed in Part (b) of Schedule 5.08. All of the outstanding Equity Interests in Parent and in the Loan Parties have been validly issued, and are fully paid and non-assessable and, in the case of the Equity Interests in the Loan Parties, are owned free and clear of all Liens except for those created under the Security Documents or in favor of the Term Loan B Agent and holders of Indebtedness under Section 7.01(r), and which, with respect to the outstanding Equity Interests of the Loan Parties and, other than with respect to any options or other rights for the purchase or acquire, the Parent, in each case as of as of the Closing Date, are in the amounts specified on Part (c) of Schedule 5.08. The copies of the Organization Documents of each Loan Party and each amendment thereto provided pursuant to Section 4.01(a)(iv), together with any updates, amendments, or other modifications delivered to the Agent under this Agreement from time to time, are true and correct copies of each such document, each of which is valid and in full force and effect.

5.09 Litigation; Compliance with Laws.

(a) There are no actions, suits or proceedings at law or in equity or by or on behalf of any Governmental Authority or in arbitration now pending, or, to the knowledge of the Lead Borrower, threatened in writing against or affecting Borrower Holdco or any of its Subsidiaries or any business, property or rights of any such person (but excluding any actions, suits or proceedings arising under or relating to any Environmental Laws, which are subject to Section 5.16) which if adversely determined could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. To the knowledge of the Lead Borrower, none of Borrower Holdco or any of its Subsidiaries or their respective properties or assets is in violation of (nor will the continued operation of their material properties and assets as currently conducted violate) any law, rule or regulation (including any zoning, building, ordinance, code or approval, or any building permit, but excluding any Environmental Laws, which are subject to Section 5.16) or any restriction of record or agreement affecting any property, or is in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Schedule 5.09 lists all ongoing litigation as of the Closing Date that is material, notwithstanding such matters could not be reasonably expected to have a Material Adverse Effect.

5.10 Federal Reserve Regulations.

(a) No Loan Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan or Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose or (ii) for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation U or Regulation X.

5.11 Investment Company Act. Neither Parent nor any Loan Party is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940, as amended.

5.12 Use of Proceeds. The Lead Borrower will use the proceeds of the Committed Revolving Loans and Swing Line Loans, and may request the issuance of Letters of Credit, for general corporate purposes (including, without limitation, for capital expenditures, Permitted Business Acquisitions, the repayment or refinancing of Indebtedness and the making of Investments and Restricted Payments, in each case to the extent not prohibited hereunder). The Loan Parties will use the proceeds of the Term Loans to repay Existing Indebtedness.

5.13 Tax Returns. Except as set forth on Schedule 5.13:

(a) Each Loan Party has timely filed or caused to be filed all federal, and all material state and local tax returns required to have been filed by it and each such tax return is true and correct in all material respects; and

(b) Each Loan Party has timely paid or caused to be timely paid all Taxes shown to be due and payable by it on the returns referred to in clause (a) of this Section 5.13 and all other material Taxes or material general or special assessments and other governmental charges or levies (or made adequate provision (in accordance with GAAP) for the payment of all Taxes, assessments, charges, or levies due) with respect to all periods or portions thereof (except for Taxes, assessments, charges or levies or assessments that are being contested in good faith by appropriate proceedings in accordance with

Section 6.03) and for which such Loan Party has set aside on its books adequate reserves in accordance with GAAP);

(c) There are no material claims being asserted in writing with respect to any Taxes.

5.14 No Material Misstatements.

(a) All written information (other than the Projections, estimates and information of a general economic nature or general industry nature) (the "Information") concerning Parent or any of the Loan Parties, and any other transactions contemplated hereby prepared by or on behalf of the foregoing or their representatives and made available to any Lender, the Agent or the Term Loan Agent in connection with the transactions contemplated hereby, when taken as a whole, heretofore, contemporaneously or hereafter furnished, was, is or will be true and correct in all material respects as of the date such Information was furnished to such person and as of the Closing Date and did not, taken as a whole, contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not materially misleading in light of the circumstances under which such statements were made.

(b) The Projections and estimates and information of a general economic nature prepared by or on behalf of the Lead Borrower or any of its

representatives and that have been made available to any Lenders, the Agent or the Term Loan Agent in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by the Borrower to be reasonable as of the date thereof (it being understood that actual results may vary materially from the Projections), as of the date such Projections and estimates, as applicable, were furnished to the Lenders.

5.15 Employee Benefit Plans.

(a) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) each Plan is in compliance in all material respects with the applicable provisions of ERISA and the Code; (ii) no Reportable Event has occurred during the past five years as to which Parent or any of its Subsidiaries or any ERISA Affiliate was required to file a report with the PBGC, other than reports that have been filed; (iii) no ERISA Event has occurred or is reasonably expected to occur; (iv) none of Parent or any Loan Parties or their Subsidiaries has engaged in a "prohibited transaction" (as defined in Section 406 of ERISA and Code Section 4975) in connection with any employee pension benefit plan (as defined in Section 3(2) of ERISA) that would subject Parent or any of its Subsidiaries to tax or other penalty; (v) none of Parent nor any of its Subsidiaries or, to the knowledge of Parent or the Borrower, any ERISA Affiliate has received any written notification that any Multiemployer Plan is in reorganization or has been terminated within the meaning of Title IV of ERISA, or has knowledge that any Multiemployer Plan is reasonably expected to be in reorganization (within the meaning of Section 4242 of ERISA), terminated, insolvent (within the meaning of Section 4245 of ERISA), or in endangered or in, or reasonably expected to be in, critical status (within the meaning of Section 305 of ERISA); and (vi) none of the Loan Parties, any of their Subsidiaries or, to the knowledge of Parent or the Lead Borrower, any ERISA Affiliate has incurred, and none of the Loan Parties nor any other Subsidiary is reasonably expected to incur, any withdrawal liability to any Multiemployer Plan.

(b) Each of Parent and each of its Subsidiaries is in compliance with (i) all applicable provisions of law and all applicable regulations and published interpretations thereunder with respect to any employee pension benefit plan or other employee benefit plan governed by the laws of a jurisdiction other than the United States and (ii) the terms of any such plan, except, in each case, for such noncompliance that could not reasonably be expected to have a Material Adverse Effect.

(c) Within the last five years, no Plan of Parent or any of its Subsidiaries that is an employee pension benefit plan within the meaning of Section 3(2) of ERISA, and, to the knowledge of the Borrower, no pension plan of the ERISA Affiliates has been terminated, whether or not in a "standard termination" (as such term is used in Section 404(b)(1) of ERISA), which termination would reasonably be expected to result in liability to the Loan Parties, or any of their Subsidiaries or the ERISA Affiliates (as the case may be) in excess of $1,000,000, and no Pension Plan of Parent or any of its Subsidiaries or, to the knowledge of the Loan Parties, the ERISA Affiliates (determined at any time within the past five years), with an Unfunded Pension Liability been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of the Loan Parties, any of their Subsidiaries or the ERISA Affiliates that has or would reasonably be expected to result in a Material Adverse Effect.

(d) Except as could not reasonably be expected to result in a Material Adverse Effect, there are no pending, or to the knowledge of the Lead Borrower, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any person as fiduciary or sponsor of any Plan that could result in liability to Parent or any of its Subsidiaries.

5.16 Environmental Matters. Except as set forth on Schedule 5.16 or as to matters that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) the Loan Parties and each of their Subsidiaries is in compliance with all Environmental Laws (including having obtained all permits, licenses and other approvals required under any Environmental Law for the operation of its business and being in compliance with the terms of such permits, licenses and other approvals), (b) none of the Loan Parties nor any of their Subsidiaries has received notice of or is subject to any pending, or to the Lead Borrower's knowledge, threatened action, suit or proceeding alleging a violation of, or liability under, any Environmental Law that remains outstanding or unresolved, (c) to the Lead Borrower's knowledge, no Hazardous Material is located at, on or under any property currently or formerly owned, operated or leased by any Loan Party or any of their Subsidiaries and no Hazardous Material has been generated, owned, treated, stored, handled or controlled by any Loan Party or any of their Subsidiaries and transported to or Released at any location which, in each case described in this clause (c), would reasonably be expected to result in liability to any Loan Party or any of their Subsidiaries and (d) there are no agreements in which any Loan Party or any of their Subsidiaries has expressly assumed or undertaken responsibility for any known or reasonably likely liability or obligation of any other person arising under or relating to Environmental Laws or Hazardous Materials.

5.17 Security Documents.

(a) The Security Agreement creates in favor of the Agent and Term Loan Agent, for the benefit of the Secured Parties referred to therein, a legal, valid, continuing and enforceable security interest in the Collateral (as defined in the Security Agreement), the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. The financing statements, releases and other filings are in appropriate form and have been or will be filed in the offices specified in Schedule II of the Security Agreement. Upon such filings and/or the obtaining of "control," (as defined in the UCC) the Agent will have a perfected Lien on, and security interest in, to and under all right, title and interest of the grantors thereunder in all Collateral that may be perfected by filing, recording or registering a financing statement or analogous document (including without limitation the proceeds of such Collateral subject to the limitations relating to such proceeds in the UCC) or by obtaining control, under the UCC (in effect on the date this representation is made) in each case prior and superior in right to any other Person (except for Permitted Encumbrances referenced in Sections 7.02(d) or (q) solely to the extent such Liens have priority under applicable Law

and, if applicable, the Term Loan B Agent to the extent subject to the Term Loan B Intercreditor Agreement).

(b) When the Security Agreement (or a short form thereof) is filed in the United States Patent and Trademark Office and the United States Copyright Office and when financing statements, releases and other filings in appropriate form are filed in the offices specified in Schedule II of the Security Agreement, the Agent and the Term Loan Agent shall each have a fully perfected Lien on, and security interest in, all right, title and interest of the applicable Loan Parties in the Intellectual Property (as defined in the Security Agreement) in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case prior and superior in right to any other Person except for Permitted Encumbrances referenced in Sections 7.02(d) or (q) solely to the extent such Liens have priority under applicable Law and, if applicable, the Term Loan B Agent to the extent subject to the Term Loan B Intercreditor Agreement (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to perfect a Lien on registered trademarks, trademark applications and copyrights acquired by the Loan Parties after the Closing Date).

5.18 Location of Real Estate and Leased Premises.

(a) Schedule 5.18(a) correctly identifies, in all material respects, as of the Closing Date, all Real Estate owned by the Loan Parties. As of the Closing Date, the Loan Parties own in fee all the Real Estate set forth as being owned by them on Schedule 5.18(a).

(b) Schedule 5.18(b) lists correctly, in all material respects, as of the Closing Date, all Real Estate leased by any Loan Party and the addresses thereof. As of the Closing Date, the Loan Parties have valid leases in all the material Real Estate set forth as being leased by them on Schedule 5.18(b).

5.19 Solvency. On the Closing Date, after giving effect to the application of the proceeds of all Indebtedness being incurred in connection with the transactions contemplated herein, the Loan Parties, on a consolidated basis, are Solvent.

5.20 No Material Adverse Effect. Since December 31, 2011, there has been no change in the financial condition, business, operations, assets or liabilities of Parent or any Loan Party that has had, or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.21 Insurance. The properties of the Loan Parties and their Subsidiaries are insured with financially sound and reputable insurance companies which are not Affiliates of the Loan Parties, in such amounts, with such deductibles and covering such risks (including, without limitation, workmen's compensation, public liability, business interruption and property damage insurance) as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Loan Parties or the applicable Subsidiary operates. Schedule 5.21 sets forth a true, complete and correct description of all material insurance maintained by or on behalf of the Loan Parties or any of their Subsidiaries. Each insurance policy listed on Schedule 5.21 is in full force and effect and all premiums in respect thereof that are due and payable have been paid.

5.22 USA PATRIOT Act; OFAC.

(a) To the extent applicable, each of Parent and each of the Loan Parties is in compliance with the USA PATRIOT Act.

(b) Neither Parent nor any Loan Party nor any of their Subsidiaries is any of the following:

(i) a person that is listed in the annex to, or it otherwise subject to the provisions of the Executive Order;

(ii) a person owned or Controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any laws with respect to terrorism or money laundering;

(iv) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list and none of the proceeds of the Loans will be, directly or indirectly, offered, lent, contributed or otherwise made available to any Subsidiary, joint venture partner or other person for the purpose of financing the activities of any person the subject of sanctions administered by OFAC.

5.23 Intellectual Property; Licenses, Etc.(a) The Loan Parties own, or possess the right to use, all of the patents, patent rights, trademarks, service marks, trade names, copyrights or mask works, domain names, applications and registrations for any of the foregoing (collectively, "Intellectual Property Rights") that are reasonably necessary for the operation of their respective businesses in all material respects as currently conducted, without conflict with the rights of any other person in any material respect, (b) to the knowledge of the Lead Borrower, neither the Loan Parties nor any of their Subsidiaries nor any intellectual property right, proprietary right, product, process, method, substance, part or other material now employed, sold or offered by or contemplated to be employed, sold or offered by the Loan Parties or their Subsidiaries is interfering with, infringing upon, misappropriating or otherwise violating Intellectual Property Rights of any person, except as and to the extent set forth on Schedule 5.23, and (c) no claim or litigation regarding any of the foregoing is pending or, to the knowledge of the Lead Borrower, threatened which, if adversely decided, could reasonably be expected to have a Material Adverse Effect.

5.24 No Default. Neither Parent nor any Loan Party or any of their Subsidiaries is in default under any Material Indebtedness. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.25 Labor Matters. There are no strikes, lockouts, slowdowns or other material labor disputes against any Loan Party or any of their Subsidiaries thereof pending or, to the knowledge of any Loan Party, threatened. Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (i) the hours worked by and payments made to employees of the Loan Parties comply with the Fair Labor Standards Act and any other applicable federal, state, local or foreign Law dealing with such matters, (ii) no Loan Party or any of its Subsidiaries has incurred any liability or obligation under the Worker Adjustment and Retraining Act or similar state Law, (iii) all payments due from any Loan Party and its Subsidiaries, or for which any claim may be made against any Loan Party or

any of its Subsidiaries, on account of wages and employee health and welfare insurance and other benefits, have been paid or properly accrued in accordance with GAAP as a liability on the books of such Loan Party, (iv) no Loan Party or any Subsidiary is a party to or bound by any collective bargaining agreement, (v) there are no representation proceedings pending or, to any Loan Party's knowledge, threatened to be filed with the National Labor Relations Board, and no labor organization or group of employees of any Loan Party or any Subsidiary has made a pending demand for recognition, (vi) there are no complaints, unfair labor practice charges, grievances, arbitrations, unfair employment practices charges or any other claims or complaints against any Loan Party or any Subsidiary pending or, to the knowledge of any Loan Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment of any employee of any Loan Party or any of its Subsidiaries, and (vii) the consummation of the transactions contemplated by the Loan Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party or any of its Subsidiaries is bound.

5.26 Deposit Accounts; Credit Card Arrangements

(a) Annexed hereto as Schedule 5.26(a) is a list of all DDAs maintained by the Loan Parties as of the Closing Date, which Schedule includes, with respect to each DDA (i) the name and address of the depository; (ii) the account number(s) maintained with such depository; (iii) a contact person at such depository, and (iv) the identification of each Blocked Account Bank.

(b) Annexed hereto as Schedule 5.26(b) is a list describing all arrangements as of the Closing Date to which any Loan Party is a party with respect to the processing and/or payment to such Loan Party of the proceeds of any credit card charges and debit card charges for sales made by such Loan Party.

ARTICLE VI
AFFIRMATIVE COVENANTS

Each of the Loan Parties covenants and agrees with each Lender that so long as this Agreement shall remain in effect and until the Commitments have been terminated and the Obligations (other than Obligations in respect of Cash Management Services and contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) shall have been paid in full, in cash, the Commitments have been terminated and Letters of Credit expired,

terminated or cash collateralized on terms satisfactory to the L/C Issuer, unless the Required Lenders shall otherwise consent in writing, the Loan Parties will, and will cause their Subsidiaries to:

6.01 Existence; Businesses and Properties.

(a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 6.01 and except, in the case of an Immaterial Subsidiary, an Unrestricted Subsidiary or a Foreign Subsidiary, where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and

(b) (i) Except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, do or cause to be done all things necessary to lawfully obtain, preserve, renew, extend and keep in full force and effect the permits, franchises, authorizations, licenses and rights with respect thereto necessary to the normal conduct of its business required by Governmental Authorities and necessary to the ownership, occupation or use of its properties or the conduct of its business, and (ii) at all times maintain and preserve all property necessary to the normal conduct of its business and keep such

property in good repair, working order and condition and from time to time make, or cause to be made, all necessary and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith, if any, may be properly conducted at all times (in each case except as expressly permitted by this Agreement).

6.02 Insurance.

(a) Maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations and cause the Agent and the Term Loan Agent to be listed as a co-loss payee on property and casualty policies and as an additional insured on liability policies.

(b) In connection with the covenants set forth in this Section 6.02, it is understood and agreed that:

(i) neither the Agent or the Term Loan Agent, the Lenders, nor their respective agents or employees shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 6.02, it being understood that (A) the Loan Parties and their Subsidiaries shall look solely to their insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage and (B) such insurance companies shall have no rights of subrogation against the Agent, the Term Loan Agent, the Lenders or their agents or employees. If, however, the insurance policies, as a matter of the internal policy of such insurer, do not provide waiver of subrogation rights against such parties, as required above, then the Loan Parties hereby agree, to the extent permitted by law, to waive, and further agree to cause each of their Subsidiaries, to the extent permitted by law, to waive, its right of recovery, if any, against the Agent, the Term Loan Agent, the Lenders and their agents and employees;

(ii) the designation of any form, type or amount of insurance coverage by the Agent or the Term Loan Agent under this Section 6.02 shall in no event be deemed a representation, warranty or advice by the Agent, the Term Loan Agent or the Lenders that such insurance is adequate for the purposes of the business of the Loan Parties or the protection of their properties; and

(c) (A) fire and extended coverage policies maintained with respect to any Collateral shall be endorsed or otherwise amended to include (1) a lenders' loss payable clause (regarding personal property), in form and substance reasonably satisfactory to the Agent and the Term Loan Agent, which endorsements or amendments shall provide that the insurer shall pay all proceeds in respect of personal property otherwise payable to the Loan Parties under the policies directly to the Agent and the Term Loan Agent, and (2) a provision to the effect that none of the Loan Parties, the Agent, the Term Loan Agent, the Lenders or any other person shall be a co-insurer; (B) commercial general liability policies shall be endorsed to name the Agent and the Term Loan Agent, as an additional insured; and (C) business interruption policies shall name the Agent and the Term Loan Agent as a loss payee and shall be endorsed or amended to include (1) a provision that, from and after the Closing Date, the insurer shall pay all proceeds otherwise payable to the Lead Borrower and its Subsidiaries under the policies directly to the Agent and the Term Loan Agent and (2) a provision to the effect that none of the Loan Parties, the Agent, the Term Loan Agent, the Lenders or any other party shall be a co-insurer. Each such policy referred to in this Section 6.02 shall also provide that it shall not be canceled, modified or not renewed (x) by reason of nonpayment of premium except upon not less than ten (10) days' prior written notice thereof by the insurer to the Agent and the Term Loan Agent (giving the Agent and the Term Loan Agent the right to

cure defaults in the payment of premiums) or (y) for any other reason except upon not less than thirty (30) days' prior written notice thereof by the insurer to the Agent and the Term Loan Agent. The Lead Borrower shall deliver to the Agent and the Term Loan Agent, prior to the cancellation, modification or nonrenewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Agent and the Term Loan Agent, including an insurance binder) together with evidence reasonably satisfactory to the Agent and the Term Loan Agent of payment of the premium therefor. Notwithstanding the foregoing, it is understood and agreed that no Loan Party shall be required to maintain flood insurance unless any Real Estate is required to be so insured pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1968, and the regulations promulgated thereunder because such Real Estate is located in an area which has been identified by the Secretary of Housing and Urban Development as a "special flood hazard area".

(d) Maintain for themselves and their Subsidiaries, a Directors and Officers insurance policy, and a "Blanket Crime" policy (whether as a separate policy or as part of the Directors and Officers policy) including employee dishonesty, forgery or alteration, theft, disappearance and destruction, robbery and safe burglary, property, and computer fraud coverage with responsible companies in such amounts as are customarily carried by business entities engaged in similar businesses similarly situated, and will upon request by the Agent furnish the Agent certificates evidencing renewal of each such policy.

(e) Deliver to the Agent, prior to the cancellation, modification or non-renewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Agent, including an insurance binder) together with evidence satisfactory to the Agent of payment of the premium therefor.

6.03 Taxes. Pay and discharge promptly when due all federal and material state and local Taxes imposed upon it or its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims which, if unpaid, could reasonably be expected to give rise to a Lien (other than a Permitted Encumbrance permitted under Section 7.02(d)) upon such properties or any part thereof; provided that such payment and discharge shall not be required with respect to any Tax, assessment, charge, levy or claim so long as (a) the validity or amount thereof shall be contested in good faith by appropriate proceedings and (b) any affected Loan Party, shall have set aside on its books reserves in accordance with GAAP with respect thereto, and (c) such contest effectively suspends collection or the enforcement of any Lien, or the failure to make payment pending such contest could not reasonably be expected to have a Material Adverse Effect. Nothing contained herein shall be deemed to limit the rights of the agents with respect to determining Reserves pursuant to this Agreement.

6.04 Financial Statements, Reports, etc. Furnish to the Agent and the Term Loan Agent:

(a) as soon as available, but in all events within one hundred twenty (120) days after the end of each Fiscal Year commencing with the 2012 Fiscal Year (provided, however, with respect to the 2012 Fiscal Year, such materials shall be delivered on or before May 15, 2013), (i) a consolidated balance sheet and related statements of operations, cash flows and owners' equity showing the financial position of, so long as Parent does not own any Subsidiaries other than Borrower Holdco, Parent and its Subsidiaries, and, if Parent does own any Subsidiaries other than Borrower Holdco, the Loan Parties, as of the close of such Fiscal Year and the consolidated results of its operations during such year, setting forth in comparative form the corresponding figures for the prior Fiscal Year, which consolidated balance sheet and related statements of operations, cash flows and owners' equity shall be audited by a Registered Public Accounting Firm and accompanied by an opinion of such accountants (which shall not be qualified as to scope of audit or as to the status of any Loan Party as a going concern other than any such qualification or exception that is solely with respect to, or resulting solely from, an upcoming maturity

date under this Agreement or the Term Loan B Facility occurring within one year from the time such report is delivered) to the effect that such consolidated financial statements fairly present, in all material respects, the financial position and results of operations of the Loan Parties on a consolidated basis in accordance with GAAP (it being understood that the delivery of annual reports on Form 10-K of Parent and its Subsidiaries or the Loan Parties, as required hereunder, shall satisfy the requirements of this Section 6.04(a) to the extent such annual reports include the information specified herein) (the applicable financial statements delivered pursuant to this clause (a) being the "Annual Financial Statements");

(b) within thirty (30) days following the end of each fiscal month of each Fiscal Year, (i) a consolidated balance sheet and related statements of operations and cash flows showing the financial position of, so long as Parent does not own any Subsidiaries other than Borrower Holdco, Parent and its Subsidiaries, and, if Parent does own any Subsidiaries other than Borrower Holdco, the Loan Parties, as of the close of such fiscal month and the consolidated results of its operations during such fiscal month, and, in each case, the then-elapsed portion of the Fiscal Year and setting forth in comparative form the corresponding figures for the corresponding periods of the prior Fiscal Year and compared to the budget delivered under Section 6.04(e) for such Fiscal Year (or, prior to the initial delivery underSection 6.04(e), compared to the budget delivered to the Agent on or prior to the Closing Date), and (ii) management's discussion and analysis of significant operational and financial developments during such monthly period (provided that following a Public Offering, such management's discussion and analysis shall be due within such timeframes and be substantially the same as is delivered to the board of directors), together with reasonable detail regarding non-recurring addbacks included in Consolidated EBITDA for such period, all of which shall be in reasonable detail and which consolidated balance sheet and related statements of operations and cash flows shall be certified by either the chief financial officer or controller in such person's capacity as a Responsible Officer of Lead Borrower as fairly presenting, in all material respects, the financial position and results of operations of the Parent and its Subsidiaries or Loan Parties, as required hereunder, on a consolidated basis in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (the applicable financial statements delivered pursuant to this clause (b) being the "Monthly Financial Statements", and, together with the Annual Financial Statements and Monthly Financial Statements, the "Required Financial Statements);

(c) concurrently with any delivery of Required Financial Statements under paragraphs (a) and (b) of thisSection 6.04, a certificate of a Responsible Officer of the Borrower (i) certifying that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto, (ii) if a Covenant Compliance Event has occurred and is continuing, demonstrating compliance with Section 7.10 (in reasonable detail satisfactory to the Agent and the Term Loan Agent) and (iii) certifying a list of all Immaterial Subsidiaries, that each Subsidiary set forth on such list individually qualifies as an Immaterial Subsidiary and that all such Subsidiaries in the aggregate do not exceed the limitation set forth in clause (b) of the definition of the term "Immaterial Subsidiary";

(d) promptly after the same become publicly available, copies of all periodic and other publicly available reports, proxy statements and, to the extent requested by the Agent, other materials filed by Parent, any Loan Party, Borrower or any other with the SEC, or after a Public Offering, distributed to its stockholders generally, as applicable; provided that such reports, proxy statements, filings and other materials required to be delivered pursuant to this clause (d) shall be deemed delivered for purposes of this Agreement when posted to the website of the Lead Borrower;

(e) within forty-five (45) days after the beginning of each Fiscal Year, a reasonably detailed draft consolidated annual budget for such Fiscal Year, and, within sixty (60) days after the

beginning of each Fiscal Year, a reasonably detailed final consolidated annual budget for such Fiscal Year (including a projected consolidated balance sheet of Parent and its Subsidiaries as of the end of each Fiscal Month for the following Fiscal Year, and annual consolidated statements of projected cash flow and projected income and projected Availability on a monthly basis), including a description of underlying assumptions with respect thereto and describing any changes from such preliminary budget delivered to Agent (collectively, the "Budget"), which Budget shall in each case be accompanied by the statement of a Financial Officer of the Lead Borrower to the effect that the Budget is based on assumptions believed by such Financial Officer to be reasonable as of the date of delivery thereof;

(f) upon the reasonable request of the Agent or the Term Loan Agent (which request shall be made at least fifteen (15) days prior to the date Annual Financial Statements are required to be delivered), concurrently with any delivery of Annual Financial Statements under paragraph (a) of this Section 6.04, an updated Perfection Certificate (or, to the extent such request relates to specified information contained in the Perfection Certificate, such information) reflecting all changes since the date of the information most recently received pursuant to this paragraph (f) or Section 6.10(e);

(g) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Parent or any Loan Party, or compliance with the terms of any Loan Document, in each case, as the Agent or the Term Loan Agent may reasonably request (for itself or on behalf of any Lender), including, without limitation, those items listed on Schedule 6.04 attached hereto;

(h) on or before the 15th day of each month from and after the Closing Date, a Borrowing Base Certificate from the as of the last day of the immediately preceding month, with such supporting materials as the Agent shall reasonably request; provided, however, solely with respect to the Borrowing Base Certificate for the month of April 2013, the Borrowers shall only be required to deliver a preliminary Borrowing Base Certificate on or before May 15, 2013, together with such supporting materials as may be available at such time, and shall, on or before June 15, 2013, provide the final Borrowing Base Certificate for the month of April 2013, together with all supporting materials as the Agent shall reasonably request. Notwithstanding the foregoing, after the occurrence and during the continuance of an Accelerated Borrowing Base Delivery Event, on Wednesday of each week (or, if Wednesday is not a Business Day, on the next succeeding Business Day), the Lead Borrower shall furnish a Borrowing Base Certificate calculated as of the close of business on Saturday of the immediately preceding calendar week;

(i) promptly upon request by the Agent or the Term Loan Agent (so long as the following are obtainable using commercially reasonable measures), copies of (i) each Schedule SB (Single-Employer Defined Benefit Plan Actuarial Information) to the most recent annual report (Form 5500 Series) filed with the Internal Revenue Service with respect to a Plan, (ii) the most recent actuarial valuation report for any Plan, and (iii) all notices received from a Multiemployer Plan sponsor, a plan administrator or any governmental agency, or provided to any Multiemployer Plan by the Loan Parties or any ERISA Affiliate, concerning an ERISA Event;

(j) promptly following any request therefor by the Agent or the Term Loan Agent (so long as the following are obtainable using commercially reasonable measures), copies of (i) any documents described in Section 101(k)(1) of ERISA that Parent, the Loan Parties or any ERISA Affiliate may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l)(1) of ERISA that Parent, the Loan Parties or any ERISA Affiliate may request with respect to any Multiemployer Plan; provided that if Parent, any of the Loan Parties or any ERISA Affiliate has not requested such documents or notices from the administrator or sponsor of

the applicable Multiemployer Plan, Parent, the Lead Borrower, such other Subsidiary or such ERISA Affiliate shall promptly make a

request for such documents or notices from the such administrator or sponsor and shall provide copies of such documents and notices promptly after receipt thereof; and

(k) if, at any time, Availability is less than or equal to twenty (20%) of the Loan Cap, the Borrowers shall promptly provide to the Agent and Term Loan Agent a written certification as to the Consolidated Fixed Charge Coverage Ratio, including reasonably detailed calculations with respect thereto in accordance with Appendix IV of the Compliance Certificate;

provided that in the event that Parent or a Loan Party is not engaged in any business or activity, and does not own any assets or have other liabilities, other than those incidental to its ownership directly or indirectly of the Equity Interests of the Lead Borrower and the other Subsidiaries, such consolidated reporting at a Person's level in a manner consistent with that described in paragraphs (a) and (b) of this Section 6.04 for Parent will satisfy the requirements of such paragraphs.

The Loan Parties hereby acknowledge that (a) the Agent, the Term Loan Agent, and/or the Arranger will make available to the Lenders and the L/C Issuer materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Loan Parties or their securities) (each, a "Public Lender"). The Loan Parties hereby agree that so long as any Loan Party is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or is actively contemplating issuing any such securities they will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Loan Parties shall be deemed to have authorized the Agent, the Term Loan Agent, the Arranger, the L/C Issuer and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Loan Parties or their securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Confidential Information, they shall be treated as set forth in Section 10.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (z) the Agent, the Term Loan Agent, and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.05 Litigation and Other Notices.

(a) Furnish to the Agent and the Term Loan Agent written notice of the following promptly after any Responsible Officer of the Lead Borrower obtains actual knowledge thereof:

(i) any Default or Event of Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(ii) the filing or commencement of, or any written threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in equity or by or before any Governmental Authority or in arbitration, against Parent, any Loan Party or any of their Subsidiaries as to which an adverse determination is reasonably probable and which, if adversely determined, could reasonably be expected to have a Material Adverse Effect;

(iii) any other development specific to Parent or any Loan Party that is not a matter of general public knowledge and that has had, or would reasonably be expected to have, a Material Adverse Effect;

(iv) the development of any ERISA Event that, together with all other ERISA Events that have developed or occurred, would reasonably be expected to have a Material Adverse Effect;

(v) any material change in accounting policies or financial reporting practices by any Loan Party; and

(vi) any change in any of Loan Party's chief executive officer, chief financial officer, or controller.

(b) Furnish to the Agent and the Term Loan Agent written notice of the following within seven (7) days after any of the chief financial officer, vice president of finance, controller, treasurer, or assistant treasurer obtains actual knowledge thereof:

(i) any default or event of default with respect to Material Indebtedness of any Loan Party;

(ii) the filing of any lien for unpaid Taxes against Parent or any Loan Party in excess of $500,000;

(iii) any casualty or other insured damage to any material portion of the collateral or the commencement of any action or proceeding for the taking of any interest in a material portion of the Collateral under power of imminent domain or by condemnation or similar proceeding;

(iv) if any material portion of Collateral is damaged or destroyed;

(v) the filing or asserting of any Lien by customs or revenue authority against any Loan Party in excess of $500,000; and

(vi) the failure by any Loan Party to pay rent under any Real Estate Lease.

6.06 Compliance with Laws. Comply in all material respects with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property that are material to the conduct of the Loan Parties' business, except in such instances in each case, any material non compliance (a) is being contested in good faith by appropriate proceedings, (b) such Loan Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP (c) no Lien has been filed with respect thereto (except to the extent expressly permitted as a Permitted Encumbrance), and (d) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect; provided, however, that this Section 6.06 shall not apply to Environmental Laws, which are the subject of Section 6.09, or Taxes, which are the subject of Section 6.03.

6.07 Maintaining Records; Access to Properties and Inspections; Appraisals.

(a) Maintain all financial records in accordance with GAAP and permit any persons designated by the Agent (including, without limitation, the Agent, Term Loan Agent, or any representatives or independent contractors thereof) or, upon the occurrence and during the continuance of

an Event of Default, any Lender, to visit and inspect the financial records (including, without limitation, the corporate, financial and operating records) and the properties of the Borrowers or any of their Subsidiaries at reasonable times, upon reasonable prior notice to the Borrowers, and as often as reasonably requested, to make extracts from and copies of such financial records, and to discuss its affairs, finances and accounts with its Registered Public Accounting Firm, and permit the Agent and the Term Loan Agent or professionals (including investment bankers, consultants, accountants, and lawyers) retained by the Agent and the Term Loan Agent to conduct evaluations of the Loan Parties' business plan, forecasts and cash flows, all at the expense of the Loan Parties and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Lead Borrower; provided, that, so long as no Default or Event of Default shall have occurred and be continuing, the Agent and Term Loan Agent shall be limited to two (2) such visits at the Loan Parties' expense in any Fiscal Year; provided, further, that when a Default or Event of Default exists the Agent and the Term Loan Agent (or any of their representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

(b) Upon the request of the Agent after reasonable prior notice, permit the Agent or professionals (including investment bankers, consultants, accountants, and lawyers) retained by the Agent to conduct commercial finance examinations and other evaluations, including, without limitation, of (i) the Lead Borrower's practices in the computation of the Borrowing Base and (ii) the assets included in the Borrowing Base and related financial information such as, but not limited to, sales, gross margins, payables, accruals and reserves. The Loan Parties shall pay the fees and expenses of the Agent and such professionals with respect to such examinations and evaluations. Without limiting the foregoing, the Loan Parties acknowledge that the Agent may, in its discretion, undertake up to: (i) two (2) commercial finance examinations during the twelve (12) months following the Closing Date at the Loan Parties' expense, and (ii) one (1) commercial finance examination during each of the following twelve (12) month periods thereafter at the Loan Parties' expense; provided, that, if Availability is, at any time, less than thirty-five percent (35%) of the Revolving Borrowing Base, the Agent may conduct two (2) commercial finance examinations during such twelve (12) month period at the Loan Parties' expense. Notwithstanding the foregoing, the Agent may cause additional commercial finance examinations to be undertaken (i) as it in its discretion deems necessary or appropriate, at its own expense or, (ii) if required by Law, at the expense of Agent and the Loan Parties shared equally or (iii) if an Event of Default shall have occurred and be continuing, at the expense of the Loan Parties.

(c) Upon the request of the Agent after reasonable prior notice, permit the Agent or professionals (including appraisers) retained by the Agent to conduct appraisals of the Collateral, including, without limitation, the assets included in the Borrowing Base. The Loan Parties shall pay the fees and expenses of the Agent and such professionals with respect to such appraisals. Without limiting the foregoing, the Loan Parties acknowledge that the Agent may, in its discretion, undertake up to: (i) two (2) inventory appraisals during the twelve (12) months following the Closing Date at the Loan Parties' expense, and (ii) one (1) inventory appraisal during each of the following twelve (12) month periods thereafter at the Loan Parties' expense; provided, that, if Availability is, at any time, less than thirty-five percent (35%) of the Revolving Borrowing Base, the Agent may conduct two (2) inventory appraisals during such twelve (12) month period at the Loan Parties' expense. Notwithstanding the foregoing, the Agent may cause additional appraisals to be undertaken (i) as it in its discretion deems necessary or appropriate, at its own expense or, (ii) if required by Law, at the expense of Agent and the Loan Parties shared equally or (iii) if an Event of Default shall have occurred and be continuing, at the expense of the Loan Parties. So long as no Default or Event of Default has occurred and is continuing, Agent will provide Lead Borrower with a copy of the final appraisal report. Any adjustments to the Appraised Value or the Borrowing Base hereunder as a result of such appraisals shall become effective ten (10) days following the date of the applicable final appraisal report.

(d) The Loan Parties shall cause (i) not less than one physical inventory at each store location to be undertaken in each 12 month period by such inventory takers substantially consistent with the practices in place on the Closing Date or as otherwise are reasonably satisfactory to the Agent and (ii) periodic cycle counts of Inventory to be undertaken at each location, in each case, at least once in each 12 month period, and at the expense of the Loan Parties, in accordance with the Loan Parties' usual business practices, conducted using methodology routinely used by the Loan Parties in their ordinary course of business with respect to such Inventory counts or as otherwise consistent with standard and customary business practices, and shall post such results to the Loan Parties' stock ledgers and general ledgers, as applicable.

6.08 Use of Proceeds.

(a) Use the proceeds of the Committed Revolving Loans and the Swing Line Loans and request issuance of Letters of Credit solely for general corporate purposes (including, without limitation, for capital expenditures, Permitted Business Acquisitions, the repayment or refinancing of Indebtedness and the making of Investments and Restricted Payments, in each case to the extent not prohibited hereunder).

(b) Use the proceeds of the Term Loan solely for repayment of Existing Indebtedness.

6.09 Compliance with Environmental Laws. (a) Comply, and make reasonable efforts to cause all lessees and other persons occupying its fee-owned Real Estate to comply, with all Environmental Laws applicable to its operations and properties, and obtain and renew all material authorizations and permits required pursuant to Environmental Law for its operations and properties, in each case in accordance with Environmental Laws, except, in each case, to the extent the failure to do so would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (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 respects with all lawful orders and directives of all applicable Governmental Authorities regarding Environmental Laws, except to the extent that the same are begin contested in accordance with Section 6.06, or the failure to comply herewith could not reasonably be expected to have a Material Adverse Effect.

6.10 Further Assurances; Additional Security

(a) Execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents and recordings of Liens in stock registries), that may be required under any applicable law, or that the Agent or the Term Loan Agent may reasonably request, all at the expense of the Loan Parties, and provide to the Agent and the Term Loan Agent, from time to time upon reasonable request, evidence reasonably satisfactory to the Agent and the Term Loan Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

(b) If any Loan Party directly or indirectly acquires fee-owned Real Estate after the Closing Date that, combined with all other fee-owned Real Estate which has an aggregate fair market value of $5,000,000 or more, (i) notify the Agent and the Term Loan Agent thereof, (ii) cause each such fee-owned Real Estate that has a fair market value of $2,500,000 or more to be subjected to a mortgage or deed of trust securing the Obligations, in form and substance reasonably acceptable to the Agent and the Term Loan Agent, (iii) obtain fully paid American Land Title Association Lender's Extended Coverage title insurance policies in form and substance, with endorsements (including zoning endorsements where available) and in amounts reasonably acceptable to the Agent and the Term Loan Agent (the "Mortgage

Policies"), (iv) to the extent necessary to issue the Mortgage Policies, obtain American Land Title Association/American Congress on Surveying and Mapping form surveys, dated no more than thirty (30) days before the date of their delivery to the Agent and the Term Loan Agent, certified to the Agent and the Term Loan Agent and the issuer of

the Mortgage Policies in a manner reasonably satisfactory to the Agent and the Term Loan Agent, (v) provide (1) "Life of Loan" Federal Emergency Management Agency Standard Flood Hazard determinations, (2) notices, in the form required under the flood insurance Laws, about special flood hazard area status and flood disaster assistance duly executed by each Loan Party, and, (3) if any improved real property encumbered by any Mortgage is located in a special flood hazard area, a policy of flood insurance that (A) covers such improved real property, (B) is written in an amount not less than the outstanding principal amount of the Indebtedness secured by such Mortgage reasonably allocable to such real property or the maximum limit of coverage made available with respect to the particular type of property under the flood insurance Laws, whichever is less, (C) naming the Agent and the Term Loan Agent as loss payee and additional insured with such responsible and reputable insurance companies or associations, and in such amounts and covering such risks, as are reasonably satisfactory to the Agent and the Term Loan Agent, and (D) is otherwise on terms satisfactory to the Agent and Term Loan Agent; and (vi) obtain customary mortgage or deed of trust enforceability opinions of local counsel for the Loan Parties in the states in which such fee-owned Real Estate are located and (vii) take, and cause the applicable Subsidiary to take, such actions as shall be necessary or reasonably requested by the Agent and the Term Loan Agent to perfect such Liens, including actions described in paragraph (a) of this Section 6.10, in each case, at the expense of the Loan Parties.

(c) If any additional Subsidiary of a Loan Party is formed or acquired after the Closing Date (or if an Immaterial Subsidiary or Unrestricted Subsidiary ceases to qualify as such), within five Business Days after the date such Subsidiary is formed or acquired (or after such entity ceases to qualify as an Immaterial Subsidiary or Unrestricted Subsidiary, as applicable), notify the Agent and the Term Loan Agent thereof and, within 20 Business Days after the date such Subsidiary is formed or acquired (or such longer period as the Agent and the Term Loan Agent shall agree), to the extent such Person does not constitute a CFC or qualify as an Immaterial Subsidiary or Unrestricted Subsidiary, cause the Collateral and Guaranty Requirements to be satisfied with respect to such Subsidiary and with respect to any Equity Interest in or Indebtedness of such Subsidiary owned by or on behalf of a Loan Party as and to the extent required under the Security Documents.

(d) (i) In each case furnish the Agent and the Term Loan Agent five Business Days prior written notice of any change in any Loan Party's (A) corporate or organization name, (B) organizational structure or (C) organizational identification number (or equivalent); provided that the Borrower shall not effect or permit any such change unless all filings have been made, or will have been made within any statutory period, under the Uniform Commercial Code or otherwise that are required in order for the Agent and the Term Loan Agent to continue at all times following such change to have a valid, legal and perfected security interest in all Collateral for the benefit of the applicable Secured Parties.

6.11 Cash Management.

(a) On or prior to the Closing Date (or such later date as may be permitted pursuant to the Post-Closing Letter):

(i) deliver to the Agent and the Term Loan Agent copies of notifications (each, a "Credit Card Notification") substantially in the form attached hereto as Exhibit G which have been executed on behalf of such Loan Party and delivered to such Loan Party's Credit Card Issuers and Credit Card Processors listed on Schedule 5.26(b); and

(ii) enter into a Blocked Account Agreement with each Blocked Account Bank (collectively, the "Blocked Accounts"); and

(iii) at the request of the Agent, deliver to the Agent copies of notifications (each, a "DDA Notification") substantially in the form attached hereto as Exhibit H which have been executed on behalf of such Loan Party and delivered to each depository institution listed on Schedule 5.26(a).

Notwithstanding anything herein to the contrary, the provisions of this Section 6.11(a) shall not apply to any deposit account that is acquired by a Loan Party in connection with a Permitted Business Acquisition permitted under this Agreement prior to the date that is forty-five (45) days (or such later date as may be consented to by the Agent, such consent not to be unreasonably withheld, conditioned or delayed) following the date of such Permitted Business Acquisition.

(b) From and after the Closing Date (or such later date as may be permitted pursuant to the Post-Closing Letter), the Loan Parties shall ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) to a Blocked Account all of the following:

(i) all amounts on deposit in each DDA except for the Term Loan Priority Account (net of any minimum balance, not to exceed $2,500, as may be required to be kept in the subject DDA by the depository institution at which such DDA is maintained);

(ii) all payments due from Credit Card Processors and Credit Card Issuers and proceeds of all credit card charges;

(iii) all cash receipts from the Disposition of Inventory and other assets (whether or not constituting Collateral);

(iv) all proceeds of Accounts; and

(v) all Net Proceeds, and all other cash payments received by a Loan Party from any Person or from any source or on account of any Disposition or other transaction or event (other than identifiable proceeds of Term Priority Collateral, which may be paid to the Term Loan B Agent for application of the Term Loan B Obligations).

(c) Each Blocked Account Agreement shall require upon notice from the Agent which notice shall be delivered only after the occurrence and during the continuance of a Cash Dominion Event the ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) to the concentration account maintained by the Agent at Wells Fargo (the "Concentration Account"), of all cash receipts and collections received by each Loan Party from all sources (the "Receipts and Collections"), including, without limitation, the following:

(i) the then entire ledger balance of each Blocked Account (net of any minimum balance, not to exceed $2,500, as may be required to be kept in the subject Blocked Account by the Blocked Account Bank);

(ii) all amounts required to be deposited into the Blocked Accounts pursuant to clause (b) above; and

(iii) any other cash amounts received by any Loan Party from any other source, on account of any type of transaction or event;

provided, however, that (i) the Agent may, in its sole discretion, permit the Loan Parties to have one or more "intermediate" Blocked Account Agreements, whereby such agreements would provide, upon notice from the Agent, the ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) all Receipts and Collections to another Blocked Account, as opposed to the Concentration Account, and (ii) the Loan Parties may maintain the Term Loan Priority Account, so long as the Loan Parties only deposit any funds into such account that constitute identifiable proceeds of Term Priority Collateral and no other funds or amounts can be deposited therein.

(d) The Concentration Account shall at all times be under the sole dominion and control of the Agent. The Agent shall cause all funds on deposit in

the Concentration Account to be applied to the Obligations, which amounts shall be applied to the Obligations in the order proscribed in either Section 2.05(e) or Section 8.04 of this Agreement, as applicable. The Loan Parties hereby acknowledge and agree that (i) the Loan Parties have no right of withdrawal from the Concentration Account, and (ii) the funds on deposit in the Concentration Account shall at all times be collateral security for all of the Obligations. In the event that, notwithstanding the provisions of this Section 6.11, any Loan Party receives or otherwise has dominion and control of any such cash receipts or collections, such receipts and collections shall be held in trust by such Loan Party for the Agent, shall not be commingled with any of such Loan Party's other funds or deposited in any account of such Loan Party and shall, not later than the Business Day after receipt thereof, be deposited into the Concentration Account or dealt with in such other fashion as such Loan Party may be instructed by the Agent.

(e) Upon the request of the Agent, after the occurrence and during the continuance of a Cash Dominion Event or an Event of Default, the Loan Parties shall cause bank statements and/or other reports to be delivered to the Agent not less often than monthly, accurately setting forth all amounts deposited in each Blocked Account to ensure the proper transfer of funds as set forth above.

(f) If the Agent does not require DDA Notifications to be delivered on the Closing Date in accordance withSection 6.11(a) above, then the Loan Parties shall, upon the request of the Agent at any time after the Closing Date, deliver to the Agent copies of DDA Notifications, which have been executed on behalf of the applicable Loan Party and delivered to each depository institution listed on Schedule 5.26(a).

6.12 Fiscal Year; Accounting.

(a) [Reserved].

(b) At all times retain a Registered Public Accounting Firm which is reasonably satisfactory to the Agent and the Term Loan Agent, and shall instruct such Registered Public Accounting Firm to cooperate with, and be available to, the Agent, the Term Loan Agent, or their representatives to discuss the Loan Parties' financial performance, financial condition, operating results, controls, and such other matters, within the scope of the retention of such Registered Public Accounting Firm, as may be raised by the Agent or the Term Loan Agent; provided that a representative of the Lead Borrower shall have received a reasonable opportunity to participate in any such discussions with such Registered Public Accounting Firm.

6.13 Lender Calls. Following receipt by the Lead Borrower of a request by the Agent or the Term Loan Agent, use commercially reasonable efforts to hold an update call (which call shall take place

on or prior to the date that is ten Business Days following the receipt of such notice) with a Financial Officer of the Lead Borrower and such other members of senior management of the Lead Borrower as the Borrower deems appropriate (with such other details to be reasonably agreed between the Lead Borrower, the Agent and the Term Loan Agent) and the Lenders and their respective representatives and advisors to discuss the state of the Lead Borrower's business, including, but not limited to, recent performance, cash and liquidity management, operational activities, current business and market conditions and material performance changes; provided that in no event shall more than one such call be requested in any Fiscal Year.

6.14 Deposit Accounts; Credit Card Processors. Prior to any Loan Party opening a new DDA, such Loan Party shall have delivered to the Agent appropriate DDA Notifications (to the extent requested by Agent pursuant to the provisions of Section 6.11 hereof) and any Blocked Account Agreements consistent with the provisions of Section 6.11, as applicable. The Loan Parties shall only maintain bank accounts and enter into any agreements with any Credit Card Issuers or Credit Card Processors to the extent expressly contemplated herein or in Section 6.11.

6.15 Post-Closing Matters. The Loan Parties shall satisfy the requirements set forth in the Post-Closing Letter.

ARTICLE VII
NEGATIVE COVENANTS

Each of the Loan Parties covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until the Commitments have been terminated and the Obligations (other than Obligations in respect of Cash Management Services and contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) have been paid in full, in cash, and Letters of Credit have expired or been terminated or cash collateralized on terms satisfactory to the L/C Issuer, unless the Required Lenders shall otherwise consent in writing, no Loan Party will, nor will it permit any of its Subsidiaries to:

7.01 Indebtedness. Incur, create, assume or permit to exist any Indebtedness, except the following (collectively, "Permitted Indebtedness"):

(a) [Reserved];

(b) Indebtedness created hereunder or under the other Loan Documents;

(c) Indebtedness pursuant to Swap Contracts, which Swap Contracts are with a Lender or Affiliate thereof, provided that such agreements are entered into in the ordinary course of business for the purpose of mitigating risks associated with fluctuations in interest rates and not for purposes of speculation or taking a "market view" and which agreements are approved by the Agent in its reasonable discretion;

(d) Indebtedness owed to (including obligations in respect of letters of credit or bank guarantees or similar instruments for the benefit of) any person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to a Loan Party pursuant to reimbursement or indemnification obligations to such person, in each case, in the ordinary course of business; provided that upon the incurrence of Indebtedness with respect to reimbursement obligations regarding workers' compensation claims, such obligations shall be reimbursed not later than thirty (30) days following such incurrence;

(e) (i) intercompany Indebtedness between or among a Loan Party and any other Loan Party, (ii) intercompany Indebtedness between a Loan Party and any Subsidiary of the Borrower that is not a Loan Party, provided that the amount of Indebtedness any such Subsidiaries may incur shall not exceed the greater of $5,000,000 and 3.00% of Consolidated Tangible Assets as of the end of the Fiscal Quarter immediately prior to the date such Indebtedness is incurred for which Required Financial Statements have been delivered pursuant to Section 6.04 at any time outstanding and, in the case of Indebtedness of any Loan Party or any Subsidiary of a Loan Party that a Loan Party owes to any Subsidiary of a Loan Party that is not a Loan Party, must be subordinated to the Obligations pursuant to a subordination agreement in form and substance reasonably satisfactory to Agent;

(f) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds and completion guarantees and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(g) (i) to the extent constituting Indebtedness Obligations under Cash Management Services and other Indebtedness in respect of Cash Management Services in the ordinary course of business, and (ii) other Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument

drawn against insufficient funds, so long as such Indebtedness (other than credit or purchase cards) is extinguished within three (3) Business Days after notification is received by the Lead Borrower of its incurrence, and, the Borrowers' Availability minus the amount of any such Indebtedness is equal to or greater than ten percent (10%) of the Loan Cap.

(h) Indebtedness comprised of: (i) Capital Lease Obligations and purchase money indebtedness, in each case assumed in connection with Permitted Business Acquisitions but only if not incurred in anticipation of such Permitted Business Acquisition and to the extent otherwise permitted under Section 7.01(i); (ii) industrial revenue bonds or other tax advantaged financings issued through a Governmental Authority assumed in any Permitted Business Acquisition; (iii) earnout obligations incurred under any Permitted Business Acquisition, and (iv) unsecured Indebtedness in favor of sellers under Permitted Business Acquisitions, provided such Indebtedness is subject to a subordination agreement in form and substance reasonably satisfactory to Agent.

(i) Capital Lease Obligations, and purchase money Indebtedness in an aggregate principal amount not to exceed the greater of $5,000,000 and 3.00% of the Consolidated Tangible Assets at any time outstanding;

(j) Reserved;

(k) other Indebtedness of the type not specifically addressed in the other subsections of this Section 7.01; provided that the aggregate principal amount of Indebtedness incurred pursuant to this clause (k) shall not to exceed the greater of $10,000,000 and 6.00% of the Consolidated Tangible Assets at any time outstanding; provided, further, that up to the greater of $5,000,000 and 3.00% of the Consolidated Tangible Assets permitted under this subsection (k) may be used for application to the other subsections of this Section 7.01, other than to subsections (g), (l) and (q), which may not be increased;

(l) Indebtedness consisting of Term Loan B Obligations and any Permitted Refinancing thereof in an aggregate principal amount not in excess of $92,000,000, equal to the result of $92,000,000 minus (x) all principal repayments and commitment reductions made of Term Loan B Obligations and any Permitted Refinancing thereof, plus (y) the amount of Indebtedness incurred in compliance with, and to the extent permitted under, Section 7.01(q) to be *pari passu* with the Term Loan B Obligations;

(m) Guarantees (i) of the Indebtedness of the Lead Borrower described in clause (l) of this Section 7.01 so long as any Liens securing the Guarantee of the Term Loan B Obligations or any Permitted Refinancing thereof, in respect thereof are subject to the Term Loan B Intercreditor Agreement; (ii) of any Indebtedness permitted to be incurred under Section 7.01 of this Agreement; (iii) Indebtedness given by any Subsidiary that is not a Loan Party of Indebtedness of another Subsidiary that is not a Loan Party; provided that Guarantees by Borrower Holdco or any other Loan Party under this clause (m) of any Indebtedness of a person that is subordinated to other Indebtedness of such person shall be expressly subordinated to the Obligations to at least the same extent as such underlying Indebtedness is subordinated;

(n) Indebtedness arising from agreements of a Loan Party providing for indemnification, adjustment of purchase or acquisition price or similar obligations, in each case, incurred or assumed in connection with any Permitted Business Acquisition or the Disposition of any business, assets or Subsidiaries not prohibited by this Agreement, other than Guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or Subsidiaries for the purpose of financing any such Permitted Business Acquisition;

(o) Reserved;

(p) Indebtedness consisting of the financing of insurance premiums in the ordinary course of business;

(q) other Indebtedness of the type not specifically addressed in the other sections of this Section 7.01 that matures no earlier than 91 days after the Maturity Date, so long as (A) after giving effect to the incurrence or assumption of such Indebtedness on a *Pro Forma* Basis, the Total Leverage Ratio is less than or equal to 3.50:1.00, (B) the holders of such Indebtedness have joined the Term Loan B Intercreditor Agreement and accepted all of the terms and conditions thereof as if they were a Term Loan B Lender or Indebtedness junior to all of the Obligations and the Term Loan B Obligations provided the holder of such Indebtedness has executed a subordination and intercreditor agreement acceptable to Agent in its sole discretion, and (C) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is incurred or assumed;

(r) Indebtedness of Foreign Subsidiaries not to exceed, in the aggregate, the greater of $7,500,000 and 4.50% of the Consolidated Tangible Assets and Guarantees thereof to the extent such Guaranty, if honored, would constitute a Permitted Investment;

(s) unsecured Indebtedness in respect of obligations to pay the deferred purchase price of goods or services or progress payments in connection with such goods and services so long as such obligations are incurred in connection with open accounts extended by suppliers on customary trade terms (which require that all such payments be made within sixty (60) days after the incurrence of the related obligations) in the ordinary course of business and not in connection with the borrowing of money or any Swap Contracts;

(t) Reserved;

(u) Indebtedness incurred on behalf of, or representing Guarantees of Indebtedness of, joint ventures not to exceed the greater of $5,000,000 and 3.00% of the Consolidated Tangible Assets;

(v) unsecured Indebtedness issued to current or former officers, directors and employees, their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of Parent permitted by Section 7.06; and

(w) Reserved;

(x) Reserved;

(y) all premium (if any, including tender premiums), defeasance costs, interest (including post petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (x) of this Section 7.01.

7.02 Liens. Create, incur, assume or permit to exist any Lien on any of its property or assets (including Equity Interests or other securities of any person) at the time owned by it or on any income or revenues or rights in respect of any thereof, except the following (collectively, "Permitted Encumbrances"):

(a) Liens existing on the Closing Date (or created following the Closing Date pursuant to agreements in existence on the Closing Date requiring the creation of such Liens) and, in each case, set forth on Schedule 7.02; provided that such Liens shall secure only those obligations that they secure on the Closing Date and shall not subsequently apply to any other property or assets of a Loan Party other than (A) after-acquired property that is affixed to or incorporated into the property covered

by such Lien and (B) proceeds and products thereof;

(b) Liens created under the Loan Documents;

(c) Reserved;

(d) (i) Liens for Taxes that have priority over the Obligations up to $250,000 in the aggregate at any time outstanding, (ii) Liens for Taxes that do not have priority over the Obligations, (iii) assessments or other governmental charges or levies for amounts not yet due (or, solely with respect to real estate and personal property taxes, not yet delinquent), and (iv) Liens that are being contested in compliance with Section 6.03;

(e) Liens imposed by law, including landlord's, carriers', warehousemen's, mechanics', materialmen's, repairmen's, construction or other like Liens arising in the ordinary course of business securing obligations that are not overdue by more than thirty (30) days or that are being contested in good faith by appropriate proceedings and in respect of which, if applicable, the affected Loan Party shall have set aside on its books reserves in accordance with GAAP;

(f) (i) pledges and deposits and other Liens made in the ordinary course of business in compliance with the Federal Employers Liability Act or any other workers' compensation, unemployment insurance and other social security laws or regulations and deposits securing liability to insurance carriers under insurance or self insurance arrangements in respect of such obligations and (ii) pledges and deposits and other Liens securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Borrower Holdco or any of its Subsidiaries;

(g) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance and return of money bonds, bids, leases, government contracts, trade contracts, agreements with utilities, and other obligations of a like nature (including letters of credit in lieu of any such bonds or to support the issuance thereof) incurred by Borrower Holdco or any of its Subsidiaries in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(h) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases (other than Capital Lease Obligations), licenses, special assessments, rights of way covenants, conditions, restrictions and declarations on or with respect to the use of Real Estate, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of the business of Borrower Holdco or any of its Subsidiaries;

(i) Liens securing Indebtedness permitted by Section 7.01(i) (limited to the assets subject to such Indebtedness);

(j) Reserved;

(k) Liens securing judgments that do not constitute an Event of Default under Section 8.01(j);

(l) Liens disclosed by the title insurance policies delivered on or subsequent to the Closing Date pursuant to Section 6.10 and any replacement, extension or renewal of any such Lien (so long as the Indebtedness and other obligations secured by such replacement, extension or renewal Lien are permitted by this Agreement); provided that such replacement, extension or renewal Lien shall not cover any property other than the property that was subject to such Lien prior to such replacement, extension or renewal;

(m) any interest or title of a lessor or sublessor under any leases or subleases entered into by Borrower Holdco or any of its Subsidiaries in the ordinary course of business;

(n) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of Borrower Holdco or any of its Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Borrower Holdco or any of its Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of Borrower Holdco or any of its Subsidiaries in the ordinary course of business;

(o) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights;

(p) leases or subleases, non exclusive licenses or non exclusive sublicenses (including with respect to intellectual property and software) granted to others in the ordinary course of business that do not interfere in any material respect with the business of Borrower Holdco and any of its Subsidiaries, taken as a whole;

(q) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods being contested as provided in Section 6.06 provided any assets affected by such a Lien will not be included in the Borrowing Base;

(r) Liens solely on any cash earnest money deposits made by Borrower Holdco or any of its Subsidiaries in connection with any letter of intent or purchase agreement in respect of any Investment permitted hereunder;

(s) Liens with respect to property or assets of any Subsidiary of a Borrower that is not a Loan Party securing Indebtedness of any Subsidiary of a Borrower that is not a Loan Party permitted under Section 7.01;

(t) Liens securing Indebtedness of the Borrowers or their Subsidiaries, which Liens rank *pari passu* with the Liens securing the Term Loan B Obligations, so long as (A) after giving effect to the incurrence or assumption of such Indebtedness on a *Pro Forma* Basis, the Total Leverage Ratio is less than or equal to 3.50:1.00, (B) the holders of such Indebtedness have joined the Term Loan B Intercreditor and accepted all of the terms and conditions thereof as if they were a Term Loan B Lender or Indebtedness junior to all of the Obligations and the Term Loan B Obligations provided the holder of such Indebtedness has executed a subordination and intercreditor agreement acceptable to Agent in its sole discretion, and (C) no Default or Event of Default has occurred and is continuing at the time such Lien is granted;

(u) Reserved;

(v) Liens on consigned goods in favor of consignors with respect to consignment agreements entered into in the ordinary course of business not to exceed forty percent (40%) of the Eligible On-Hand Inventory attributable to any major class or category of inventory, as reflected in the most recent appraisal obtained by the Agent under Section 6.07;

(w) Liens arising from precautionary Uniform Commercial Code financing statements;

(x) Liens on Equity Interests of any joint venture (i) securing obligations of such joint venture or (ii) pursuant to the relevant joint venture agreement or arrangement;

(y) Reserved;

(z) Liens securing insurance premium financing arrangements so long as such Liens are limited to the applicable unearned insurance premiums;

(aa) Reserved;

(bb) Liens securing obligations permitted under Section 7.01(l) to the extent such Liens are subject to the Term Loan B Intercreditor Agreement; and

(cc) other Liens of the type not specifically addressed in the other subsections of this Section 7.02 securing obligations in an aggregate principal amount outstanding at any time not to exceed the greater of $10,000,000 and 6.00% of the Consolidated Tangible Assets, provided any asset encumbered by such Lien will not be included in the Borrowing Base; provided, further, that up to the greater of $5,000,000 and 3.00% of the Consolidated Tangible Assets permitted under this subsection (cc) may be used for application to the other subsections of this Section 7.02, other than subsections (d), (t) or (v) which may not be increased.

7.03 Reserved.

7.04 Investments, Loans and Advances. Purchase, hold or acquire (including pursuant to any merger, consolidation or amalgamation with a person that is not a wholly owned Subsidiary immediately prior to such merger, consolidation or amalgamation) any Equity Interests, evidences of Indebtedness or other securities of, make or permit to exist any loans or advances to or Guarantees of the

obligations of, or make or permit to exist any investment or any other interest in (each, an "Investment"), any other person, except the following (collectively, "Permitted Investments"):

(a) reserved;

(b) (i) Investments in the Equity Interests of Borrower Holdco, the Borrower or any other Loan Party, (ii) intercompany loans to the Lead Borrower or any other Loan Party and (iii) Guarantees of Indebtedness expressly permitted hereunder;

(c) Cash and Permitted Cash Equivalent Investments and Investments that were Permitted Investments when made;

(d) Investments arising out of the receipt of non-cash consideration for the sale of assets permitted under Section 7.05;

(e) loans and advances to officers, directors or employees, of Borrower Holdco or any of its Subsidiaries (i) not to exceed $2,000,000 in the aggregate at any time outstanding (calculated without regard to write downs or write offs thereof), (ii) in respect of payroll payments and expenses in the ordinary course of business or (iii) in connection with the purchase of Equity Interests of Parent or any direct or indirect holding company of Parent, as applicable, to the extent that such loans are non cash and the amount of such loans and advances shall be contributed to Borrower Holdco or any of its Subsidiaries in cash as common equity;

(f) any assets or securities received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss and any prepayments and other credits to suppliers made in the ordinary course of business;

(g) Swap Contracts;

(h) Investments existing on, or contractually committed as of, the Closing Date and set forth on Schedule 7.04;

(i) Investments resulting from pledges and deposits under Sections 7.02(a), (f), (g), (k), (q), (r), (t) and (bb);

(j) other Investments of the type not specifically addressed in the other subsections of this Section 7.04 in an aggregate amount (valued at the time of the making thereof, and without giving effect to any write downs or write offs thereof) not to exceed the greater of $15,000,000 and 9.00% of the Consolidated Tangible Assets in the aggregate; provided that if any Investment pursuant to this clause (j) is made in any Person that is not a Subsidiary at the date of the making of such Investment and such Person thereafter becomes a Subsidiary pursuant to another Investment, the amount of which, when taken together with the amount of the prior Investment, would be permitted under another provision of this Section 7.04, then any Investment in such Person outstanding under this clause (j) shall thereafter be deemed to have been made pursuant to such other provision and shall cease to have been made pursuant to this clause (j) for so long as such person continues to be a Subsidiary; provided, that up to the greater of $7,500,000 and 4.50% of the Consolidated Tangible Assets permitted under this subsection (j) may be used for application to the other subsections of this Section 7.04, other than subsection (i), which may not be increased;

(k) Investments constituting Permitted Business Acquisitions;

(l) (i) intercompany loans among Foreign Subsidiaries, and (ii) Guarantees by Foreign Subsidiaries permitted by Section 7.01(r);

(m) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with or judgments against, customers and suppliers, in each case in the ordinary course of business and Investments acquired as a result of a foreclosure by Borrower Holdco or any of its Subsidiaries with respect to any secured Investments or other transfer of title with respect to any secured Investment in default;

(n) Investments of a Domestic Subsidiary of Borrower Holdco acquired after the Closing Date or of an entity merged into, or consolidated or amalgamated with, Borrower Holdco or the Borrower or merged into or consolidated or amalgamated with any Domestic Subsidiary of Borrower Holdco after the Closing Date, in each case, (i) to the extent permitted under this Section 7.04, (ii) in the case of any acquisition, merger, consolidation or amalgamation, in accordance with Section 7.05, and (iii) to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger, consolidation or amalgamation;

(o) Investments made to one or more officers or other employees of Borrower Holdco or any Subsidiary of Borrower Holdco in connection with such officer's or employee's acquisition of Equity Interests of Parent, so long as no cash is actually advanced by the Borrowers or their Subsidiaries to such officers or employees in connection with the acquisition of any such Equity Interests.

(p) Guarantees of operating leases (for the avoidance of doubt, excluding Capital Lease Obligations) or of other obligations that do not constitute Indebtedness, in each case entered into by a Loan Party in the ordinary course of business;

(q) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business consistent with past practices;

(r) additional Investments to the extent that payment for such Investments is made with Equity Interests of Parent, so long as (i) no Event of Default then exists, nor would any Default or Event of Default arise as a result of such Investment, and (ii) such Investment (1) would not otherwise be prohibited under clause (c) of this Section, and (2) to the extent an Acquisition, would otherwise comply with the requirements in clauses (b) and (c) of the definition of Permitted Business Acquisition;

(s) Investments consisting of the redemption, purchase, repurchase or retirement of any Equity Interests permitted under Section 7.06;

(t) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Uniform Commercial Code Article 4 customary trade arrangements with customers consistent with past practices;

(u) Reserved;

(v) Guarantees permitted under Section 7.01 (except to the extent such Guarantee is expressly subject to Section 7.04);

(w) advances in the form of a prepayment of expenses, so long as such expenses are being paid in accordance with customary trade terms of Borrower Holdco or any of its Subsidiaries;

(x) Reserved;

(y) Investments consisting of non-exclusive licensing of intellectual property pursuant to joint marketing arrangements with other persons;

(z) purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property in each case in the ordinary course of business for the purpose of speculating therewith, to the extent such purchases and acquisitions constitute Investments;

(aa) Reserved;

(bb) Investments in joint ventures, in the aggregate at any time outstanding not to exceed the greater of $5,000,000 and 3.00% of the Consolidated Tangible Assets;

(cc) Investments by a Loan Party in Foreign Subsidiaries or Unrestricted Subsidiaries (including, without limitation, capital contributions made to any Foreign Subsidiary or Unrestricted Subsidiaries, loans, made to any Foreign Subsidiary, and Guarantee Obligations with respect to any obligations of any such Foreign Subsidiary or Unrestricted Subsidiaries) made after the Closing Date in an aggregate amount not to exceed $7,500,000 at any time outstanding for all such Investments; and

(dd) additional Investments; provided that both immediately before such Investment is made and immediately after giving effect thereto, the Payment Conditions shall be satisfied.

7.05 Mergers, Consolidations, Sales of Assets and Acquisitions. Merge into, or consolidate or amalgamate with, any other person, or permit any other person to merge into or consolidate with it, or sell, transfer or otherwise dispose of (in one transaction or in a series of transactions) all or any part of its assets (whether now owned or hereafter acquired), or issue, sell, transfer or otherwise dispose of any Equity Interests of any Subsidiary, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or any substantial part of the assets of any other person or any division, unit or business of any other person, except that this Section 7.05 shall not prohibit the following (collectively, "Permitted Dispositions"):

(a) (i) the purchase and sale of inventory in the ordinary course of business, (ii) the acquisition or lease (pursuant to an operating lease) of any other asset in the ordinary course of business, (iii) the sale of surplus, obsolete, damaged or worn out equipment or other property in the ordinary course of business or (iv) the Disposition of Permitted Investments;

(b) if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing or would result therefrom, (i) the merger, consolidation or amalgamation of any Subsidiary into (or with) Borrower Holdco or the Lead Borrower in a transaction in which Borrower Holdco or the Lead Borrower, as applicable, is the survivor, (ii) the merger, consolidation or amalgamation of any Subsidiary into or with any Subsidiary of Borrower Holdco that is a Loan Party in a transaction in which the surviving or resulting entity is a Subsidiary of Borrower Holdco that is a Loan Party and, in the case of each of clauses (i) and (ii), no person other than Borrower Holdco, the Lead Borrower or another Loan Party receives any consideration, (iii) the merger, consolidation or amalgamation of any Subsidiary that is not a Loan Party into or with any other Subsidiary that is not a Loan Party, (iv) the liquidation or dissolution or change in form of entity of any Immaterial Subsidiary or an Unrestricted Subsidiary if the Lead Borrower determines in good faith that such liquidation, dissolution or change in form is in the best interests of the Lead Borrower and is not materially disadvantageous to the Lenders or (v) the merger, consolidation or amalgamation of any

Subsidiary of Borrower Holdco (other than the Lead Borrower) with or into any other person in order to effect an Investment permitted under Section 7.04 so long as the continuing or surviving person shall be a Subsidiary of Borrower Holdco that is a Loan Party if the merging, consolidating or amalgamating Subsidiary was a Loan Party and which, together with each of its Subsidiaries, shall have complied with the requirements of Section 6.01;

(c) sales, transfers, leases or other Dispositions to Borrower Holdco or any of its Subsidiaries (upon voluntary liquidation or otherwise);

(d) reserved;

(e) Investments permitted by Section 7.04, Permitted Encumbrances and Restricted Payments permitted by Section 7.06;

(f) the sale of defaulted receivables in the ordinary course of business and not as part of an accounts receivables financing transaction;

(g) sales, transfers or other Dispositions of assets in the ordinary course of business of the type not specifically addressed by one of the other subsections of this Section 7.05 (or required to be included in this clause (g) pursuant to Section 7.05(c)) (other than bulk sales or other Dispositions of the Inventory of the Loan Parties not in the ordinary course of business in connection with store closures); provided that (i) the aggregate gross proceeds (including non-cash proceeds) of any or all assets sold, transferred or otherwise disposed of in reliance upon this clause (g) in any Fiscal Year, together with the aggregate gross proceeds of any and all assets sold,

transferred or disposed of, to Subsidiaries that are not Loan Parties in reliance on clause (c) of this Section 7.05, shall not exceed the greater of $7,500,000 and 4.50% of the Consolidated Tangible Assets, and no Event of Default shall have occurred and be continuing or would result therefrom;

(h) Permitted Business Acquisitions;

(i) leases, non exclusive licenses, or non exclusive subleases or sublicenses of any real or personal property in the ordinary course of business;

(j) reserved;

(k) reserved;

(l) sales, transfers or other Dispositions of assets to Foreign Subsidiaries and Unrestricted Subsidiaries not to exceed $12,500,000 in the aggregate for all such sales, transfers or other Dispositions during the term hereof; and

(m) bulk sales or other Dispositions of the Inventory of a Loan Party not in the ordinary course of business in connection with Store closings, at arm's length; provided, that such Store closures and related Inventory Dispositions shall not exceed (i) in any Fiscal Year of the Parent and its Subsidiaries, 5% of the number of the Loan Parties' Stores as of the beginning of such Fiscal Year (net of new Store openings) and (ii) in the aggregate from and after the Closing Date, 10% of the number of the Loan Parties' Stores in existence as of the Closing Date (net of new Store openings); provided, further that all sales of Inventory in connection with Store closings shall be in accordance with liquidation agreements and with professional liquidators reasonably acceptable to the Agent.

7.06 Restricted Payments. Declare, pay, or otherwise make any Restricted Payments, directly or indirectly, except the following:

(a) Restricted Payments to Borrower Holdco, the Lead Borrower or any other Subsidiary of Borrower Holdco (or, in the case of non-wholly owned Subsidiaries, to Borrower Holdco and to each other owner of Equity Interests of such Subsidiary on a *pro rata* basis (or more favorable basis from the perspective of Borrower Holdco, the Lead Borrower or such Subsidiary) based on their relative ownership interests so long as any repurchase of its Equity Interests from a person that is not Borrower Holdco or a Subsidiary of Borrower Holdco is permitted under Section 7.04);

(b) Restricted Payments to permit Parent, directly or indirectly, to (i) pay operating, overhead, legal, accounting and other professional fees and expenses (including directors' fees and expenses and administrative, legal, accounting, filings and similar expenses), (ii) pay fees and expenses related to any public offering or private placement of debt or equity securities of Parent whether or not consummated or any Investment permitted hereunder, (iii) pay franchise taxes and other fees, taxes and expenses in connection with Parent's ownership of any Subsidiary or the maintenance of its legal existence, or (iv) make payments permitted by Section 7.07 (other than Section 7.07(g)), or (v) pay customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, full time employees of Parent, in order to permit such Parent to make such payments up to $500,000 during the term of this Agreement;

(c) Restricted Payments to Parent if it files a consolidated U.S. federal or combined or unitary state tax return that includes Borrower Holdco and its Subsidiaries (or the taxable income thereof), in each case, in an amount not to exceed the amount that Borrower Holdco and its Subsidiaries would have been required to pay in respect of federal, state or local taxes (as the case may be) in respect of such Fiscal Year if Borrower Holdco and its Subsidiaries paid such taxes directly as a stand-alone taxpayer (or stand-alone group) provided such amounts are actually used to pay such taxes promptly after such Restricted Payment is made;

(d) Restricted Payments to Parent, the proceeds of which are used, directly or indirectly, to purchase or redeem, the Equity Interests of Parent (including related stock appreciation rights or similar securities) held by then present or former directors, officers or employees of Parent or any of its Domestic Subsidiaries or by any Plan or any shareholders' agreement then in effect upon such person's death, disability, retirement or termination of employment or under the terms of any such Plan or any other agreement under which such shares of stock or related rights were issued; provided that the aggregate amount of such purchases or redemptions under this clause (d) shall not exceed (i) $2,500,000 in any Fiscal Year (with any unused amounts in any Fiscal Year being carried over to the immediately succeeding Fiscal Year) plus (ii) the amount of Net Proceeds contributed to Borrower Holdco or the Borrower that were received by any Parent during such Fiscal Year from sales of Equity Interests of Parent to directors, officers or employees of Parent or any of its Subsidiaries in connection with permitted employee compensation and incentive arrangements; plus (iii) the amount of net proceeds of any key man life insurance policies received in cash by the Lead Borrower during such Fiscal Year, provided, further, that cancellation of Indebtedness owing to Borrower Holdco, the Lead Borrower or any of its Subsidiaries from members of management of Parent or any of its Domestic Subsidiaries in connection with a repurchase of Equity Interests of the Parent will not be deemed to constitute a Restricted Payment for purposes of this Section 7.06;

(e) non-cash repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(f) [Reserved];

(g) a Restricted Payment in the form of a $25,000,000 dividend to be made on the Closing Date and repayment of the Subordinated Notes on the Closing Date, each solely with proceeds of the Term Loan B Facility.

(h) Restricted Payments to allow Parent to make payments in cash, in lieu of the issuance of fractional shares, upon the exercise of warrants or upon the conversion or exchange of Equity Interests of any such person;

(i) after a Public Offering, Restricted Payments to the Parent in an amount equal to 6.0% per annum of the Net Proceeds received from any public offering of the Equity Interests of Parent or the Parent that are contributed to Borrower Holdco or the Borrower;

(j) Reserved;

(k) so long as no Event of Default has occurred and is continuing, Restricted Payments not to exceed $750,000 in the aggregate for all such payments in in any Fiscal Year to pay (i) monitoring, consulting, management, transaction, advisory, termination or similar fees payable to any Permitted Holder or any of their respective Affiliates (it being understood that any amounts that are not paid due to the existence of an Event of Default shall accrue and may be paid when the applicable Event of Default ceases to exist or is otherwise waived but only to the extent no Event of Default would occur on a pro forma basis after giving effect to such payment; provided that such accrued amounts shall be subordinated in respect of the Obligations on terms reasonably satisfactory to the Agent and (ii) indemnities, reimbursements and reasonable and documented out of pocket fees and expenses of Permitted Holders or any of their respective Affiliates in connection therewith; and

(l) additional Restricted Payments; provided that both immediately before such Restricted Payment is made and immediately after giving effect thereto, the Payment Conditions are satisfied.

7.07 Transactions with Affiliates. Sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transaction with, any of its Affiliates, unless such transaction is (i) otherwise permitted (or required) under this Agreement or (ii) upon terms no less favorable to Borrower Holdco, the Borrower or their respective Subsidiaries, as applicable, than would be obtained in a comparable arm's length transaction with a person that is not an Affiliate, except that this Section 7.07 shall not prohibit:

(a) any issuance of securities, or other payments, awards or grants which do not require or provide a cash payment therewith, securities or otherwise pursuant to, or the funding of, employment arrangements, equity purchase agreements, stock options and stock ownership plans approved by the board of directors of the Parent;

(b) loans or advances to employees of the Lead Borrower or any of its Domestic Subsidiaries in accordance withSection 7.04(e);

(c) transactions between or among the Lead Borrower and any other Loan Party or any entity that becomes a Loan Party as a result of such transaction (including via merger, consolidation or amalgamation in which a Loan Party is the surviving entity);

(d) the payment of fees, reasonable out-of-pocket costs and indemnities to directors or officers of Parent or any of its Domestic Subsidiaries in the ordinary course of business (limited, in the case of Parent, to the portion of such fees and expenses that are allocable to Borrower Holdco and its Subsidiaries (which shall be 100% for so long as Parent owns no assets other than the Equity Interests in the Subsidiaries and assets incidental to the ownership of Borrower Holdco and its Subsidiaries));

(e) reserved;

(f) reserved;

(g) Restricted Payments permitted under Section 7.06, including payments to Parent;

(h) any purchase by a Loan Party of the Equity Interests of any wholly-owned Domestic Subsidiary;provided that any Equity Interests of any wholly owned Subsidiary purchased by a Loan Party shall be pledged to the Agent and the Term Loan Agent on behalf of the Lenders pursuant to the Security Documents;

(i) reserved;

(j) reserved;

(k) transactions with wholly owned Domestic Subsidiaries for the purchase or sale of goods, products, parts and services entered into in the ordinary course of business in a manner consistent with past practice;

(l) transactions with wholly owned Foreign Subsidiaries for the purchase or sale of goods, products, parts and services entered into in the ordinary course of business on market, arms-length terms;

(m) reserved;

(n) reserved;

(o) the issuance, sale or transfer of Equity Interests of Borrower Holdco or the Lead Borrower to Parent and capital contributions by Parent to Borrower Holdco or the Borrower;

(p) reserved;

(q) payments by Parent or any of its Domestic Subsidiaries pursuant to tax sharing agreements among Parent and any of its Domestic Subsidiaries on customary terms that require each party to make payments when such taxes are due or refunds received of amounts equal to the income tax liabilities and refunds generated by each such party calculated on a separate return basis and payments to the party generating tax benefits and credits of amounts equal to the value of such tax benefits and credits made available to the group by such party;

(r) payments or loans (or cancellation of loans) to employees or transactions with employees, officers, or directors otherwise permitted under this Agreement but prohibited solely due to this Section 7.07 that are (i) approved by a majority of the Disinterested Directors of Parent, Borrower Holdco or the Lead Borrower in good faith, (ii) made in compliance with applicable law and (iii) otherwise permitted under this Agreement; and

(s) reserved;

(t) reserved;

(u) transactions permitted by, and complying with, the provisions of Section 7.04(b) and Section 7.05(b).

7.08 Business of Borrower Holdco and its Subsidiaries. Notwithstanding any other provisions hereof, engage at any time in any business or business activity other than any business or business activity conducted by any Loan Party on the Closing Date and any similar, corollary, related, incidental or complementary business or business activities or a reasonable extension, development or expansion thereof or ancillary thereto.

7.09 Limitation on Payments and Modifications of Indebtedness; Modifications of Certificate of Incorporation, By Laws and Certain Other Agreements; etc.

(a) Amend or modify in any manner materially adverse to the Lenders or the Agent, or grant any waiver or release under or terminate in any manner (if such granting or termination shall be materially adverse to the Lenders), the Organization Documents of Parent, Borrower Holdco or any of their Subsidiaries.

(b) Make, or agree or offer in writing to pay or make, directly or indirectly, any payment or other distribution in cash in respect of: (1) any Indebtedness ("Junior Indebtedness") permitted to be incurred hereunder that is subordinated in right of payment of the Obligations or secured by Liens that are in all respects subordinated to the Liens securing the Obligations pursuant to a subordination agreement between the holders of such Indebtedness and Agent, which subordination agreement must be in form and substance acceptable to the Agent in its sole discretion, or (2) any Term Loan B Obligations or any Permitted Refinancing in respect thereof; except for (i) payments of regularly scheduled principal and interest, mandatory offers to repay, mandatory prepayments of principal, premium and interest and payments of

fees, expenses and indemnification obligations with respect to such Term Loan B Obligations or any Permitted Refinancing or Junior Indebtedness in respect thereof or the Junior Indebtedness to the extent permitted under any subordination agreement between the holders of Junior Indebtedness and Agent which subordination agreement must be in form and substance acceptable to the Agent, in its sole discretion, (ii) so long as no Default or Event of Default has occurred and is continuing, payments or distributions in respect of all or any portion of Term Loan B Obligations or any Permitted Refinancing in respect thereof with the proceeds contributed directly or indirectly to Borrower Holdco or the Lead Borrower by Parent from the issuance, sale or exchange by Parent of Equity Interests made within six (6) months prior thereto, (iii) the conversion of any Term Loan B Obligations to Equity Interests of Parent, (iv) so long as no Event of Default has occurred and is continuing, the payment that is required under the Code to prevent any Term Loan B Obligations or any Permitted Refinancing in respect thereof from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(l) of the Code, and (v) additional payments and distributions so long as both immediately before such payment or distribution is made and immediately after giving effect thereto, the Payment Conditions are satisfied; or

(c) Permit any Subsidiary to enter into any agreement or instrument that by its terms restricts (i) the payment of dividends or distributions or the making of cash advances to Borrower Holdco or any of its Subsidiaries that is a direct or indirect parent of such Subsidiary or (ii) the granting of Liens by Borrower Holdco or such Subsidiary pursuant to the Security Documents, in each case other than those arising under any Loan Document, except, in each case, restrictions existing by reason of:

(i) restrictions imposed by applicable law;

(ii) contractual encumbrances or restrictions under (i) the Term Loan B Facility, (ii) the Term Loan B Documents, (iii) any Indebtedness permitted under Section 7.01(b) or Section 7.01(q) or Indebtedness secured by a Lien permitted under Section 7.02(bb);

(iii) any restriction on a Subsidiary imposed pursuant to an agreement entered into for the sale or Disposition of the Equity Interests or assets of a Subsidiary pending the closing of such sale or Disposition;

(iv) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(v) any restrictions imposed by any agreement relating to secured Indebtedness permitted by this Agreement to the extent that such restrictions apply only to the property or assets securing such Indebtedness;

(vi) any restrictions imposed by any agreement relating to Indebtedness incurred pursuant to Sections 7.01(h), (i), (k), (m) or (q), to the extent such restrictions are not more restrictive, taken as a whole, than the restrictions contained herein;

(vii) customary provisions contained in leases or licenses of intellectual property and other similar agreements entered into in the ordinary course of business;

(viii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(ix) customary provisions restricting assignment of any agreement entered into in the ordinary course of business;

(x) customary restrictions and conditions contained in any agreement relating to the sale, transfer or other Disposition of any asset permitted under Section 6.05 pending the consummation of such sale, transfer or other Disposition;

(xi) customary restrictions and conditions contained in the document relating to any Lien, so long as (1) such Lien is a Permitted Encumbrance and such restrictions or conditions relate only to the specific asset subject to such Lien and (2) such restrictions and conditions are not created for the purpose of avoiding the restrictions imposed by this Section 7.09;

(xii) customary net worth provisions contained in Real Estate leases entered into by Subsidiaries, so long as the Borrower has determined in good faith that such net worth provisions would not reasonably be expected to impair the ability of the Borrower and the other Subsidiaries to meet their ongoing obligations;

(xiii) any agreement in effect at the time any person becomes a Subsidiary, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary;

(xiv) restrictions in agreements representing Indebtedness permitted under Section 7.01 of a Subsidiary of Borrower Holdco that is not a Loan Party;

(xv) customary restrictions on leases, subleases, licenses or Equity Interests or asset sale agreements otherwise permitted hereby as long as such restrictions relate to the Equity Interests and assets subject thereto;

(xvi) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; or

(xvii) any encumbrances or restrictions of the type referred to in Sections 7.09(c)(i) and 7.09(c)(ii) imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (A) through (P) above so long as such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Borrower, no more restrictive with respect to or such Lien, dividend and other payment restrictions than those contained in the Lien, dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

7.10 Financial Performance Covenant. Upon the occurrence and during the continuance of a Covenant Compliance Event, the Borrower shall maintain as of the last day of each Fiscal Month, a Consolidated Fixed Charge Coverage Ratio of not less than 1.0 to 1.0 for the most recent period of twelve consecutive Fiscal Months at the time of occurrence of such Covenant Compliance Event, and each subsequent twelve consecutive month period ending during the continuance of such Covenant Compliance Event.

7.11 Fiscal Year. Change the Fiscal Year of any Loan Party, or the accounting policies or reporting practices of the Loan Parties, except as required by GAAP.

ARTICLE VIIA
BORROWER HOLDCO COVENANT

Borrower Holdco covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until all Obligations (other than Obligations in respect of Cash Management Services and contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) have been paid in full and all Letters of Credit and Commitments have expired or been terminated or cash collateralized on terms satisfactory to the L/C Issuer, unless the Required Lenders shall otherwise consent in writing, (a) Borrower Holdco will not create, incur, assume or permit to exist any Lien (other than Liens of a type described in Sections 7.02(d), (e) or (k)) on any of the Equity Interests issued by Borrower Holdco other than the Liens created under the Loan Documents, the Term Loan B Documents and any Permitted Refinancing thereof, (b) Borrower Holdco shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence; provided that so long as no Event of Default exists or would result therefrom, Borrower Holdco may merge with any other person, (c) Borrower Holdco will otherwise maintain its passive holding company status; provided that notwithstanding the foregoing, Borrower Holdco shall be permitted to be a borrower or issuer of any Indebtedness permitted under this Agreement, a Loan Party of any Indebtedness permitted under this Agreement, grant liens in connection with the foregoing except as prevented by clause (a) above, and take all other actions permitted or required under the Loan Documents, the Term Loan B Facility (or documents evidencing any Permitted Refinancing thereof), the making of Restricted Payments to the extent such Restricted Payments are permitted to be made to it under Section 7.06, and other activities incidental to compliance with applicable laws and legal, tax and accounting matters related thereto and activities relating to employees; provided, further, that notwithstanding the foregoing or any other restriction in this Agreement, Borrower Holdco may liquidate, wind up or dissolve itself, in

connection with a restructuring whereby a newly formed wholly owned Domestic Subsidiary of Parent will directly own 100% of the Equity Interests of the Lead Borrower.

ARTICLE VIII
EVENTS OF DEFAULT

8.01 Events of Default. In case of the happening of any of the following (each an "Event of Default"):

(a) any representation or warranty made or deemed made by the Borrowers or any other Loan Party herein or in any other Loan Document or any certificate or document delivered pursuant hereto or thereto shall prove to have been false or misleading in any material respect when so made or deemed made;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof, at a date fixed for prepayment thereof, by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or the L/C Obligations or in the payment of any fee or any other amount (other than an amount referred to in clause (b) of this Section 8.01) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three (3) Business Days;

(d) default shall be made in the due observance or performance by the Borrower or any other Loan Party of any covenant, condition or agreement contained in (i) Section 6.01(a), 6.02, 6.04, 6.05, 6.07, 6.08, 6.11, 6.15 or in Article VII or Article VIIA;

(e) default shall be made in the due observance or performance by the Lead Borrower or any other Loan Party of any covenant, condition or agreement contained in any Loan Document (other than those specified in clauses (b), (c) and (d) of this Section 8.01) (in each case solely to the extent applicable to such Person) and such default shall continue unremedied for a period of thirty (30) days to duly observe or perform any such covenant, condition or agreement) after the Lead Borrower's receipt of notice thereof from the Agent or the Term Loan Agent; provided, however, for the purposes of determining whether an Event of Default has occurred hereunder to the extent such Event of Default arises as a result of any payment defaults under any Cash Management Services or Bank Products, such defaults shall not constitute an Event of Default hereunder unless such payment defaults are for amounts in excess of $100,000 in the aggregate;

(f) (i) any event or condition shall occur that (A) results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) enables or permits (with all applicable grace periods having expired) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity or (ii) the Lead Borrower or any of its Subsidiaries shall fail to pay the principal of any Material Indebtedness at the stated final maturity thereof; provided that this clause (f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness; and further provided that any waiver of defaults or events of default under the Term Loan B Facility by the lenders thereunder shall constitute a waiver of the Event of Default under this Agreement with respect to the Event of Default arising hereunder solely as a result of the cross default under this Section 8.01(f).;

(g) a Change in Control shall have occurred;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Parent, any Loan Party or any of their Subsidiaries, or of a substantial part of the property or assets of Parent, any Loan Party or any of their Subsidiaries, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, any Loan Party or any of their Subsidiaries or for a substantial part of the property or assets of Parent, the Borrower, any Loan Party or any other Subsidiary or (iii) the winding up or liquidation of Parent, any Loan Party or any Subsidiary (except, in the case of any Subsidiary, in a transaction permitted by Section 7.05); and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Parent, any Loan Party or any of their Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (h) of this Section 8.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, any Loan Party or any of their Subsidiaries or for a substantial part of the property or assets of Parent, any Loan Party or any of their Subsidiaries, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) become unable or admit in writing its inability or fail generally to pay its debts as they become due;

(j) any one or more money judgments, writs or warrants of attachment, executions or similar processes involving an aggregate amount (to the extent not paid or fully bonded or covered by insurance (other than the applicable customary deductibles or copayments) as to which the surety or insurer, as the case may be, has the financial ability to perform and has not contested payment in writing) in excess of $2,500,000 shall be entered or filed against the Borrowers or any other Loan Party or any of their respective properties and the same shall not be paid, dismissed, bonded, vacated, stayed or discharged within a period of ninety (90) days or in any event later than five (5) days prior to the date of any proposed sale of such property thereunder;

(k) (i) a trustee shall be appointed by a United States district court to administer any Pension Plan, (ii) an ERISA Event or ERISA Events shall have occurred with respect to any Pension Plan or Multiemployer Plan, (iii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any Pension

Plan or Multiemployer Plan, (iv) Parent, any Loan Party or any other Subsidiary or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4242 of ERISA), is being terminated, is insolvent (within the meaning of Section 4245 of ERISA) or is in endangered or critical status (within the meaning of Section 305 of ERISA) or (v) Parent, any Loan Party or any other Subsidiary shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan (other than any "prohibited transaction" for which a statutory or administrative exemption is available) and, in each case, with respect to clauses (i) through (v) above, such event or condition, together with all other such events or conditions, if any, would reasonably be expected to have a Material Adverse Effect; or

(l) (i) any material provision of any Loan Document shall cease to be, or be asserted in writing by any Loan Party or any of their Subsidiaries not to be, for any reason, to be a legal, valid and

binding obligation of any party thereto, (ii) any security interest purported to be created by any Security Document and to extend to assets that are of the type which may be included in the Borrowing Base (regardless of eligibility) or otherwise are not immaterial to any Loan Party and their Subsidiaries on a consolidated basis shall cease to be, or shall be asserted in writing by the Lead Borrower or any other Loan Party not to be, a valid and perfected security interest (perfected as or having the priority required by this Agreement or the relevant Security Document and subject to such limitations and restrictions as are set forth herein and therein) in the securities, assets or properties covered thereby, or from the failure of the Agent or the Term Loan Agent to maintain possession of certificates actually delivered to it representing securities pledged under a Security Document or to file Uniform Commercial Code continuation statements or take the actions described on Schedule 5.04 and except to the extent that such loss is covered by a lender's title insurance policy and the Agent or the Term Loan Agent shall be reasonably satisfied with the credit of such insurer, or (iii) the Guarantees pursuant to the Security Documents by any Loan Party of any of the Obligations shall cease to be in full force and effect (other than in accordance with the terms thereof), or shall be asserted in writing by Parent or any Loan Party not to be in effect or not to be legal, valid and binding obligations;

(m) Except as otherwise expressly permitted hereunder, any Loan Party shall take any action to suspend the operation of its business in the ordinary course, liquidate all or a material portion of its assets or Store locations, or employ an agent or other third party to conduct a program of closings, liquidations or "Going-Out-Of-Business" sales of any material portion of its business;

(n) (i) the subordination provisions of the documents evidencing or governing any Subordinated Indebtedness (the "Subordinated Provisions") shall, in whole or in part, terminate, cease to be effective or cease to be legally valid, binding and enforceable against any holder of the applicable Subordinated Indebtedness; or (ii) any Borrower or any other Loan Party shall, directly or indirectly, disavow or contest in any manner (A) the effectiveness, validity or enforceability of any of the Subordination Provisions, (B) that the Subordination Provisions exist for the benefit of the Credit Parties, or (C) that all payments of principal of or premium and interest on the applicable Subordinated Indebtedness, or realized from the liquidation of any property of any Loan Party, shall be subject to any of the Subordination Provisions;

(o) there shall occur (i) any uninsured damage to, theft or destruction of, any Collateral or other assets or properties of the Loan Parties having an aggregate fair market value in excess of $7,500,000 unless, at such time, Availability *minus* the aggregate fair market value of the Collateral subject to such damage, theft or destruction is greater than fifteen percent (15%) of the Loan Cap, or (ii) damage, theft or destruction of any Collateral or other assets or properties of the Loan Parties that has had or could reasonably be expected to have a Material Adverse Effect; or

(p) the termination or attempted termination of any Facility Guaranty except as expressly permitted hereunder or under any other Loan Document;

then, (i) in every such event (other than an event with respect to the Borrowers described in clause (h) or (i) of this Section 8.01), and at any time thereafter during the continuance of such event, the Agent or the Term Loan Agent, at the request of the Required Lenders, shall, by notice to the Lead Borrower, take any or all of the following actions, at the same or different times: (A) terminate forthwith the Commitments, (B) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Loan Parties, anything contained herein or in any other Loan Document to the contrary notwithstanding, (C) if the Loans have

been declared due and payable pursuant to clause (B) above, demand cash collateral pursuant to Section 2.03(g) and (D) exercise all rights and remedies granted to it under any Loan Document and all of its rights under any other applicable law or in equity and (ii) in any event with respect to the Borrower described in clause (h) or (i) of this Section 8.01, the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall automatically become due and payable and the Agent and the Term Loan Agent shall be deemed to have made a demand for cash collateral to the full extent permitted under Section 2.03(g), without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Loan Parties, anything contained herein or in any other Loan Document to the contrary notwithstanding.

Solely for the purposes of determining whether an Event of Default has occurred under Section 8.01(h) or (i), any reference in any such Section to any Subsidiary shall be deemed not to include any Immaterial Subsidiary, and, for purposes of determining whether an Event of Default has occurred under Section 8.01(k), an Unrestricted Subsidiary will be deemed to be a Subsidiary.

8.02 Right to Cure. Notwithstanding anything to the contrary contained in Section 8.01, in the event that the Loan Parties fail (or, but for the operation of this Section 8.02, would fail) to comply with the Financial Performance Covenant, until the expiration of the 10th day subsequent to the date the Required Financial Statements are required to be delivered, Borrower Holdco shall have the right to issue Permitted Cure Securities for cash or otherwise receive cash contributions to the capital of Borrower Holdco, and, in each case, to contribute any such cash to the capital of the Lead Borrower (collectively, the "Cure Right") and, upon the receipt by the Lead Borrower of such cash (the "Cure Amount") pursuant to the exercise by Borrower Holdco of such Cure Right, the Financial Performance Covenant shall be recalculated giving effect to a *pro forma* adjustment by which Consolidated EBITDA shall be increased with respect to such applicable Fiscal Month and any 12 Fiscal Month period that contains such Fiscal Month, solely for the purpose of measuring the Financial Performance Covenant and not for any other purpose under this Agreement, by an amount equal to the Cure Amount. The resulting increase to Consolidated EBITDA from the application of a Cure Amount shall not result in any adjustment to Consolidated EBITDA or any other financial definition for any purpose under this Agreement other than for purposes of calculating the Financial Performance Covenant. In each 12 Fiscal Month period there shall be at least two fiscal quarters in which the Cure Right is not exercised and the Cure Right may not be exercised more than five times during the term of this Agreement and, for purposes of this Section 8.02, the Cure Amount shall be no greater than the amount required for purposes of complying with the Financial Performance Covenant If, after giving effect to the adjustments in this Section 8.02, the Lead Borrower shall then be in compliance with the requirement of the Financial Performance Covenant, the Lead Borrower shall be deemed to have satisfied the requirements of the Financial Performance Covenant as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach of the Financial Performance Covenant but for no other purposes under this Agreement. The Lead Borrower shall be required to apply the Cure Amount to prepay outstanding Committed Revolving Loans.

8.03 Remedies Upon Events of Default.

(a) If any Event of Default occurs and is continuing:

(i) the Agent may, or, at the request of the Required Revolving Lenders shall, (A) declare the Revolving Commitments of each Revolving Lender to make Committed Revolving Loans and any obligation of the L/C Issuer to make L/C Credit Extensions to be terminated, whereupon such Revolving Commitments and obligation shall be terminated, and (B) declare the unpaid principal amount of all outstanding Committed Revolving Loans, and all

interest accrued and unpaid thereon, and any other Obligations related to the foregoing, to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Loan Parties;

(ii) the Term Loan Agent may, or, at the request of the Required Term Lenders shall, declare the unpaid principal amount of the Term Loan, and all interest accrued and unpaid thereon, and any other Obligations related to the foregoing, to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Loan Parties; and

(iii) the Agent may, or, at the request of the Required Lenders shall:

(A) require that the Loan Parties Cash Collateralize the L/C Obligations; and

(B) whether or not the maturity of the Obligations shall have been accelerated pursuant hereto, proceed to protect, enforce and exercise all rights and remedies of the Credit Parties under this Agreement, any of the other Loan Documents or applicable Law, including, but not limited to, by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the Obligations are evidenced, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Credit Parties;

provided, however, that upon the occurrence of any Event of Default with respect to any Loan Party or any Subsidiary thereof under Section 8.01(h) or (i), the obligation of each Lender to make Loans and any obligation of the L/C Issuer to make L/C Credit Extensions shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, and the obligation of the Loan Parties to Cash Collateralize the L/C Obligations as aforesaid shall automatically become effective, in each case without further act of the Agent or any Lender.

(b) Notwithstanding anything to the contrary contained in Section 8.03(a)(iii)(B), the Agent shall demand payment of the Obligations and shall take any or all of the actions set forth in Section 8.03(a)(iii)(B) and commence and pursue such other Enforcement Actions as the Agent is directed by the Required Term Lenders (x) with respect to Events of Default described in Sections 8.01(b) with respect to the Term Loan and Section 8.01(h), within five (5) days after the date of the receipt by the Agent of written notice executed and delivered by the Required Term Lenders or by the Term Loan Agent on behalf of Required Term Lenders requesting that Agent commence Enforcement Actions and (y) otherwise, within sixty (60) days after the date of the receipt by the Agent of written notice executed and delivered by the Required Term Lenders or by the Term Loan Agent on behalf of Required Term Lenders requesting that Agent commence Enforcement Actions (in either case, the "Term Loan Action Notice"); provided, that in each case (1) the Agent shall not have commenced such Enforcement Action or the Required Lenders shall not have instructed the Agent to commence an Enforcement Action in accordance with Section 8.03(a)(iii)(B) prior to the expiration of such five (5) or sixty (60) day period, as applicable, (2) such Event of Default has not been waived by the Applicable Lenders prior to the Agent's receipt of the Term Loan Action Notice, (3) such Event of Default has not been waived or such Term Loan Action Notice has not been rescinded, in each case by the Required Lenders after the Agent's receipt of the Term Loan Action Notice, (4) in the good faith determination of the Agent, taking an Enforcement Action is permitted under the terms of the Loan Documents and applicable law, (5) taking an Enforcement Action shall not result in any liability of the Agent, the Term Loan Agent or the Lenders to any Loan Party or any

other person, (6) the Agent shall be entitled to all of the benefits of Sections 9.03, 9.04 and 9.14 hereof, and (7) the Agent shall not be required to take an Enforcement Action so long as, within the period provided above, the Agent shall, at its option, either (a) appoint the Term Loan Agent, as an agent of the Agent for purposes of exercising the rights of the Agent to take an Enforcement Action, subject to the terms hereof or (b) resign as Agent, and the Term Loan Agent shall automatically be deemed to be the successor Agent hereunder and under the other Loan Documents for purposes hereof or thereof, except with respect to the provisions of Article II hereof and in connection with all matters relating to the determination of the Revolving Borrowing Base and each of its components (including Eligible Credit Card Receivables, Eligible Trade Receivables, Eligible In-Transit Inventory, Eligible Inventory, Reserves and receiving reports in respect of Collateral and conducting field examinations and appraisals with respect to the Collateral and similar matters), which shall be taken at the direction of the Required Revolving Lenders until a new Agent is appointed at the direction of the Required Revolving Lenders.

No remedy herein is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of Law.

8.04 Application of Funds. After the exercise of remedies provided for in Section 8.03 (or after the Loans have automatically become immediately due and payable and the L/C Obligations have automatically been required to be Cash Collateralized as set forth in the proviso to Section 8.03), any amounts received on account of the Obligations shall be applied by the Agent in the following order:

First, to payment of that portion of the Obligations (excluding the Other Liabilities) constituting fees, indemnities, Credit Party Expenses and other amounts (including fees, charges and disbursements of counsel to the Agent and amounts payable under Article III) payable to the Agent;

Second, to payment of that portion of the Obligations (excluding the Other Liabilities) constituting indemnities, Credit Party Expenses, and other amounts (other than principal, interest and fees) payable to the Revolving Lenders and the L/C Issuer (including fees, charges and disbursements of counsel to the respective Revolving Lenders and the L/C Issuer and amounts payable under Article III), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to the extent not previously reimbursed by the Revolving Lenders, to payment to the Agent of that portion of the Obligations constituting principal and accrued and unpaid interest on any Permitted Overadvances;

Fourth, to the extent that Swing Line Loans have not been refinanced by a Committed Revolving Loan, payment to the Swing Line Lender of that portion of the Obligations constituting accrued and unpaid interest on the Swing Line Loans;

Fifth, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Committed Revolving Loans and other Obligations in connection therewith, and fees (including Letter of Credit Fees), ratably among the Revolving Lenders and the L/C Issuer in proportion to the respective amounts described in this clause Fifth payable to them;

Sixth, to the extent that Swing Line Loans have not been refinanced by a Committed Revolving Loan, to payment to the Swing Line Lender of that portion of the Obligations constituting unpaid principal of the Swing Line Loans;

Seventh, to payment of that portion of the Obligations constituting unpaid principal of the Committed Revolving Loans, ratably among the Revolving Lenders in proportion to the respective amounts described in this clause Seventh held by them;

Eighth, to the Agent for the account of the L/C Issuer, to Cash Collateralize that portion of L/C Obligations comprised of the aggregate undrawn amount of Letters of Credit;

Ninth, to payment of that portion of the Obligations arising from Cash Management Services to the extent secured under the Security Documents, ratably among the Credit Parties in proportion to the respective amounts described in this clause Ninth held by them;

Tenth, to payment of all other Obligations arising from Bank Products to the extent secured under the Security Documents but excluding Obligations for Bank Products in excess of $2,500,000 or to the extent a Reserve is not in place on the Borrowing Base, ratably among the Credit Parties in proportion to the respective amounts described in this clause Tenth held by them; and

Eleventh, to payment of that portion of the Obligations (excluding the Other Liabilities) constituting fees, indemnities, Credit Party Expenses and other amounts (including fees, charges and disbursements of counsel to the Term Loan Agent and amounts payable under Article III) payable to the Term Loan Agent;

Twelfth, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Term Loan and other Obligations in connection therewith, and fees (excluding any Early Termination Fees), ratably among the Term Lenders in proportion to the respective amounts described in this clause Twelfth payable to them;

Thirteenth, to payment of that portion of the Obligations constituting unpaid principal of the Term Loan, ratably among the Term Lenders in proportion to the respective amounts described in this clause Thirteenth held by them;

Fourteenth, to payment of all other Obligations (including without limitation the cash collateralization of unliquidated indemnification obligations, but excluding any Other Liabilities), ratably among the Credit Parties in proportion to the respective amounts described in this clause Fourteenth held by them;

Fifteenth, to payment of all other Obligations arising from Bank Products not paid pursuant to clause Tenth, to the extent secured under the Security Documents, ratably among the Credit Parties in proportion to the respective amounts described in this clause Fifteenth held by them; and

Last, the balance, if any, after all of the Obligations have been paid in full, to the Loan Parties or as otherwise required by Law.

Subject to Section 2.03(c), amounts used to Cash Collateralize the aggregate undrawn amount of Letters of Credit pursuant to clause Eighth above shall be applied to satisfy drawings under such Letters of Credit as they occur. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other Obligations, if any, in the order set forth above.

ARTICLE IX
THE AGENT

9.01 Appointment and Authority. Each of the Lenders and the Swing Line Lender hereby irrevocably appoints Wells Fargo to act on its behalf as the Agent hereunder and under the other Loan Documents and authorizes the Agent to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof (including, without limitation, acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Loan Parties to secure any of the Obligations), together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Agent, the Term Loan Agent, the Lenders and the L/C Issuer, and no Loan Party or any Subsidiary thereof shall have rights as a third party beneficiary of any of such provisions.

9.02 Rights as a Lender. The Person serving as the Agent or the Term Loan Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though they were not the Agent or the Term Loan Agent and the terms "Revolving Lender" or "Revolving Lenders" and "Term Lender" or "Term Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Agent or the Term Loan Agent, as applicable, hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Loan Parties or any Subsidiary or other Affiliate thereof as if such Person were not the hereunder and without any duty to account therefor to the Lenders.

9.03 Exculpatory Provisions. Neither the Agent nor the Term Loan Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Agent and the Term Loan Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Agent or the Term Loan Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that neither the Agent nor the Term Loan Agent shall be required to take any action that, in its opinion or the opinion of its counsel, may expose the Agent or the Term Loan Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Loan Parties or any of its Affiliates that is communicated to or obtained by the Person serving as the Agent or the Term Loan Agent or any of their respective Affiliates in any capacity.

Neither the Agent nor the Term Loan Agent shall be liable for any action taken or not taken by it (i) with the Consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Agent or the Term Loan Agent, as applicable, shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.03) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a final and non-appealable judgment of a court of competent jurisdiction.

Neither the Agent nor the Term Loan Agent shall be deemed to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Agent or the Term Loan Agent, as applicable, by the Loan Parties, a Lender or the L/C Issuer. Upon the occurrence of a Default or Event of Default, the Agent or the Term Loan Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Applicable Lenders. Unless and until the Agent or the Term Loan Agent shall have received such direction, the Agent or the Term Loan Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to any such Default or Event of Default as it shall deem advisable in the best interest of the Credit Parties. In no event shall the Agent or the Term Loan Agent be required to comply with any such directions to the extent that the Agent or the Term Loan Agent believes that its compliance with such directions would be unlawful.

Neither the Agent nor the Term Loan Agent shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or the creation, perfection or priority of any Lien purported to be created by the Security Documents, (v) the value or the sufficiency of any Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Agent or the Term Loan Agent.

9.04 Reliance by Agent and Term Loan Agent. The Agent and Term Loan Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including, but not limited to, any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Agent and Term Loan Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the L/C Issuer, the Agent and Term Loan Agent may presume that such condition is satisfactory to such Lender or the L/C Issuer unless the Agent or Term Loan Agent, as applicable, shall have received written notice to the contrary from such Lender or the L/C Issuer prior to the making of such Loan or the issuance of such Letter of Credit. The Agent and Term Loan Agent may consult with legal counsel (who may be counsel for any Loan Party), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Agent and the Term Loan Agent may perform any and all of their respective duties and exercise their respective rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Agent or the Term Loan Agent. The Agent or the Term Loan Agent, and any such sub-agent may perform any and all of their respective duties and exercise their respective rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Agent, the Term Loan Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as the Agent or the Term Loan Agent..

9.06 Resignation of Agent. The Agent or the Term Loan Agent may at any time give written notice of its resignation to the Lenders and the Lead Borrower. Upon receipt of any such notice of resignation (a) from the Agent, the Required Revolving Lenders shall have the right to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States or (b) from the Term Loan Agent, the Required Term Lenders shall have the right to appoint a successor, which shall be a Term Loan Lender, or an Affiliate of any such Term Loan Lender, in each case, which successor agent shall (unless an Event of Default shall have occurred and be continuing) be subject to approval by the Lead Borrower (which approval shall not be unreasonably withheld or delayed). If no such successor shall have been so appointed by the Required Revolving Lenders or the Required Term Lenders, as applicable, and shall have accepted such appointment within thirty (30) days after the retiring Agent or Term Loan Agent gives notice of its resignation, then the retiring Agent or Term Loan Agent may, on behalf of the Revolving Lenders and the L/C Issuer (in the case of the Agent) or on behalf of the Term Lenders (in the case of the Term Loan Agent), appoint a successor Agent or Term Loan Agent, as applicable, meeting the qualifications set forth above, which successor agent shall (unless an Event of Default shall have occurred and be continuing) be subject to approval by the Lead Borrower (which approval shall not be unreasonably withheld or delayed); provided, that if the Agent or the Term Loan Agent, as applicable, shall notify the Lead Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Agent or Term Loan Agent, as applicable, shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any Collateral held by the Agent on behalf of the Lenders or the L/C Issuer under any of the Loan Documents, the retiring Agent shall continue to hold such collateral security until such time as a successor Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Agent or the Term Loan Agent, as applicable, shall instead be made by or to each Lender and the L/C Issuer directly, until such time as the Applicable Lenders appoint a successor Agent or Term Loan Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Agent or Term Loan Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Agent of Term Loan Agent, and the retiring Agent or Term Loan Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrowers to a successor Agent or Term Loan Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Lead Borrower and such successor. After the retiring Agent's or Term Loan Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Agent or Term Loan Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Agent or Term Loan Agent was acting in such capacity hereunder.

Any resignation by Wells Fargo as Agent pursuant to this Section shall also constitute its resignation as Swing Line Lender and the resignation of Wells Fargo as L/C Issuer. Upon the acceptance of a successor's appointment as Agent hereunder, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer and Swing Line Lender, (b) the retiring L/C Issuer and Swing Line Lender shall be discharged from all of their respective duties and obligations hereunder or under the other Loan Documents, and (c) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to the retiring L/C Issuer to effectively assume the obligations of the retiring L/C Issuer with respect to such Letters of Credit.

9.07 Non-Reliance on Agent, Term Loan Agent, and Other Lenders Each Lender and the L/C Issuer acknowledges that it has, independently and without reliance upon the Agent, the Term Loan Agent, or any other Lender or any of their Related Parties and based on such documents and information

as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and the L/C Issuer also acknowledges that it will, independently and without reliance upon the Agent, the Term Loan Agent, or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Except as provided in Section 9.12, the Agent shall not have any duty or responsibility to provide any Credit Party with any other credit or other information concerning the affairs, financial condition or business of any Loan Party that may come into the possession of the Agent.

9.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Bookrunners, Arrangers, or Syndication Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity as the Agent, Term Loan Agent,

a Lender or the L/C Issuer hereunder.

9.09 Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Agent shall have made any demand on the Loan Parties) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the L/C Issuer, the Agent, the Term Loan Agent, and the other Credit Parties (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the L/C Issuer, the Agent, the Term Loan Agent, such Credit Parties and their respective agents and counsel and all other amounts due the Lenders, the L/C Issuer the Agent and such Credit Parties under Sections 2.03(i), 2.03(j) and 2.03(k) as applicable, 2.09 and 10.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender and the L/C Issuer to make such payments to the Agent and, if the Agent and Term Loan Agent shall consent to the making of such payments directly to the Lenders and the L/C Issuer, to pay to the Agent or Term Loan Agent, as applicable, any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent, the Term Loan Agent, and their respective agents and counsel, and any other amounts due the Agent or the Term Loan Agent under Sections 2.09 and 10.04.

Nothing contained herein shall be deemed to authorize the Agent to authorize or consent to or accept or adopt on behalf of any Lender or the L/C Issuer any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or the L/C Issuer or to authorize the Agent to vote in respect of the claim of any Lender or the L/C Issuer in any such proceeding.

9.10 Collateral and Guaranty Matters. The Credit Parties irrevocably authorize the Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Agent under any Loan Document (i) upon termination of the Aggregate Revolving Commitments and payment in full, in cash, of all Obligations, and the expiration, termination or Cash Collateralization of all Letters of Credit, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing by the Applicable Lenders in accordance with Section 10.01;

(b) to subordinate any Lien on any property granted to or held by the Agent under any Loan Document to the holder of any Lien on such property that is permitted by clause (h) and (q) of the definition of Permitted Encumbrances; and

(c) to release any Guarantor from its obligations under the Facility Guaranty if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Agent at any time, the Applicable Lenders will confirm in writing the Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Facility Guaranty pursuant to this Section 9.10. In each case as specified in this Section 9.10, the Agent will, at the Loan Parties' expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Security Documents or to subordinate its interest in such item, or to release such Guarantor from its obligations under the Facility Guaranty, in each case in accordance with the terms of the Loan Documents and this Section 9.10.

9.11 Notice of Transfer. The Agent and the Term Loan Agent may deem and treat a Lender party to this Agreement as the owner of such Lender's portion of the Obligations for all purposes, unless and until, and except to the extent, an Assignment and Assumption shall have become effective as set forth in Section 10.06.

9.12 Reports and Financial Statements. By signing this Agreement, each Lender:

(a) agrees to furnish the Agent after the occurrence and during the continuance of a Cash Dominion Event (and thereafter at such frequency as the Agent may reasonably request) with a summary of all Other Liabilities due or to become due to such Lender. In connection with any distributions to be made hereunder, the Agent shall be entitled to assume that no amounts are due to any Lender on account of Other Liabilities unless the Agent has received written notice thereof from such Lender;

(b) is deemed to have requested that the Agent furnish such Lender, promptly after they become available, copies of all Borrowing Base Certificates and financial statements required to be delivered by the Lead Borrower hereunder and all commercial finance examinations and appraisals of the Collateral received by the Agent (collectively, the "Reports");

(c) expressly agrees and acknowledges that the Agent makes no representation or warranty as to the accuracy of the Reports, and shall not be liable for any information contained in any Report;

(d) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or any other party performing any audit or examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel;

(e) agrees to keep all Reports confidential in accordance with the provisions of Section 10.07 hereof; and

(f) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent, the Term Loan Agent, and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any Credit Extensions that the indemnifying Lender has made or may make to the Borrowers, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a Loan or Loans; and (ii) to pay and protect, and indemnify, defend, and hold the Agent, the Term Loan Agent, and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including attorney costs) incurred by the Agent, the Term Loan Agent, and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

9.13 Agency for Perfection. Each Lender hereby appoints each other Lender as agent for the purpose of perfecting Liens for the benefit of the Agent, the Term Loan Agent, and the Lenders, in assets which, in accordance with Article 9 of the UCC or any other applicable Law of the United States can be perfected only by possession. Should the Term Loan Agent or any Lender (other than the Agent) obtain possession of any such Collateral, the Term Loan Agent or such Lender shall notify the Agent

thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent or otherwise deal with such Collateral in accordance with the Agent's instructions.

9.14 Indemnification of Agent. Without limiting the obligations of the Loan Parties hereunder, the Lenders hereby agree to indemnify the Agent, the Term Loan Agent, the L/C Issuer and any Related Party, as the case may be, ratably according to their Applicable Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent, the Term Loan Agent, the L/C Issuer and their Related Parties in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by the Agent, the Term Loan Agent, the L/C Issuer and their Related Parties in connection therewith; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's, the Term Loan Agent's, the L/C Issuer's and their Related Parties' gross negligence or willful misconduct as determined by a final and nonappealable judgment of a court of competent jurisdiction.

9.15 Relation among Lenders. The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Agent and the Term Loan Agent) authorized to act for, any other Lender.

9.16 Defaulting Lenders.

(a) If for any reason any Lender shall become a Defaulting Lender and such failure is not cured within three (3) Business Day after receipt from the Agent of written notice thereof, then, in addition to the rights and remedies that may be available to the other Credit Parties, the Loan Parties', or any other party at law or in equity (and not at limitation thereof): (i) any such Defaulting Lender's right to participate in the administration of, or decision-making rights related to, the Obligations, this Agreement or the other Loan Documents shall be suspended during the pendency of such failure or refusal, (ii) any such Defaulting Lender shall be deemed to have assigned any and all payments due to it from the Loan Parties, whether on account of outstanding Loans, interest, fees or otherwise, to the remaining non-Defaulting Lenders for application to, and reduction of, their proportionate shares of all outstanding

Obligations, and (iii) at the option of the Agent, any amount payable to such Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise) shall, in lieu of being distributed to such Defaulting Lender, be retained by the Agent as cash collateral for future funding obligations of the Defaulting Lender in respect of any Loan or existing or future participating interest in any Swing Line Loan or Letter of Credit. Such Defaulting Lender's decision-making and participation rights and rights to payments as set forth in clauses (i), (ii), and (iii) hereinabove shall be restored only upon the payment by the Defaulting Lender of its Applicable Percentage of any Obligations, any participation obligation, or expenses as to which it is delinquent, together with interest thereon at the rate set forth in Section 2.08(b) hereof from the date when originally due until the date upon which any such amounts are actually paid, or otherwise cure such default or other cause of such Lender becoming a Defaulting Lender.

(b) The non-Defaulting Lenders shall also have the right, but not the obligation, in their respective, sole and absolute discretion, to cause the termination and assignment, without any further action by the Defaulting Lender for no cash consideration (pro rata, based on the respective Commitments of those Lenders electing to exercise such right), of the Defaulting Lender's Commitment to fund future Loans. Upon any such purchase of the Applicable Percentage of any Defaulting Lender, the Defaulting Lender's share in future Credit Extensions and its rights under the Loan Documents with respect thereto shall terminate on the date of purchase, and the or Defaulting Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest, including, if so requested, an Assignment and Assumption.

(c) Each Defaulting Lender shall indemnify the Agent and each non-Defaulting Lender from and against any and all loss, damage or expenses, including but not limited to reasonable attorneys' fees and funds advanced by the Agent or by any non-Defaulting Lender, on account of a Defaulting Lender's failure to timely fund its Applicable Percentage of a Loan or to otherwise perform its obligations under the Loan Documents.

(d) All or any part of a Defaulting Lender's participation in Letter of Credit and Swing Line Loans shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentage (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate revolving credit exposure (which shall include all exposure with respect to Letters of Credit and Swing Line Loans) of any non-Defaulting Lender to exceed such non-Defaulting Lender's Revolving Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a non-Defaulting Lender as a result of such non-Defaulting Lender's increased exposure following such reallocation.

(e) If the reallocation described in clause (d) above cannot, or can only partially, be effected, the Borrowers shall, without prejudice to any right or remedy available to them hereunder or under the law, (x) first, prepay Swing Line Loans in an amount equal to the Swing Line Lenders' fronting exposure and (y) second, Cash Collateralize the L/C Issuer's fronting exposure in accordance with the procedures set forth in Section 2.03(g).

9.17 Syndication Agent; and Co-Lead Arrangers. Notwithstanding the provisions of this Agreement or any of the other Loan Documents, no Person who is or becomes a Syndication Agent nor any Person who is or becomes a Co-Lead Arranger shall have any powers, rights, duties, responsibilities or liabilities with respect to this Agreement and the other Loan Documents.

ARTICLE X
MISCELLANEOUS

10.01 Amendments, Etc. No amendment (including any Extension Amendment) or waiver of any provision of this Agreement or any other Loan Document, and no Consent to any departure by any Loan Party therefrom, shall be effective unless in writing signed by the Agent, with the Consent of the Required Lenders, and the Lead Borrower or the applicable Loan Party, as the case may be, and each such waiver or Consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

(a) increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.03) without the written Consent of such Lender;

(b) as to any Lender, postpone any date fixed by this Agreement or any other Loan Document for (i) any scheduled payment (including any Maturity Date) or mandatory prepayment of principal, interest, fees or other amounts due hereunder or under any of the other Loan Documents without the written Consent of such Lender entitled to such payment, or (ii) any scheduled or mandatory reduction or termination of the Aggregate Revolving Commitments hereunder or under any other Loan Document without the written Consent of such Lender; provided, that any Revolving Lender may extend the final expiration of its Revolving Commitment without the consent of any other Lender in accordance with Section 2.15;

(c) as to any Lender, reduce the principal of, or the rate of interest specified herein on, any Loan held by such Lender, or (subject to clause (v) of the second proviso to this Section 10.01) any fees or other amounts payable hereunder or under any other Loan Document to or for the account of such Lender, without the written Consent of each Lender entitled to such amount; provided, however, that (i) only the Consent of the Required Revolving Lenders shall be necessary to amend the definition of "Default Rate" as it applies to the Committed Revolving Loans and the Swing Line Loans or to waive any obligation of the Borrowers to pay interest on the Committed Revolving Loans and the Swing Line Loans or Letter of Credit Fees at the Default Rate and (ii) only the Consent of the Required Term Lenders shall be necessary to amend the definition of "Default Rate" as it applies to the Term Loan or to waive any obligation of the Borrowers to pay interest on the Term Loan at the Default Rate;

(d) (i) as to any Lender, change Section 2.13 in a manner that would alter the pro rata sharing of payments required thereby without the written Consent of such Lender or (ii) change Section 8.04 without the written consent of each Lender;

(e) change any provision of this Section 10.01 or the definition of "Applicable Lenders", "Required Lenders", "Required Revolving Lenders", "Required Term Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written Consent of each Lender included in any such definition;

(f) except as expressly permitted hereunder or under any other Loan Document, release, or limit the liability of, any Loan Party without the written Consent of each Lender;

(g) except for Permitted Dispositions, release all or substantially all of the Collateral from the Liens of the Security Documents;

(h) increase the Aggregate Revolving Commitments or increase the principal amount of the Term Loan without the written Consent of each Lender, provided, that only the Consent of the

Required Revolving Lenders shall be required to increase the then outstanding Aggregate Revolving Commitments by an amount up to ten (10%) percent of the then outstanding Aggregate Revolving Commitments in connection with debtor in possession financing offered by the Agent after any of the Loan Parties becomes subject to a case under any Debtor Relief Laws;

(i) change the definition of the terms "Borrowing Base", "Revolving Borrowing Base" or "Term Loan Borrowing Base" or any component definition thereof if as a result thereof the amounts available to be borrowed by the Borrowers would be increased without the written Consent of each Lender, provided that only the Consent of the Required Revolving Lenders shall be required to change the definition of "Revolving Borrowing Base" or component definitions thereof such that the amount available to be borrowed by the Borrowers in connection with debtor in possession financing offered or use of cash collateral consented to by the Agent after any of the Loan Parties becomes subject to a case under any Debtor Relief Laws may be increased (but not decreased) by five percent (5%) minus the then Outstanding Amount of Permitted Overadvances; provided, that only the Consent of the Required Lenders shall be required to change the definition of "Term Loan Borrowing Base" or component definitions thereof (and make a corresponding increase to the aggregate amount of the Term Loan) such that the amount available to be borrowed by the Borrowers in connection with debtor-in-possession financing offered or use of cash collateral consented to by the Agent after any of the Loan Parties becomes subject to a case under any Debtor Relief Laws may be increased (but not decreased) by five percent (5%); provided further, that the foregoing shall not limit the discretion of the Agent or the Term Loan Agent to change, establish or eliminate any Reserves;

(j) modify the definition of Permitted Overadvance so as to increase the amount thereof or the time period for which a Permitted Overadvance may remain outstanding without the written Consent of each Lender;

(k) except as expressly permitted herein or in any other Loan Document, subordinate the Obligations hereunder or the Liens granted hereunder or under the other Loan Documents to any other Indebtedness or Lien, as the case may be, without the written Consent of each Lender;

(l) increase the rate of interest applicable to the Committed Revolving Loans (other than in connection with charging the Default Rate) by more than two percent (2.0%), without the Consent of the Required Term Lenders;

(m) increase the Term Loan Interest Rate (other than in connection with charging the Default Rate) by more than three percent (3.0%), without the written Consent of the Required Revolving Lenders;

(n) (i) without the written Consent of the Required Term Lenders, in the event that the Lead Borrower or any of the other Loan Parties become subject to a case under any Debtor Relief Laws, no Revolving Lender will propose any debtor-in-possession financing in favor the Loan Parties unless the terms of such debtor-in-possession financing complies with the terms and conditions of this Agreement and the Agent, for the benefit of the Term Lenders, retains a lien on the Collateral with the same priorities as set forth herein and (ii) without the written Consent of the Required Revolving Lenders, in the event that the Lead Borrower or any of the other Loan Parties become subject to a case under any Debtor Relief Laws, no Term Lender will propose any debtor-in-possession financing in favor of the Loan Parties unless the terms of such debtor-in-possession financing complies with the terms and conditions of this Agreement and the Agent, for the benefit of the Revolving Lenders, retains a lien on the Collateral with the same priorities as set forth herein (for the avoidance of doubt, in no event shall any such debtor-in-possession financing be secured by a Lien on the Collateral senior to the pre-petition Lien

of the Agent, for the benefit of the Revolving Lenders, without the written Consent of each Revolving Lender);

(o) in the event that the Lead Borrower or any of the other Loan Parties become subject to a case under any Debtor Relief Laws, consent by the Agent to the use of cash collateral from the proceeds of Collateral without the consent of the Required Revolving Lenders and Required Term Lenders; provided, that adequate protection liens shall in all cases preserve the priorities provided in this Agreement; and

(p) without the Consent of the Required Revolving Lenders and the Required Term Lenders:

(i) amend Sections 6.01, 6.02, 6.03, 6.06, 6.07, 6.10, 6.11, 6.13, 6.15, any provisions of Article VII, or Section 8.01 or 8.02, or Section 10.04; and

(ii) amend the definitions of "Accelerated Borrowing Base Delivery Event", "Adjusted LIBO Rate", "Applicable Percentage", "Appraised Value", "Approved Fund", "Availability", "Base Rate", "Cash Dominion Event", "Cash Management Services", "Change of Control", "Consolidated EBITDA", "Consolidated Fixed Charge Coverage Ratio", "Consolidated Interest Charges", "Consolidated Net Income", "Credit Party", "Credit Party Expenses", "Disposition", "Eligible Assignee", "Enforcement Action", "Indebtedness", "Interest Payment Date", "Interest Period", "LIBO Rate", "Material Adverse Effect", "Overadvance", "Payment Conditions", "Permitted Business Acquisition", "Permitted Dispositions", "Permitted Encumbrances", "Permitted Indebtedness", "Permitted Investments", "Prepayment Event", "Restricted Payments", "Reserves" (or any defined term included therein, provided that this subclause (ii) shall not limit the discretion of the

Agent to change, establish or eliminate any Reserves or abrogate the obligation of the Agent to maintain the Term Loan Reserve in accordance with the terms hereof), "Term Loan Action Notice", "Term Loan Reserve", or "Unintentional Overadvance";

and, provided further, that (i) no amendment, waiver or Consent shall, unless in writing and signed by the L/C Issuer in addition to the Lenders required above, affect the rights or duties of the L/C Issuer under this Agreement or any Issuer Document relating to any Letter of Credit issued or to be issued by it; (ii) no amendment, waiver or Consent shall, unless in writing and signed by the Swing Line Lender in addition to the Lenders required above, affect the rights or duties of the Swing Line Lender under this Agreement; (iii) no amendment, waiver or Consent shall, unless in writing and signed by the Agent in addition to the Lenders required above, affect the rights or duties of the Agent under this Agreement or any other Loan Document; (iv) no amendment, waiver or Consent shall, unless in writing and signed by the Term Loan Agent in addition to the Lenders required above, affect the rights or duties of the Term Loan Agent under this Agreement or any other Loan Document; and (v) the Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or Consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender.

Notwithstanding anything to the contrary in this Agreement or any other Loan Document, no provider or holder of any Bank Products or Cash Management Services shall have any voting or approval rights hereunder (or be deemed a Lender) solely by virtue of its status as the provider or holder of such agreements or products or the Obligations owing thereunder, nor shall the consent of any such provider or holder be required (other than in its capacity as a Lender, to the extent applicable) for any matter hereunder or under any of the other Loan Documents, including as to any matter relating to the Collateral

or the release of Collateral or any Loan Party. Notwithstanding anything to the contrary contained in this Agreement or any other Loan Document, only the consent of the applicable provider or holder of any Bank Products or Cash Management Services shall be required in order to amend such agreements.

If any Lender does not Consent (a "Non-Consenting Lender") to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the Consent of each Lender and that has been approved by the Required Lenders, the Lead Borrower may replace such Non-Consenting Lender in accordance with Section 10.13; provided, that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Lead Borrower to be made pursuant to this paragraph).

10.02 Notices; Effectiveness; Electronic Communications.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Loan Parties, the Agent, the Term Loan Agent, the L/C Issuer or the Swing Line Lender, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 10.02; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire.

(iii) Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Loan Parties, the Lenders and the L/C Issuer hereunder may be delivered or furnished by electronic communication (including e mail and Internet or intranet websites) pursuant to procedures reasonably satisfactory to the Agent, provided that the foregoing shall not apply to notices to any Lender or the L/C Issuer pursuant to Article II if such Lender or the L/C Issuer, as applicable, has notified the Agent that it is incapable of receiving notices under such Article by electronic communication. The Agent may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended

recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Agent, the Term Loan Agent, or any of their Related Parties (collectively, the "Agent Parties") have any liability to any Loan Party, any Lender, the L/C Issuer or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Loan Parties' or the Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to any Loan Party, any Lender, the L/C Issuer or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Loan Parties, the Agent, the Term Loan Agent, the L/C Issuer and the Swing Line Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Lead Borrower, the Agent, the Term Loan Agent, the L/C Issuer and the Swing Line Lender. In addition, each Lender agrees to notify the Agent and the Term Loan Agent from time to time to ensure that the Agent and the Term Loan Agent each has on

record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Agent, L/C Issuer and Lenders. The Agent, the Term Loan Agent, the L/C Issuer and the Lenders shall be entitled to rely and act upon any notices (including telephonic Committed Loan Notices and Swing Line Loan Notices) purportedly given by or on behalf of the Loan Parties even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify the Agent, the Term Loan Agent, the L/C Issuer, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Loan Parties. All telephonic notices to and other telephonic communications with the Agent may be recorded by the Agent, and each of the parties hereto hereby consents to such recording.

10.03 No Waiver; Cumulative Remedies. No failure by any Credit Party to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided herein and in the other Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. Without limiting the generality of the foregoing, the making of a Loan or

issuance of a Letter of Credit shall not be construed as a waiver of any Default or Event of Default, regardless of whether any Credit Party may have had notice or knowledge of such Default or Event of Default at the time.

10.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers shall pay all Credit Party Expenses.

(b) Indemnification by the Loan Parties. The Loan Parties shall indemnify the Agent and the Term Loan Agent (and any sub-agents thereof), each other Credit Party, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless (on an after tax basis) from, any and all losses, claims, causes of action, damages, liabilities, settlement payments, costs, and related expenses (including the reasonable and documented out-of-pocket fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Agent and the Term Loan Agent (and any sub-agents thereof) and their Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the L/C Issuer to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit, any bank advising or confirming a Letter of Credit or any other nominated person with respect to a Letter of Credit seeking to be reimbursed or indemnified or compensated, and any third party seeking to enforce the rights of a Borrower, beneficiary, nominated person, transferee, assignee of Letter of Credit proceeds, or holder of an instrument or document related to any Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property for which any Loan Party or any of its Subsidiaries could reasonably be excepted to be subject to Environmental Liability, or any other Environmental Liability of any Loan Party or any of its Subsidiaries, (iv) any claims of, or amounts paid by any Credit Party to, a Blocked Account Bank or other Person which has entered into a control agreement with any Credit Party hereunder, or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Loan Party or any of the Loan Parties' directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by a Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrowers or such Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction; provided that such Credit Parties shall be entitled to reimbursement for no more than one counsel (plus any local counsel) representing the Agent and Term Loan Agent and one counsel representing all other Credit Parties (absent a conflict of interest in which case the Credit Parties may engage and be reimbursed for additional counsel).

(c) Reimbursement by Lenders. Without limiting their obligations under Section 9.14 hereof, to the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it, each Lender severally agrees to pay to

the Agent (or any such sub-agent), the Term Loan Agent (or any such sub-agent), the L/C Issuer or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent (or any such sub-agent), the Term Loan Agent (or any such sub-agent), or the L/C Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for the Agent (or any such sub-agent) or L/C Issuer in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.12(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Law, the Loan Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable on demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of any Agent, the Term Loan Agent, and the L/C Issuer, the assignment of any Commitment or Loan by any Lender, the replacement of any Lender, the termination of the Aggregate Revolving Commitments and the repayment, satisfaction or discharge of all the other Obligations.

10.05 Payments Set Aside. To the extent that any payment by or on behalf of the Loan Parties is made to any Credit Party, or any Credit Party exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Credit Party in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and

continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Revolving Lender and the L/C Issuer severally agrees to pay to the Agent upon demand its Applicable Percentage (without duplication) of any amount relating to the Revolving Commitments or the Committed Revolving Loans so recovered from or repaid by the Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect, and (c) each Term Lender severally agrees to pay to the Term Loan Agent upon demand its Applicable Percentage (without duplication) of any amount relating to the Term Loan so recovered from or repaid by the Term Loan Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders and the L/C Issuer under clauses (b) and (c) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

10.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Document without the prior written Consent of the Agent, the Term Loan Agent, and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of Section 10.06(b), (ii) by way of participation in accordance with the provisions of Section 10.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions ofSection 10.06(f) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Credit Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment(s) and the Loans (including for purposes of this Section (b), participations in L/C Obligations and in Swing Line Loans) at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $5,000,000 with respect to any assignments of Revolving Commitments or Committed Revolving Loans, or $2,500,000 with respect to any assignments of the Term Loan (or any portion thereof), unless the Agent and, so long as no Event of Default has occurred and is continuing, the Lead Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned, except that this clause (ii) shall not apply to the Swing Line Lender's rights and obligations in respect of Swing Line Loans;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Lead Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund, or (3) such assignment is being made in connection with the sale of a Lender's portfolio of loans; and

(B) the consent of the Agent (such consent not to be unreasonably withheld or delayed) shall be required for all assignments if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender; and

(C) the consent of the L/C Issuer (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to participate in exposure under one or more Letters of Credit (whether or not then outstanding);

(D) the consent of the Swing Line Lender (such consent not to be unreasonably withheld or delayed) shall be required for any assignment in respect of the assignment of any Commitment; and

(E) the consent of the Term Loan Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of the Term Loan (or any portion thereof) if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, provided, however, that the Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it shall not be a Lender, shall deliver to the Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 10.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrowers (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 10.06(d).

(c) Register. The Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at the Agent's Office in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans and L/C Obligations owing to, each Lender

pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Loan Parties, the Agent, the Term Loan Agent, and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Lead Borrower, the Term Loan Agent, and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Loan Parties or the Agent, sell participations to any Person (other than a natural person or the Loan Parties or any of the Loan Parties' Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans (including such Lender's participations in L/C Obligations and/or Swing Line Loans) owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Loan Parties, the Agent, the Term Loan Agent, the Lenders and the L/C Issuer shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any Participant shall agree in writing to comply with all confidentiality obligations set forth in Section 10.07 as if such Participant was a Lender hereunder. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 10.01 that affects such Participant. Subject to subsection (e) of this Section, the Loan Parties agree that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.06(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender, acting for this purpose as an agent of the Loan Parties, shall maintain at its offices a record of each agreement or instrument effecting any participation and a register for the recordation of the names and addresses of its Participants and their rights with respect to principal amounts and other Obligations from time to time (each a "Participation Register"). The entries in each Participation Register shall be conclusive absent manifest error and such Loan Parties, the Agent, the L/C Issuer and the Lenders shall treat each Person whose name is recorded in a Participant Register as a Participant for all purposes of this Agreement (including, for the avoidance of doubt, for purposes of entitlement to benefits under Section 3.01, Section 3.04, Section 3.05 and Section 10.08"). The Participation Register shall be available for inspection by the Lead Borrower, the L/C Issuer and any Lender, at any reasonable time and from time to time upon reasonable prior notice. No Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's Interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Lead Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Lead Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Loan Parties, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Resignation as L/C Issuer or Swing Line Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time Wells Fargo assigns all of its Revolving Commitment and Committed Revolving Loans pursuant to subsection (b) above, Wells Fargo may, (i) upon thirty (30) days' notice to the Lead Borrower and the Revolving Lenders, resign as L/C Issuer and/or (ii) upon thirty (30) days' notice to the Lead Borrower, Wells Fargo may resign as Swing Line Lender. In the event of any such resignation as L/C Issuer or Swing Line Lender, the Lead Borrower shall be entitled to appoint from among the Revolving Lenders a successor L/C Issuer or Swing Line Lender hereunder; provided, however, that no failure by the Lead Borrower to appoint any such successor shall affect the resignation of Wells Fargo as L/C Issuer or Swing Line Lender, as the case may be. If Wells Fargo resigns as L/C Issuer, it shall retain all the rights, powers, privileges and duties of the L/C Issuer hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as L/C Issuer and all L/C Obligations with respect thereto (including the right to require the Revolving Lenders to make Base Rate Loans pursuant to Section 2.03(c)). If Wells Fargo resigns as Swing Line Lender, it shall retain all the rights of the Swing Line Lender provided for hereunder with respect to Swing Line Loans made by it and outstanding as of the effective date of such resignation, including the right to require the Revolving Lenders to make Base Rate Loans or fund risk participations in outstanding Swing Line Loans pursuant to Section 2.04(c). Upon the appointment of a successor L/C Issuer and/or Swing Line Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring L/C Issuer or Swing Line Lender, as the case may be, and (b) the successor L/C Issuer shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to Wells Fargo to effectively assume the obligations of Wells Fargo with respect to such Letters of Credit.

10.07 Treatment of Certain Information; Confidentiality. Each of the Credit Parties agrees to maintain the confidentiality of the Confidential Information (as defined below), except that Confidential Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, funding sources, attorneys, advisors and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective

assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Loan Party and its obligations, (g) with the consent of the Lead Borrower or (h) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to any Credit Party or any of their respective Affiliates on a non-confidential basis from a source other than the Loan Parties.

For purposes of this Section, "Confidential Information" means all information received from the Loan Parties or any Subsidiary thereof relating to the Loan Parties or any Subsidiary thereof or their respective businesses, other than any such information that is available to any Credit Party on a non-confidential basis prior to disclosure by the Loan Parties or any Subsidiary thereof, provided that, in the case of information received from any Loan Party or any Subsidiary after the Closing Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Confidential Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information.

Each of the Credit Parties acknowledges that (a) the Confidential Information may include material non-public information concerning the Loan Parties or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

10.08 Right of Setoff. If an Event of Default shall have occurred and be continuing or if any Lender shall have been served with a trustee process or similar attachment relating to property of a Loan Party, each Lender, the L/C Issuer and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Agent or the Required Lenders, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender, the L/C Issuer or any such Affiliate to or for the credit or the account of the Borrowers or any other Loan Party against any and all of the Obligations now or hereafter existing under this Agreement or any other Loan Document to such Lender or the L/C Issuer, regardless of the adequacy of the Collateral, and irrespective of whether or not such Lender or the L/C Issuer shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrowers or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender or the L/C Issuer different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender, the L/C Issuer and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the L/C Issuer or their respective Affiliates may have. Each Lender and the L/C Issuer agrees to notify the Lead Borrower and the Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Agent, the Term Loan Agent, or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrowers. In determining whether the interest contracted for, charged, or received by the Agent, the Term Loan Agent, or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an

expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

10.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile, pdf., or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

10.11 Survival. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Credit Parties, regardless of any investigation made by any Credit Party or on their behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or Event of Default at the time of any Credit Extension, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied or any Letter of Credit shall remain outstanding. Further, the provisions of Sections 3.01, 3.04, 3.05 and 10.04 and **Article IX** shall survive and remain in full force and effect regardless of the repayment of the Obligations, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof. In connection with the termination of this Agreement and the release and termination of the security interests in the Collateral, the Agent or the Term Loan Agent may require such indemnities and collateral security as they shall reasonably deem necessary or appropriate to protect the Credit Parties against (x) loss on account of credits previously applied to the Obligations that may subsequently be reversed or revoked, (y) any obligations that may thereafter arise with respect to the Other Liabilities and (z) any Obligations that may thereafter arise under Section 10.04.

10.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrowers are required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrowers may, at their sole expense and effort, upon notice to such Lender, the Term Loan Agent, and the Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.06, all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrowers shall have paid to the Agent the assignment fee specified in Section 10.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrowers to require such assignment and delegation cease to apply.

10.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(b) SUBMISSION TO JURISDICTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE LOAN PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE LOAN PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY CREDIT PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN

PARAGRAPH (B) OF THIS SECTION. EACH OF THE LOAN PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) ACTIONS COMMENCED BY LOAN PARTIES. EACH LOAN PARTY AGREES THAT ANY ACTION COMMENCED BY ANY LOAN PARTY ASSERTING ANY CLAIM ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT SOLELY IN A COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY OR ANY FEDERAL COURT SITTING THEREIN AS THE AGENT MAY ELECT IN ITS SOLE DISCRETION AND CONSENTS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS WITH RESPECT TO ANY SUCH ACTION AND ANY COUNTERCLAIM BROUGHT BY ANY LOAN PARTY SHALL BE IN THE SAME COURT AS THE INITIAL CLAIM WAS BROUGHT.

10.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, the Loan Parties each acknowledge and agree that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Loan Parties, on the one hand, and the Credit Parties, on the other hand, and each of the Loan Parties is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the each Credit Party is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Loan Parties or any of their respective Affiliates, stockholders, creditors or employees or any other Person; (iii) none of the Credit Parties has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Loan Parties with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether any of the Credit Parties has advised or is currently advising any Loan Party or any of its Affiliates on other matters) and none of the Credit Parties has any obligation to any Loan Party or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Credit Parties and their

respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Loan Parties and their respective Affiliates, and none of the Credit Parties has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Credit Parties have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and each of the Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each of the Loan Parties hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against each of the Credit Parties with respect to any breach or alleged breach of agency or fiduciary duty.

10.17 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Agent and the Term Loan Agent (in each case, for itself and not on behalf of any Lender) hereby notifies the Loan Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender, the Agent, or the Term Loan Agent, as applicable, to identify each Loan Party in accordance with the Act. Each Loan Party is in compliance, in all material respects, with the Patriot Act. No part of the proceeds of the Loans will be used by the Loan Parties, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in

order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

10.18 Foreign Asset Control Regulations. Neither of the advance of the Loans nor the use of the proceeds of any thereof will violate the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended) (the "Trading With the Enemy Act") or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) (the "Foreign Assets Control Regulations") or any enabling legislation or executive order relating thereto (which for the avoidance of doubt shall include, but shall not be limited to (a) Executive Order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the "Executive Order") and (b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56)). Furthermore, none of the Borrowers or their Affiliates (a) is or will become a "blocked person" as described in the Executive Order, the Trading With the Enemy Act or the Foreign Assets Control Regulations or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such "blocked person" or in any manner violative of any such order.

10.19 Time of the Essence. Time is of the essence of the Loan Documents.

10.20 Press Releases.

(a) Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of the Agent, the Term Loan Agent, or their Affiliates or referring to this Agreement or the other Loan Documents without at least two (2) Business Days' prior notice to the Agent and the Term Loan Agent and without the prior written consent of the Agent or Term Loan Agent, as applicable, unless (and only to the extent that) such Credit Party or Affiliate is required to do so under applicable Law and then, in any event, such Credit Party or Affiliate will consult with the Agent before issuing such press release or other public disclosure.

(b) Each Loan Party consents to the publication by the Agent, the Term Loan Agent, or any Lender of advertising material, including any "tombstone" or comparable advertising, on its website or in other marketing materials of Agent and the Term Loan Agent, relating to the financing transactions contemplated by this Agreement using any Loan Party's name, product photographs, logo, trademark or other insignia. The Agent, the Term Loan Agent, or such Lender shall provide a draft reasonably in advance of any advertising material to the Lead Borrower for review and comment prior to the publication thereof. The Agent and the Term Loan Agent reserve the right to provide to industry trade organizations and loan syndication and pricing reporting services information necessary and customary for inclusion in league table measurements.

10.21 Additional Waivers.

(a) The Obligations are the joint and several obligation of each Loan Party. To the fullest extent permitted by applicable Law, the obligations of each Loan Party shall not be affected by (i) the failure of any Credit Party to assert any claim or demand or to enforce or exercise any right or remedy against any other Loan Party under the provisions of this Agreement, any other Loan Document or otherwise, (ii) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, this Agreement or any other Loan Document, or (iii) the failure to perfect any security interest in, or the release of, any of the Collateral or other security held by or on behalf of the Agent or any other Credit Party.

(b) The obligations of each Loan Party shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations after the termination of the Commitments), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Loan Party hereunder shall not be discharged or impaired or otherwise affected by the failure of the Agent or any other Credit Party to assert any claim or demand or to enforce any remedy under this Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Loan Party or that would otherwise operate as a discharge of any Loan Party as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations after the termination of the Commitments).

(c) To the fullest extent permitted by applicable Law, each Loan Party waives any defense based on or arising out of any defense of any other Loan Party or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any other Loan Party, other than the indefeasible payment in full in cash of all the Obligations and the termination of the Commitments. The Agent and the other Credit Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or non-judicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with any other Loan Party, or exercise any other right or remedy available to them against any other Loan Party, without affecting or impairing in any way the liability of any Loan Party hereunder except to the extent that all the Obligations have been paid in full in cash and the Commitments have been terminated. Each Loan Party waives any defense arising out of any such election even though such election operates, pursuant to applicable Law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Loan Party against any other Loan Party, as the case may be, or any security.

(d) Each Borrower is obligated to repay the Obligations as joint and several obligors under this Agreement. Upon payment by any Loan Party of any Obligations, all rights of such Loan Party against any other Loan Party arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations and the termination of the Commitments. In addition, any indebtedness of any Loan Party now or hereafter held by any other Loan Party is hereby subordinated in right of payment to the prior indefeasible payment in full of the Obligations and no Loan Party will demand, sue for or otherwise attempt to collect any such indebtedness. If any amount shall erroneously be paid to any Loan Party on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such indebtedness of any Loan Party, such amount shall be held in trust for the benefit of the Credit Parties and shall forthwith be paid to the Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of this Agreement and the other Loan Documents. Subject to the foregoing, to the extent that any Borrower shall, under this Agreement as a joint and several obligor, repay any of the Obligations constituting Loans made to another Borrower hereunder or other Obligations incurred directly and primarily by any other Borrower (an "Accommodation Payment"), then the Borrower making such Accommodation Payment shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Borrowers in an amount, for each of such other Borrowers, equal to a fraction of such Accommodation Payment, the numerator of which fraction is such other Borrower's Allocable Amount and the denominator of which is the sum of the Allocable Amounts of all of the Borrowers. As of any date of determination, the "Allocable Amount" of each Borrower shall be equal to the maximum amount of liability for Accommodation Payments which could be asserted against such Borrower hereunder without (a) rendering such Borrower "insolvent" within the meaning of Section 101 (31) of the Bankruptcy Code, Section 2 of the Uniform Fraudulent Transfer Act ("UFTA") or Section 2 of the Uniform Fraudulent Conveyance Act ("UFCA"), (b) leaving such Borrower with unreasonably small capital or assets, within the meaning of Section 548 of the Bankruptcy Code, Section 4 of the UFTA, or Section 5 of the UFCA, or (c) leaving such Borrower unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA, or Section 5 of the UFCA.

10.22 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

10.23 Attachments. The exhibits, schedules and annexes attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail.

10.24 Keepwell. Each Qualified ECP Guarantor hereby jointly and severally absolutely, unconditionally and irrevocably undertakes to provide such funds or other support as may be needed from time to time by each other Loan Party to honor all of its obligations under the Facility Guaranty in respect of Swap Obligations (provided, however, that each Qualified ECP Guarantor shall only be liable under this Section 10.24 for the maximum amount of such liability that can be hereby incurred without rendering its obligations under this Section 10.24, or otherwise under the Facility Guaranty, voidable under applicable Law relating to fraudulent conveyance or fraudulent transfer, and not for any greater amount). The obligations of each Qualified ECP Guarantor under this Section shall remain in full force and effect until payment in full of the Obligations. Each Qualified ECP Guarantor intends that this Section 10.24 constitute, and this Section 10.24 shall be deemed to constitute, a "keepwell, support , or

other agreement" for the benefit of each other Loan Party for all purposes of Section 1a(18)(A)(v)(II) of the Commodity Exchange Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

FLOOR AND DECOR OUTLETS OF AMERICA, INC., as the Lead Borrower

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

FDO ACQUISITION CORP., as a Guarantor

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

[Signature Page to Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent and Revolving Lender, L/C Issuer and Swing Line Lender

By: /s/ William Chan
Name: William Chan
Title: Director

[Signature Page to Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Term Loan Agent and Term Lender

By: /s/ Sally Sheehan
Name: Sally Sheehan
Title: Director

[Signature Page to Credit Agreement]

BANK OF AMERICA, N.A., as Revolving Lender

By: /s/ Matthew Potter
Name: Matthew Potter
Title: Vice President

[Signature Page to Credit Agreement]

SUNTRUST BANK, as Revolving Lender

By: /s/ J. Matney Gornall
Name: J. Matney Gornall
Title: Vice President

[Signature Page to Credit Agreement]

Exhibit 10.12

EXECUTION COPY

SECURITY AGREEMENT

by

FLOOR AND DECOR OUTLETS OF AMERICA, INC.,
as Lead Borrower

and

THE OTHER BORROWERS AND GUARANTORS PARTY HERETO
FROM TIME TO TIME

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

Dated as of May 1, 2013

TABLE OF CONTENTS

		Page
PREAMBLE		1
RECITALS		1
AGREEMENT		2
ARTICLE I DEFINITIONS AND INTERPRETATION		2
SECTION 1.1	Definitions	2
SECTION 1.2	Interpretation	6
SECTION 1.3	Perfection Certificate	6
ARTICLE II GRANT OF SECURITY AND SECURED OBLIGATIONS		6
SECTION 2.1	Pledge; Grant of Security Interest	6
SECTION 2.2	Secured Obligations	7
SECTION 2.3	Security Interest	7
ARTICLE III PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF COLLATERAL		8
SECTION 3.1	Delivery of Certificated Securities Collateral	8
SECTION 3.2	Perfection of Uncertificated Securities Collateral	8
SECTION 3.3	Financing Statements and Other Filings; Maintenance of Perfected Security Interest	9
SECTION 3.4	Other Actions	9
SECTION 3.5	Supplements; Further Assurances	12
SECTION 3.6	Joinder of Additional Grantors	12
SECTION 3.7	Perfection or Other Action Cost vs. Benefit Determination	12
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS		13
SECTION 4.1	Title	13
SECTION 4.2	Limitation on Liens; Defense of Claims; Transferability of Collateral	13
SECTION 4.3	Chief Executive Office; Change of Name; Jurisdiction of Organization	13
SECTION 4.4	Location of Inventory and Equipment	14
SECTION 4.5	Condition and Maintenance of Equipment	14
SECTION 4.6	Due Authorization and Issuance	14
SECTION 4.7	No Conflicts, Consents, etc.	14
SECTION 4.8	Collateral	15
SECTION 4.9	Insurance	15
SECTION 4.10	Contested Liens; Claims	15

		Page
ARTICLE V CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL		15
SECTION 5.1	Pledge of Additional Securities Collateral	15
SECTION 5.2	Voting Rights; Distributions; etc.	16
SECTION 5.3	Organization Documents	17
SECTION 5.4	Defaults, Etc.	17
SECTION 5.5	Certain Agreements of Grantors As Issuers and Holders of Equity Interests	17
ARTICLE VI CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL		18
SECTION 6.1	Grant of License	18
SECTION 6.2	Registrations	18
SECTION 6.3	No Violations or Proceedings	18
SECTION 6.4	Protection of Collateral Agent's Security	18
SECTION 6.5	After-Acquired Property	19
SECTION 6.6	Modifications	19
SECTION 6.7	Litigation	19
SECTION 6.8	Third Party Consents	20
ARTICLE VII CERTAIN PROVISIONS CONCERNING ACCOUNTS		20
SECTION 7.1	Special Representations and Warranties	20
SECTION 7.2	Maintenance of Records	20
SECTION 7.3	Legend	20
SECTION 7.4	Modification of Terms, Etc.	21
SECTION 7.5	Collection	21
ARTICLE VIII REMEDIES		21
SECTION 8.1	Remedies	21
SECTION 8.2	Notice of Sale	23
SECTION 8.3	Waiver of Notice and Claims	23
SECTION 8.4	Certain Sales of Collateral	23
SECTION 8.5	No Waiver; Cumulative Remedies	24
SECTION 8.6	Certain Additional Actions Regarding Intellectual Property	24
SECTION 8.7	Application of Proceeds	25
ARTICLE IX MISCELLANEOUS		25
SECTION 9.1	Concerning Collateral Agent	25
SECTION 9.2	Collateral Agent May Perform; Collateral Agent Appointed Attorney-in-Fact	26
SECTION 9.3	Expenses	26
SECTION 9.4	Continuing Security Interest; Assignment	26

		Page
SECTION 9.5	Termination; Release	26
SECTION 9.6	Modification in Writing	27
SECTION 9.7	Notices	27
SECTION 9.8	GOVERNING LAW	28
SECTION 9.9	CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL	28
SECTION 9.10	Severability of Provisions	29
SECTION 9.11	Execution in Counterparts; Effectiveness	29
SECTION 9.12	No Release	29
SECTION 9.13	Obligations Absolute	29
SECTION 9.14	Intercreditor Agreement	30
SIGNATURES		
EXHIBIT 1	Form of Securities Pledge Amendment	
SCHEDULE I	Intercompany Notes	
SCHEDULE II	Filings, Registrations and Recordings	
SCHEDULE III	Pledged Interests	

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of May 1, 2013 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Security Agreement") among (i) FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation having an office at 2233 Lake Park Drive, Suite 400, Smyrna, Georgia 30080, as lead borrower for itself and the other Borrowers (the "Lead Borrower"), (ii) THE OTHER BORROWERS LISTED ON THE SIGNATURE PAGES HERETO (together with the Lead Borrower, the "Original Borrowers") OR FROM TIME TO TIME PARTY HERETO BY EXECUTION OF A JOINDER AGREEMENT (together with the Original Borrowers, the "Borrowers"), (iii) THE GUARANTORS LISTED ON THE SIGNATURE PAGES HERETO (the "Original Guarantors") AND THE OTHER GUARANTORS FROM TIME TO TIME PARTY HERETO BY EXECUTION OF A JOINDER AGREEMENT (together with

the Original Guarantor, the "Guarantors"), as pledgors, assignors and debtors (the Borrowers, together with the Guarantors, in such capacities and together with any successors in such capacities, the "Grantors," and each, a "Grantor"), and (iv) WELLS FARGO BANK, NATIONAL ASSOCIATION, having an office at One Boston Place, 18th Floor, Boston, Massachusetts 02108, in its capacity as collateral agent for the Credit Parties (as defined in the Credit Agreement defined below) pursuant to the Credit Agreement, as pledgee, assignee and secured party (in such capacities and together with any successors in such capacities, the "Collateral Agent").

RECITALS:

A. The Borrowers, the Collateral Agent, Wells Fargo Bank, National Association, as administrative agent, and the Lenders party thereto, among others, have, in connection with the execution and delivery of this Security Agreement, entered into that certain Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

B. The Guarantors have, pursuant to that certain Guaranty dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Guaranty"), among other things, unconditionally guaranteed the Guaranteed Obligations (as defined in the Guaranty).

C. The Borrowers and the Guarantors will receive substantial benefits from the execution, delivery and performance of the Obligations and the Guaranteed Obligations and each is, therefore, willing to enter into this Security Agreement.

D. This Security Agreement is given by each Grantor in favor of the Collateral Agent for the benefit of the Credit Parties to secure the payment and performance of all of the Secured Obligations (as hereinafter defined).

E. It is a condition to the obligations of the Lenders to make the Loans under the Credit Agreement and a condition to the L/C Issuer issuing Letters of Credit under the Credit Agreement that each Grantor execute and deliver the applicable Loan Documents, including this Security Agreement.

AGREEMENT:

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor and the Collateral Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions.

(a) Unless otherwise defined herein or in the Credit Agreement, capitalized terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC.

(b) Capitalized terms used but not otherwise defined herein that are defined in the Credit Agreement shall have the meanings given to them in the Credit Agreement.

(c) The following terms shall have the following meanings:

"Borrowers" shall have the meaning assigned to such term in the Preamble hereof.

"Claims" shall mean any and all property taxes and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and all claims (including, without limitation, landlords', carriers', mechanics', workmen's, repairmen's, laborers', materialmen's, suppliers' and warehousemen's Liens and other claims arising by operation of law) against, all or any portion of the Collateral.

"Collateral" shall have the meaning assigned to such term in SECTION 2.1 hereof.

"Collateral Agent" shall have the meaning assigned to such term in the Preamble hereof.

"Contracts" shall mean, collectively, with respect to each Grantor, all sale, service, performance, equipment or property lease contracts, agreements and grants and all other contracts, agreements or grants (in each case, whether written or oral, or third party or intercompany), between such Grantor and any other party, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof.

"Control" shall mean (a) in the case of each DDA, "control," as such term is defined in Section 9-104 of the UCC, and (b) in the case of any security entitlement, "control," as such term is defined in Section 8-106 of the UCC.

"Control Agreements" shall mean, collectively, the Blocked Account Agreements and the Securities Account Control Agreements.

"Copyrights" shall mean, collectively, with respect to each Grantor, all copyrights (whether statutory or common Law, whether established or registered in the United States or any other country or any political subdivision thereof whether registered or unregistered and whether published or unpublished), whether as author, assignee, transferee or otherwise, and all copyright registrations and applications made by such Grantor, in each case, whether now owned or hereafter created or acquired by or assigned to such Grantor, including, without limitation, the registrations and applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of such copyrights, (ii) reissues, renewals, continuations and extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including, without limitation, damages and payments

for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Credit Agreement" shall have the meaning assigned to such term in Recital A hereof.

"Discharge of Term Obligations" shall have the meaning assigned to such term in the Term Loan B Intercreditor Agreement.

"Distributions" shall mean, collectively, with respect to each Grantor, all Restricted Payments from time to time received, receivable or otherwise distributed to such Grantor in respect of or in exchange for any or all of the Pledged Securities or Intercompany Notes.

"Excluded Equity Interests" shall mean (a) any directors' qualifying shares, nominee shares or similar shares, which are required by Law to be held by persons other than the Grantors, (b) any Equity Interests of any person (other than a wholly-owned Subsidiary that is directly owned by a Grantor), to the extent restricted or not permitted by the terms of such person's organizational documents or other agreements with holders of such Equity Interests (so long as such prohibition did not arise as part of the acquisition or formation of such person or in anticipation of the Credit Agreement and other than to the extent that any such prohibition would be rendered ineffective pursuant to the UCC or any other applicable Law), (c) any Equity Interests if, to the extent and for so long as the pledge of such Equity Interests hereunder is prohibited or restricted by any applicable Law, including any requirement to obtain consent of any Governmental Authority (other than to the extent such prohibition would be rendered ineffective under the UCC or any other applicable Law), (d) any margin stock to the extent the pledge thereof is prohibited by or would violate Regulation U and (e) any Equity Interests in an Unrestricted Subsidiary.

"Excluded Property" shall mean the following:

(a) any license, permit, or agreement held by any Grantor (i) that validly prohibits the creation by such Grantor of a security interest therein or thereon, (ii) to the extent that applicable Law prohibits the creation of a security interest therein or thereon, or (iii) to the extent that the creation of a security interest therein or thereon would result in a breach of the terms of, or constitute a default under, such license, permit or agreement, which, in each case, would result in the abandonment, invalidation or unenforceability of or create a right of termination in favor of or require the consent of any other party thereto (other than a Grantor);

(b) any Intellectual Property Collateral consisting of intent-to-use trademark applications or intent-to-use service mark applications, for which the creation by a Grantor of a security interest therein would impair the validity or enforceability of, or render void or voidable or result in the cancellation of the applicable Grantor's right, title or interest therein, or is prohibited without the consent of third party or by applicable Law; and

(c) any Excluded Equity Interests;

provided, however, that in each case described in clauses (a), (b), and (c) of this definition, such property shall constitute "Excluded Property" only to the extent and for so long as such license, permit, agreement, or applicable Law validly prohibits the creation of a Lien on such property in favor of the Collateral Agent and, upon the termination of such prohibition (howsoever occurring), such property shall cease to constitute "Excluded Property"; provided further, that "Excluded Property" shall not include (i) any assets that are of the type that may be eligible for inclusion in the Borrowing Base, or (ii) the right to receive any proceeds arising therefrom or any

other rights referred to in Sections 9-406(f), 9-407(a) or 9-408(a) of the UCC or any Proceeds, substitutions or replacements of any Excluded Property (unless such Proceeds, substitutions or replacements would otherwise constitute Excluded Property).

"Goodwill" shall mean, collectively, with respect to each Grantor, the goodwill connected with such Grantor's business including, without limitation, (i) all goodwill connected with the use of and symbolized by any of the Intellectual Property Collateral in which such Grantor has any interest, (ii) all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclosure thereof by any Person, pricing and cost information, business and marketing plans and proposals, consulting agreements, engineering contracts and such other assets which relate to such goodwill and (iii) all product lines of such Grantor's business.

"Grantor" shall have the meaning assigned to such term in the Preamble hereof.

"Guarantors" shall have the meaning assigned to such term in the Preamble hereof.

"Guaranty" shall have the meaning assigned to such term in Recital B hereof.

"Intellectual Property Collateral" shall mean, collectively, the Patents, Trademarks, Copyrights, Licenses and Goodwill.

"Intercompany Notes" shall mean, with respect to each Grantor, all intercompany notes described onSchedule I hereto and each intercompany note hereafter acquired by such Grantor and all certificates, instruments or agreements evidencing such intercompany notes, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

"Lead Borrower" shall have the meaning assigned to such term in the Preamble hereof.

"Letters of Credit" unless the context otherwise requires, shall have the meaning given to such term in the UCC.

"Licenses" shall mean, collectively, with respect to each Grantor, all license and distribution agreements with any other Person with respect to any Patent, Trademark or Copyright, whether such Grantor is a licensor or licensee, distributor or distributee under any such license or distribution agreement, together with any and all (i) renewals, extensions, supplements and continuations thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) other rights to use, exploit or practice any or all of the Patents, Trademarks or Copyrights or any other patent, trademark or copyright.

"Patents" shall mean, collectively, with respect to each Grantor, all patents issued or assigned to and all patent applications made by such Grantor (whether established or registered or recorded in the United States or any other country or any political subdivision thereof), including, without limitation, those patents and patent applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iv) income, fees, royalties,

damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Perfection Certificate" shall mean that certain perfection certificate dated as of the date hereof, executed and delivered by each Grantor in favor of the Collateral Agent for the benefit of the Credit Parties, and each other Perfection Certificate (which shall be in form and substance reasonably acceptable to the Collateral Agent) executed and delivered by the applicable Borrower or Guarantor in favor of the Collateral Agent for the benefit of the Credit Parties contemporaneously with the execution and delivery of a joinder agreement executed in accordance with SECTION 3.6 hereof, in each case, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the Credit Agreement.

"Pledged Interests" shall mean, collectively, with respect to each Grantor, all Equity Interest in any issuer now existing or hereafter acquired or formed, including, without limitation, all Equity Interests of such issuer described in Schedule III hereof, together with all rights, privileges, authority and powers of such Grantor

relating to such Equity Interests issued by any such issuer under the Organization Documents of any such issuer, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, from time to time acquired by such Grantor in any manner, and all other Investment Property owned by such Grantor; provided, however, that to the extent applicable, Pledged Interests shall not include any interest possessing more than 65% of the voting power or control of all classes of interests entitled to vote of any Foreign Subsidiary that is a CFC to the extent such pledge would result in an adverse tax consequence to the Grantor.

"Pledged Securities" shall mean, collectively, the Pledged Interests and the Successor Interests.

"Secured Obligations" shall mean the Obligations (as defined in the Credit Agreement) and the Guaranteed Obligations; provided, however, that Other Liabilities shall be Secured Obligations solely to the extent that there is sufficient Collateral following satisfaction of the Obligations described in clause (a) of the definition of Obligations.

"Securities Account Control Agreement" shall mean an agreement in form and substance satisfactory to the Collateral Agent with respect to any Securities Account of a Grantor.

"Securities Act" means the Securities Exchange Act of 1934, as amended, and the applicable regulations promulgated by the Securities and Exchange Commission pursuant to such Act.

"Securities Collateral" shall mean, collectively, the Pledged Securities, the Intercompany Notes and the Distributions.

"Security Agreement" shall have the meaning assigned to such in the Preamble hereof.

"Successor Interests" shall mean, collectively, with respect to each Grantor, all shares of each class of the capital stock of the successor corporation or interests or certificates of the successor limited liability company, partnership or other entity owned by such Grantor (unless such successor is such Grantor itself) formed by or resulting from any consolidation or merger in which any Person listed in Section I of the Perfection Certificate is not the surviving entity; provided, however, that Successor Interests shall not include shares or interests constituting more than 65% of the voting power or control of

all classes of capital stock or interests entitled to vote of any Foreign Subsidiaries to the extent such pledge would result in an adverse tax consequence to such Grantor.

"Trademarks" shall mean, collectively, with respect to each Grantor, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locations (URLs), domain names, corporate names and trade names, whether registered or unregistered, owned by or assigned to such Grantor and all registrations and applications for the foregoing (whether statutory or common Law and whether established or registered in the United States or any other country or any political subdivision thereof), including, without limitation, the registrations and applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of any trademarks, (ii) reissues, continuations, extensions and renewals thereof, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including, without limitation, damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

"UCC" or "Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning set forth in Article 9; provided further that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "Uniform Commercial Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

SECTION 1.2 Interpretation. The rules of interpretation specified in Article I of the Credit Agreement shall be applicable to this Security Agreement.

SECTION 1.3 Perfection Certificate. The Collateral Agent and each Grantor agree that the Perfection Certificate, and all schedules, amendments and supplements thereto are and shall at all times remain a part of this Security Agreement.

ARTICLE II

GRANT OF SECURITY AND SECURED OBLIGATIONS

SECTION 2.1 Pledge; Grant of Security Interest. As collateral security for the payment and performance in full of all the Secured Obligations, each Grantor hereby pledges and grants to the Collateral Agent for its benefit and for the benefit of the other Credit Parties, a lien on and security interest in and to all of the right, title and interest of such Grantor in, to and under all personal property and interests in such personal property, wherever located, and whether now existing or hereafter arising or acquired from time to time (collectively, the "Collateral"), including, without limitation:

(a) all Accounts;

(b) all Goods, including Equipment, Inventory and Fixtures;

(c) all Documents, Instruments and Chattel Paper;

(d) all Letters of Credit and Letter-of-Credit Rights;

(e) all Securities Collateral;

(f) all Investment Property;

(g) all Intellectual Property Collateral;

(h) all Commercial Tort Claims, including, without limitation, those described in Section IV of the Perfection Certificate;

(i) all General Intangibles;

(j) all Deposit Accounts;

(k) all Supporting Obligations;

(l) all books and records relating to the Collateral; and

(m) to the extent not covered by clauses (a) through (l) of this sentence, all other personal property of such Grantor, whether tangible or intangible and all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

Notwithstanding anything to the contrary contained in clauses (a) through (m) above, the security interest created by this Security Agreement shall not extend to, and the term "Collateral" shall not include, any Excluded Property and the Grantors shall from time to time at the request of the Collateral Agent give written notice to the Collateral Agent identifying in reasonable detail the Excluded Property and shall provide to the Collateral Agent such other information regarding the Excluded Property as the Collateral Agent may reasonably request; provided, however, that if and when any property shall cease to be Excluded Property, a Lien on a security in such property shall be deemed granted therein.

SECTION 2.2 Secured Obligations. This Security Agreement secures, and the Collateral is collateral security for, the payment and performance in full when due of the Secured Obligations.

SECTION 2.3 Security Interest.

(a) Each Grantor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to authenticate and file in any relevant jurisdiction any financing statements (including fixture filings) and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including, without limitation, (i) whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor, (ii) a description of the Collateral as "all assets of the Grantor, wherever located, whether now owned or hereafter acquired or arising" or words of similar effect, and (iii) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Collateral relates. Each Grantor agrees to provide

all information described in the immediately preceding sentence to the Collateral Agent promptly upon reasonable request.

(b) Each Grantor hereby ratifies its prior authorization for the Collateral Agent to file in any relevant jurisdiction any financing statements or amendments thereto relating to the Collateral if filed prior to the date hereof.

(c) Each Grantor hereby further authorizes the Collateral Agent to file filings with the United States Patent and Trademark Office and United States Copyright Office (or any successor office or, from and after the occurrence of an Event of Default, any similar office in any other country) or other necessary documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by such Grantor hereunder in any Intellectual Property Collateral, without the signature of such Grantor, and naming such Grantor, as debtor, and the Collateral Agent, as secured party.

ARTICLE III

PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF COLLATERAL

SECTION 3.1 Delivery of Certificated Securities Collateral. Each Grantor represents and warrants that all certificates, agreements or instruments representing or evidencing the Securities Collateral in existence on the date hereof have been delivered to the Collateral Agent (or, at all times prior to the Discharge of Term Obligations, the Term Loan B Agent) in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank and that the Collateral Agent has a perfected first priority security interest therein (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement). Each Grantor hereby agrees that all certificates, agreements or instruments representing or evidencing Securities Collateral acquired by such Grantor after the date hereof, shall promptly (and in any event within ten (10) Business Days) after receipt thereof by such Grantor be delivered to and held by or on behalf of the Collateral Agent (or, at all times prior to the Discharge of Term Obligations, the Term Loan B Agent) pursuant hereto. All certificated Securities Collateral shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent. Subject to the Term Loan B Intercreditor Agreement, the Collateral Agent shall have the right, at any time upon the occurrence and during the continuance of any Event of Default, to endorse, assign or otherwise transfer to or to register in the name of the Collateral Agent or any of its nominees or endorse for negotiation any or all of the Securities Collateral, without any indication that such Securities Collateral is subject to the security interest hereunder. In addition, the Collateral Agent shall have the right with written notice to exchange certificates representing or evidencing Securities Collateral for certificates of smaller or larger denominations, accompanied by instruments of transfer or assignment and letters of direction duly executed in blank.

SECTION 3.2 Perfection of Uncertificated Securities Collateral. Each Grantor represents and warrants that the Collateral Agent has a perfected first priority security interest (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement) in all uncertificated Pledged Securities pledged by it hereunder that are in existence on the date hereof and that the applicable Organization Documents do not require the consent of the other shareholders, members, partners or other

Persons to permit the Collateral Agent or its designee to be substituted for the applicable Grantor as a shareholder, member, partner or other equity owner, as applicable, thereto. Each Grantor hereby agrees that if any of the Pledged Securities are at any time not evidenced by certificates of ownership, then each applicable Grantor shall, to the extent permitted by applicable Law and upon the reasonable request of the Collateral Agent, cause such pledge to be recorded on the equityholder register or the books of the issuer, execute customary pledge forms or other documents necessary or reasonably requested to complete the pledge and give the Collateral Agent the right to transfer such Pledged Securities under the terms hereof and, to the extent reasonably requested by the Collateral Agent, provide to the Collateral Agent an opinion of counsel, in form and substance reasonably satisfactory to the Collateral Agent, confirming such pledge and perfection thereof.

SECTION 3.3 Financing Statements and Other Filings; Maintenance of Perfected Security Interest. Each Grantor represents and warrants that the only filings, registrations and recordings necessary and appropriate to create, preserve, protect, publish notice of and perfect the security interest granted by each Grantor to the Collateral Agent (for the benefit of the Credit Parties) pursuant to this Security Agreement in respect of the Collateral are listed on Schedule II hereto. Each Grantor represents and warrants that all such filings, registrations and recordings have been delivered to the Collateral Agent in completed and, to the extent necessary or appropriate, duly executed form for filing in each governmental, municipal or other office specified in Schedule II. Each Grantor agrees that at the sole cost and expense of the Grantors, (i) such Grantor will maintain the security interest created by this Security Agreement in the Collateral as a perfected first priority security interest (subject in priority only to

those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement) and shall defend such security interest against the claims and demands of all Persons (other than with respect to Permitted Encumbrances), (ii) such Grantor shall, within the time period for delivery of the Annual Financial Statements under Section 6.04(a) of the Credit Agreement, furnish to the Collateral Agent a supplement to the Perfection Certificate setting forth any additions or changes thereto since the later of the Closing Date and delivery of the previous supplement pursuant to this clause (ii) and (iii) at any time and from time to time, upon the reasonable written request of the Collateral Agent, such Grantor shall promptly and duly execute and deliver, and, if applicable, file and have recorded, such further instruments and documents and take such further action as the Collateral Agent may reasonably request, including the filing of any financing statements, continuation statements and other documents (including this Security Agreement) under the UCC (or other applicable Laws) in effect in any jurisdiction with respect to the security interest created hereby and the execution and delivery of Control Agreements, all in form reasonably satisfactory to the Collateral Agent and in such offices (including, without limitation, the United States Patent and Trademark Office and the United States Copyright Office) wherever required by applicable Law in each case to perfect, continue and maintain a valid, enforceable, first priority security interest (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement) in the Collateral as provided herein and to preserve the other rights and interests granted to the Collateral Agent hereunder, as against the Grantors and third parties (other than with respect to Permitted Encumbrances), with respect to the Collateral.

SECTION 3.4 Other Actions. In order to further evidence the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Collateral Agent's security interest in the Collateral, each Grantor represents, warrants and agrees, in each case at such Grantor's own expense, with respect to the following Collateral, that:

(a) Instruments and Tangible Chattel Paper. As of the date hereof (i) no amount payable under or in connection with any of the Collateral is evidenced by any Instrument or Tangible Chattel Paper other than such Instruments and Tangible Chattel Paper listed in Section II. D. of the Perfection Certificate and (ii) each Instrument and each item of Tangible Chattel

Paper listed in Section II. D. of the Perfection Certificate having a value in excess of $250,000, individually or in the aggregate, to the extent reasonably requested by the Collateral Agent, has been properly endorsed, assigned and delivered to the Collateral Agent, accompanied by instruments of transfer or assignment and letters of direction duly executed in blank. If any amount payable under or in connection with any of the Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, the Grantor acquiring such Instrument or Tangible Chattel Paper shall forthwith endorse, assign and deliver the same to the Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Collateral Agent may reasonably request from time to time.

(b) Investment Property.

(i) As of the date hereof (1) it has no Securities Accounts other than those listed in Section II.B. of the Perfection Certificate, (2) it does not hold, own or have any interest in any certificated securities or uncertificated securities other than those constituting Pledged Securities with respect to which the Collateral Agent has a perfected first priority security interest in such Pledged Securities, and (3) it has entered into a duly authorized, executed and delivered Securities Account Control Agreement with respect to each Securities Account listed in Section II.B. of the Perfection Certificate with respect to which the Collateral Agent has a perfected first priority security interest in such Securities Accounts by Control (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement).

(ii) If any Grantor shall at any time hold or acquire any certificated securities constituting Collateral, such Grantor shall promptly (a) notify the Collateral Agent thereof and endorse, assign and deliver the same to the Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank, all in form and substance reasonably satisfactory to the Collateral Agent or (b) deliver such securities into a Securities Account with respect to which a Securities Account Control Agreement is in effect in favor of the Collateral Agent. If any securities constituting Collateral now or hereafter acquired by any Grantor are uncertificated, such Grantor shall promptly notify the Collateral Agent thereof and pursuant to an agreement in form and substance reasonably satisfactory to the Collateral Agent, either (a) grant Control to the Collateral Agent and cause the issuer to agree to comply with instructions from the Collateral Agent as to such securities, without further consent of any Grantor or such nominee, (b) cause a security entitlement with respect to such uncertificated security to be held in a Securities Account with respect to which the Collateral Agent has Control or (c) arrange for the Collateral Agent to become the registered owner of the securities. Grantor shall not hereafter establish and maintain any Securities Account with any Securities Intermediary unless (1) the applicable Grantor shall have given the Collateral Agent ten (10) Business Days' prior written notice of its intention to establish such new Securities Account with such Securities Intermediary, (2) such Securities Intermediary shall be reasonably acceptable to the Collateral Agent and (3) such Securities Intermediary and such Grantor shall have duly executed and delivered a Control Agreement with respect to such Securities Account. Each Grantor shall accept any cash and Investment Property which are proceeds of the Pledged Interests in trust for the benefit of the Collateral Agent and promptly upon receipt thereof, deposit any cash received by it into an account in which the Collateral Agent has Control, or with respect to any Investment Properties or additional securities, take such actions as required above with respect to such securities. The Collateral Agent agrees with each Grantor that the Collateral Agent shall not give

any entitlement orders or instructions or directions to any issuer of uncertificated securities or Securities Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Grantor, unless a Cash Dominion Event has occurred and is continuing. No Grantor shall grant control over any Pledged Securities to any Person other than the Collateral Agent, the Term Loan B Agent in accordance with the Term Loan B Intercreditor Agreement, or, to the extent applicable, any other Persons permitted to have control over such Pledged Securities in accordance with the terms of the Credit Agreement.

(iii) As between the Collateral Agent and the Grantors, the Grantors shall bear the investment risk with respect to the Investment Property and Pledged Securities, and the risk of loss of, damage to, or the destruction of the Investment Property and Pledged Securities, whether in the possession of, or maintained as a security entitlement or deposit by, or subject to the control of, the Collateral Agent, a Securities Intermediary, any Grantor or any other Person; provided, however, that nothing contained in this SECTION 3.4(b) shall release or relieve any Securities Intermediary of its duties and obligations to the Grantors or any other Person under any Control Agreement or under applicable Law. Each Grantor shall promptly pay all Claims and fees of whatever kind or nature with respect to the Pledged Securities pledged by it under this Security Agreement. In the event any Grantor shall fail to make such payment contemplated in the immediately preceding sentence, the Collateral Agent may do so for the account of such Grantor and the Grantors shall promptly reimburse and indemnify the Collateral Agent for all costs and expenses incurred by the Collateral Agent under this SECTION 3.4(b) and under SECTION 9.3 hereof.

(c) Electronic Chattel Paper and Transferable Records. As of the date hereof no amount payable under or in connection with any of the Collateral is evidenced by any Electronic Chattel Paper or any "transferable record" (as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction). If any amount payable under or in connection with any of the Collateral shall be evidenced by any Electronic Chattel Paper or any transferable record having a value in excess of $250,000, individually or in the aggregate, the Grantor acquiring such Electronic Chattel Paper or transferable record shall promptly notify the Collateral Agent thereof and shall take such action as the Collateral Agent may reasonably request to vest in the Collateral Agent control under UCC Section 9-105 of such Electronic Chattel Paper or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic

Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Collateral Agent agrees with such Grantor that the Collateral Agent will arrange, pursuant to procedures reasonably satisfactory to the Collateral Agent and so long as such procedures will not result in the Collateral Agent's loss of control, for the Grantor to make alterations to the Electronic Chattel Paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Grantor with respect to such Electronic Chattel Paper or transferable record.

(d) Letter-of-Credit Rights. If such Grantor is at any time a beneficiary under a Letter of Credit having a value in excess of $250,000, individually or in the aggregate, now or hereafter issued in favor of such Grantor (which, for the avoidance of doubt, shall not include any

Letter of Credit issued pursuant to the Credit Agreement), such Grantor shall promptly notify the Collateral Agent thereof and such Grantor shall, at the reasonable request of the Collateral Agent, pursuant to an agreement in form and substance reasonably satisfactory to the Collateral Agent, either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Collateral Agent of, and to pay to the Collateral Agent, the proceeds of, any drawing under the Letter of Credit or (ii) arrange for the Collateral Agent to become the beneficiary of such Letter of Credit, with the Collateral Agent agreeing, in each case, that the proceeds of any drawing under the Letter of Credit are to be applied as provided in the Credit Agreement.

(e) Commercial Tort Claims. As of the date hereof it holds no Commercial Tort Claims other than those listed in Section IV of the Perfection Certificate. If any Grantor shall at any time hold or acquire a Commercial Tort Claim having a value in excess of $250,000, individually or in the aggregate, such Grantor shall promptly notify the Collateral Agent in writing signed by such Grantor of the brief details thereof and grant to the Collateral Agent in such writing a security interest therein and in the Proceeds thereof, all upon the terms of this Security Agreement, with such writing to be in form and substance reasonably satisfactory to the Collateral Agent.

SECTION 3.5 Supplements; Further Assurances. Each Grantor shall take such further actions, and execute and deliver to the Collateral Agent such additional assignments, agreements, supplements, powers and instruments, as the Collateral Agent may in its reasonable judgment deem necessary or appropriate, wherever required by applicable Law, in order to perfect, preserve and protect the security interest in the Collateral as provided herein and the rights and interests granted to the Collateral Agent hereunder, to carry into effect the purposes hereof or better to assure and confirm unto the Collateral Agent or permit the Collateral Agent to exercise and enforce its rights, powers and remedies hereunder with respect to any Collateral. If an Event of Default has occurred and is continuing, the Collateral Agent may institute and maintain, in its own name or in the name of any Grantor, such suits and proceedings as the Collateral Agent may be advised by counsel shall be necessary or expedient to prevent any impairment of the security interest in or the perfection thereof in the Collateral. All of the foregoing shall be at the sole cost and expense of the Grantors. The Grantors and the Collateral Agent acknowledge that this Security Agreement is intended to grant to the Collateral Agent for the benefit of the Credit Parties a security interest in and Lien upon the Collateral and shall not constitute or create a present assignment of any of the Collateral.

SECTION 3.6 Joinder of Additional Grantors. The Grantors shall cause each direct or indirect Subsidiary of any Loan Party which, from time to time, after the date hereof shall be required to pledge any assets to the Collateral Agent for the benefit of the Credit Parties pursuant to Section 6.10 of the Credit Agreement, to execute and deliver to the Collateral Agent a Perfection Certificate and a Joinder, in each case, within twenty (20) Business Days of the date on which it was acquired, created, or otherwise constituted as an entity required to be joined as a Loan Party pursuant to Section 6.10 of the Credit Agreement and, upon such execution and delivery, such Subsidiary shall constitute a "Grantor" for all purposes hereunder with the same force and effect as if originally named as a Grantor herein, including, but limited to, granting the Collateral Agent a security interest in all Securities Collateral of such Subsidiary. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

SECTION 3.7 Perfection or Other Action Cost vs. Benefit Determination. Notwithstanding anything to the contrary herein or in any other Loan Document, although such property and assets shall still be considered Collateral, the Grantors shall not be required to perfect the security interest granted to the Collateral Agent under this Agreement or any other Loan Document or to take any

other action with respect to any property, asset or right to use any property or any asset to the extent the burden or cost of obtaining or perfecting a Lien in favor of the Collateral Agent or taking any other action is excessive in relation to the benefit of the security afforded thereby, as reasonably determined by the Collateral Agent. Any property, asset or right to use any property or any asset that is subject to the conditions set forth in the immediately preceding sentence of this SECTION 3.7 shall be an exception or carve-out to any representation, warranty or covenant in any Loan Document relating to the perfection or priority of the Collateral Agent's Liens on the Collateral or other actions to be taken, in each case, to the extent set forth in the immediately preceding sentence.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to, and without limitation of, each of the representations, warranties and covenants set forth in the Credit Agreement and the other Loan Documents, each Grantor represents, warrants and covenants as follows:

SECTION 4.1 Title. No effective financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Collateral Agent pursuant to this Security Agreement or as are permitted by the Credit Agreement in connection with Permitted Encumbrances. To such Grantor's knowledge, no Person other than the Collateral Agent has control or possession of all or any part of the Collateral, except as permitted by the Credit Agreement in connection with Permitted Encumbrances or the Term Loan B Intercreditor Agreement, as applicable.

SECTION 4.2 Limitation on Liens; Defense of Claims; Transferability of Collateral Each Grantor is as of the date hereof, and, as to Collateral acquired by it from time to time after the date hereof, such Grantor will be, the sole direct and/or beneficial owner of all Collateral pledged by it hereunder free from any Lien or other right, title or interest of any Person other than the Liens and security interest created by this Security Agreement and Permitted Encumbrances. Each Grantor shall, at its own cost and expense, defend title to the Collateral pledged by it hereunder and the security interest therein and Lien thereon granted to the Collateral Agent and the priority thereof against all claims and demands of all Persons, at its own cost and expense, at any time claiming any interest therein adverse to the Collateral Agent or any other Credit Party other than Permitted Encumbrances. Other than agreements governing Permitted Encumbrances (if any), there is no agreement, and no Grantor shall enter into any agreement or take any other action, that would restrict the transferability of any of the Collateral or otherwise impair or conflict with such Grantors' obligations or the rights of the Collateral Agent hereunder.

SECTION 4.3 Chief Executive Office; Change of Name; Jurisdiction of Organization.

(a) The exact legal name, type of organization, jurisdiction of organization, federal taxpayer identification number, organizational identification number and chief executive office of such Grantor is indicated next to its name in Sections I.A. and I.B. of the Perfection Certificate. Such Grantor shall furnish to the Collateral Agent prior written notice of any change in (i) its corporate name, (ii) its "location" (as determined by Section 9-307 (or any applicable equivalents thereof)

of the UCC), (iii) its identity or type of organization or corporate structure, (iv) its federal taxpayer identification number or organizational identification number or (v) its jurisdiction of organization (in each case, including, without limitation, by merging with or into any other entity,

reorganizing, dissolving, liquidating, reincorporating or incorporating in any other jurisdiction). Such Grantor agrees to take all action reasonably satisfactory to the Collateral Agent to maintain the perfection and priority of the security interest of the Collateral Agent for the benefit of the Credit Parties in the Collateral intended to be granted hereunder. To the extent reasonably requested by the Collateral Agent, each Grantor agrees to promptly provide the Collateral Agent with certified Organization Documents reflecting any of the changes described in the preceding sentence.

(b) The Collateral Agent may rely on opinions of counsel as to whether any or all UCC financing statements of the Grantors need to be amended as a result of any of the changes described in SECTION 4.3. If any Grantor fails to provide information to the Collateral Agent about such changes as provided in SECTION 4.3(a) above, the Collateral Agent shall not be liable or responsible to any party for any failure to maintain a perfected security interest in such Grantor's property constituting Collateral, for which the Collateral Agent needed to have information relating to such changes. The Collateral Agent shall have no duty to inquire about such changes if any Grantor does not inform the Collateral Agent of such changes, the parties acknowledging and agreeing that it would not be feasible or practical for the Collateral Agent to search for information on such changes if such information is not provided by any Grantor.

SECTION 4.4 Location of Inventory and Equipment. As of the Closing Date, all Equipment and Inventory of such Grantor is located at the chief executive office or such other location listed in Schedule 5.18(a) or Schedule 5.18(b) of the Credit Agreement or Section IB of the Perfection Certificate.

SECTION 4.5 Condition and Maintenance of Equipment. The Equipment of such Grantor is in good repair, working order and condition, reasonable wear and tear excepted. Each Grantor shall cause the Equipment to be maintained and preserved in good repair, working order and condition, reasonable wear and tear excepted, and shall make or cause to be made all repairs, replacements and other improvements which are reasonably necessary in the conduct of such Grantor's business in its business judgment.

SECTION 4.6 Due Authorization and Issuance. All of the Pledged Interests have been, and to the extent any Pledged Interests are hereafter issued, such shares or other equity interests will be, upon such issuance, duly authorized, validly issued and, to the extent applicable, fully paid and non-assessable. All of the Pledged Interests have been fully paid for, and there is no amount or other obligation owing by any Grantor to any issuer of the Pledged Interests in exchange for or in connection with the issuance of the Pledged Interests or any Grantor's status as a partner or a member of any issuer of the Pledged Interests.

SECTION 4.7 No Conflicts, Consents, etc. No consent of any party (including, without limitation, equity holders or creditors of such Grantor) and no consent, authorization, approval, license or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or other Person is required (A) for the grant of the security interest by such Grantor of the Collateral pledged by it pursuant to this Security Agreement or for the execution, delivery or performance hereof by such Grantor, (B) for the exercise by the Collateral Agent of the voting or other rights provided for in this Security Agreement or (C) for the exercise by the Collateral Agent of the remedies in respect of the Collateral pursuant to this Security Agreement except, in each case, for such consents which have been obtained prior to the date hereof or, with respect to Collateral acquired after the date hereof, as of the date of such acquisition. Following the occurrence and during the continuation of an Event of Default, if the Collateral Agent desires to exercise any remedies, voting or consensual rights or attorney-in-fact powers set forth in this Security Agreement and determines it necessary to obtain any approvals or consents of

any Governmental Authority or any other Person therefor, then, upon the reasonable request of the Collateral Agent, such Grantor agrees to use commercially reasonable efforts to assist and aid the Collateral Agent to obtain as soon as commercially practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

SECTION 4.8 Collateral. All information set forth herein, including the schedules annexed hereto, and all information contained in any documents, schedules and lists heretofore delivered to any Credit Party in connection with this Security Agreement, in each case, relating to the Collateral, is accurate and complete in all material respects.

SECTION 4.9 Insurance. Such Grantor shall maintain or shall cause to be maintained such insurance as is required pursuant to Section 6.02 of the Credit Agreement. Each Grantor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact), exercisable only after the occurrence and during the continuance of an Event of Default, for the purpose of making, settling and adjusting claims in respect of the Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required under the Credit Agreement or to pay any premium in whole or in part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent deems advisable. All sums disbursed by the Collateral Agent in connection with this SECTION 4.9, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable in accordance with SECTION 9.3 of this Agreement.

SECTION 4.10 Contested Liens; Claims. Each Grantor may at its own expense contest the validity, amount or applicability of any Claims so long as the contest thereof shall be conducted in accordance with, and permitted pursuant to the provisions of, the Credit Agreement. Notwithstanding the foregoing provisions of this SECTION 4.10, no contest of any such obligation may be pursued by such Grantor if such contest would expose the Collateral Agent or any other Credit Party to (i) any possible criminal liability or (ii) any additional civil liability for failure to comply with such obligations unless such Grantor shall have furnished a bond or other security therefor satisfactory to the Collateral Agent, or such other Credit Party, as the case may be.

ARTICLE V

CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

SECTION 5.1 Pledge of Additional Securities Collateral. Each Grantor shall, upon obtaining any Pledged Securities or Intercompany Notes of any Person required to be pledged hereunder, accept the same in trust for the benefit of the Collateral Agent and Term Loan B Agent and forthwith deliver to the Collateral Agent a pledge amendment, duly executed by such Grantor, in substantially the form of Exhibit 1 annexed hereto (each, a "Pledge Amendment"), and the certificates and other documents required under SECTION 3.1 and SECTION 3.2 hereof in respect of the additional Pledged Securities or Intercompany Notes which are to be pledged pursuant to this Security Agreement, and confirming the attachment of the Lien hereby created on and in respect of such additional Pledged Securities or Intercompany Notes. Each Grantor hereby authorizes the Collateral Agent to attach each

Pledge Amendment to this Security Agreement and agrees that all Pledged Securities or Intercompany Notes listed on any Pledge Amendment delivered to the Collateral Agent shall for all purposes hereunder be considered Collateral.

SECTION 5.2 Voting Rights; Distributions; etc.

(a) So long as no Event of Default shall have occurred and be continuing, each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral or any part thereof for any purpose not inconsistent with the terms or purposes hereof, the Credit Agreement or any other Loan Document evidencing the Secured Obligations. The Collateral Agent shall be deemed without further action or formality to have granted to each Grantor all necessary consents relating to voting rights and shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors as provided in SECTION 9.3 of this Agreement, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to this SECTION 5.2(a).

(b) Upon the occurrence and during the continuance of any Event of Default, all rights of each Grantor to exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to SECTION 5.2(a) hereof without any action (other than, in the case of any Securities Collateral, the giving of any notice) shall immediately cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall thereupon have the sole right to exercise such voting and other consensual rights; provided that the Collateral Agent shall have the right, in its sole discretion, from time to time following the occurrence and continuance of an Event of Default to permit such Grantor to exercise such rights under SECTION 5.2(a). After such Event of Default is no longer continuing, each Grantor shall have the right to exercise the voting, managerial and other consensual rights and powers that it would otherwise be entitled to pursuant to SECTION 5.2(a) hereof.

(c) So long as no Event of Default shall have occurred and be continuing, each Grantor shall be entitled to receive and retain, and to utilize free and clear of the Lien hereof, any and all Distributions, but only if and to the extent made in accordance with, and to the extent permitted by, the provisions of the Credit Agreement and the Term Loan B Intercreditor Agreement; provided, however, that, subject to the Term Loan B Intercreditor Agreement, any and all such Distributions consisting of rights or interests in the form of securities shall be forthwith delivered to the Collateral Agent to hold as Collateral and shall, if received by any Grantor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of such Grantor and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement). The Collateral Agent shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to receive the Distributions which it is authorized to receive and retain pursuant to this SECTION 5.2(c).

(d) Upon the occurrence and during the continuance of any Event of Default, all rights of each Grantor to receive Distributions which it would otherwise be authorized to receive and retain pursuant to SECTION 5.2(c) hereof shall cease and all such rights shall thereupon become vested in the Collateral Agent (or, at all times prior to the Discharge of Term Obligations, the Term Loan B Agent), which shall thereupon have the sole right to receive and hold as

Collateral such Distributions. After such Event of Default is no longer continuing, each Grantor shall have the right to receive the Distributions which it would be authorized to receive and retain pursuant to SECTION 5.2(c).

(e) Each Grantor shall, at its sole cost and expense, from time to time execute and deliver to the Collateral Agent appropriate instruments as the Collateral Agent may reasonably request in order to permit the Collateral Agent to exercise the voting and other rights which it may be entitled to exercise pursuant to SECTION 5.2(b) hereof and to receive all Distributions which it may be entitled to receive under SECTION 5.2(c) hereof.

(f) All Distributions which are received by any Grantor contrary to the provisions of SECTION 5.2(c) hereof shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of such Grantor and shall immediately be paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

SECTION 5.3 Organization Documents. No Grantor will terminate or agree to terminate any Organization Documents or make any amendment or modification to any Organization Documents, except as may be permitted under the Credit Agreement, and, in connection therewith, each Grantor that is a limited liability company or partnership agrees it shall not shall elect to treat any Equity Interests issued by such Grantor as a security under Section 8-103 of the UCC.

SECTION 5.4 Defaults, Etc. Such Grantor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which such Grantor is a party relating to the Pledged Securities pledged by it, and such Grantor is not in violation of any other provisions of any such agreement to which such Grantor is a party, or otherwise in default or violation thereunder. To such Grantor's knowledge, no Securities Collateral pledged by such Grantor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against such Grantor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings (other than the certificates delivered to the Term Loan B Agent) which evidence any Pledged Securities of such Grantor.

SECTION 5.5 Certain Agreements of Grantors As Issuers and Holders of Equity Interests

(a) In the case of each Grantor which is an issuer of Securities Collateral, such Grantor agrees to be bound by the terms of this Security Agreement relating to the Securities Collateral issued by it and will comply with such terms insofar as such terms are applicable to it.

(b) In the case of each Grantor which is a partner in a partnership, limited liability company or other entity, such Grantor hereby consents to the extent required by the applicable Organization Documents to the pledge by each other Grantor, pursuant to the terms hereof, of the Pledged Interests in such partnership, limited liability company or other entity and, upon the occurrence and during the continuance of an Event of Default, to the transfer of such Pledged Interests to the Collateral Agent or its nominee and to the substitution of the Collateral Agent or its nominee as a substituted partner or member in such partnership, limited liability company or other entity with all the rights, powers and duties of a general partner or a limited partner or member, as the case may be.

ARTICLE VI

CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL

SECTION 6.1 Grant of License. Without limiting the rights of Collateral Agent as the holder of a Lien on the Intellectual Property Collateral, for the

purpose of enabling the Collateral Agent, during the continuance of an Event of Default, to exercise rights and remedies under Article VIII hereof at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Grantor hereby grants to the Collateral Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, assign, license or sublicense any of the Intellectual Property Collateral now owned or hereafter acquired by such Grantor, wherever the same may be located, including, to the extent within the possession or control of the Grantors, in such license access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof. Such license shall terminate automatically upon termination of this Agreement in accordance with SECTION 9.5(a).

SECTION 6.2 Registrations. Except (i) pursuant to licenses and other user agreements entered into by any Grantor in the ordinary course of business that are listed in Section III of the Perfection Certificate and (ii) as could not reasonably be expected to result in a Material Adverse Effect, on and as of the date hereof (i) each Grantor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any material Copyright, Patent or Trademark listed in Section III of the Perfection Certificate, and (ii) all registrations listed in Section III of the Perfection Certificate are valid and in full force and effect.

SECTION 6.3 No Violations or Proceedings. To each Grantor's knowledge, on and as of the date hereof, there is no violation by others of any right of such Grantor with respect to any Copyright, Patent or Trademark listed in Section III of the Perfection Certificate, respectively, pledged by it under the name of such Grantor.

SECTION 6.4 Protection of Collateral Agent's Security. On a continuing basis, each Grantor shall, at its sole cost and expense, (i) promptly following its becoming aware thereof, notify the Collateral Agent of (A) any adverse determination in any proceeding in the United States Patent and Trademark Office or the United States Copyright Office with respect to any Patent, Trademark or Copyright necessary for the conduct of business of such Grantor or (B) the institution of any proceeding or any adverse determination in any federal, state or local court or administrative body regarding such Grantor's claim of ownership in or right to use any of the Intellectual Property Collateral material to the use and operation of the Collateral, its right to register such Intellectual Property Collateral or its right to keep and maintain such registration in full force and effect, (ii) maintain and protect the Intellectual Property Collateral necessary for the conduct of business of such Grantor, (iii) not permit to lapse or become abandoned any Intellectual Property Collateral necessary for the conduct of business of such Grantor, and not settle or compromise any pending or future litigation or administrative proceeding with respect to such Intellectual Property Collateral, in each case except as shall be consistent with commercially reasonable business judgment and, if any Event of Default has occurred and is continuing, with the prior approval of the Collateral Agent (such approval not to be unreasonably withheld, delayed or conditioned), (iv) upon such Grantor's obtaining knowledge thereof, promptly notify the Collateral Agent in writing of any event which may be reasonably expected to materially and adversely affect the value or utility of the Intellectual Property Collateral or any portion thereof material to the use and operation of the Collateral, the ability of such Grantor or the Collateral Agent to dispose of the

Intellectual Property Collateral or any portion thereof or the rights and remedies of the Collateral Agent in relation thereto including, without limitation, a levy or threat of levy or any legal process against the Intellectual Property Collateral or any portion thereof, (v) not license the Intellectual Property Collateral other than licenses entered into by such Grantor in, or incidental to, the ordinary course of business, or amend or permit the amendment of any of the material licenses in a manner that materially and adversely affects the right to receive payments thereunder, or in any manner that would materially impair the value of the Intellectual Property Collateral or the Lien on and security interest in the Intellectual Property Collateral intended to be granted to the Collateral Agent for the benefit of the Credit Parties, without the consent of the Collateral Agent or as otherwise permitted under the Credit Agreement, (vi) until the Collateral Agent exercises its rights to make collection, diligently keep adequate records respecting the Intellectual Property Collateral and (vii) furnish to the Collateral Agent from time to time upon the Collateral Agent's reasonable request therefor detailed statements and amended schedules further identifying and describing the Intellectual Property Collateral and such other materials evidencing or reports pertaining to the Intellectual Property Collateral as the Collateral Agent may from time to time request. Notwithstanding the foregoing, nothing herein shall prevent any Grantor from selling, disposing of or otherwise using any Intellectual Property Collateral as permitted under the Credit Agreement.

SECTION 6.5 After-Acquired Property. If any Grantor shall, at any time before this Security Agreement shall have been terminated in accordance with SECTION 9.5(a), (i) obtain any rights to any additional Intellectual Property Collateral or (ii) become entitled to the benefit of any additional Intellectual Property Collateral or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property Collateral, or any improvement on any Intellectual Property Collateral, the provisions hereof shall automatically apply thereto and any such item enumerated in clause (i) or (ii) of this SECTION 6.5 with respect to such Grantor shall automatically constitute Intellectual Property Collateral if such would have constituted Intellectual Property Collateral at the time of execution hereof and be subject to the Lien and security interest created by this Security Agreement without further action by any party. With respect to any federally registered Intellectual Property Collateral, each Grantor shall promptly (a) provide to the Collateral Agent written notice of any of the foregoing and (b) confirm the attachment of the Lien and security interest created by this Security Agreement to any rights described in clauses (i) and (ii) of the immediately preceding sentence of this SECTION 6.5 by execution of an instrument in form reasonably acceptable to the Collateral Agent.

SECTION 6.6 Modifications. Each Grantor authorizes the Collateral Agent to modify this Security Agreement by amending Section III of the Perfection Certificate to include any Intellectual Property Collateral acquired or arising after the date hereof of such Grantor including, without limitation, any of the items listed in SECTION 6.5 hereof.

SECTION 6.7 Litigation. Unless there shall occur and be continuing any Event of Default, each Grantor shall have the right to commence and prosecute in its own name, as the party in interest, for its own benefit and at the sole cost and expense of the Grantors, such applications for protection of the Intellectual Property Collateral and suits, proceedings or other actions to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value or other damage as are necessary to protect the Intellectual Property Collateral. Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent shall have the right but shall in no way be obligated to file applications for protection of the Intellectual Property Collateral and/or bring suit in the name of any Grantor, the Collateral Agent or the other Credit Parties to enforce the Intellectual Property Collateral and any license thereunder. In the event of such suit, each Grantor shall, at the reasonable request of the Collateral Agent, do any and all lawful acts and execute any and all documents reasonably requested by the Collateral Agent in aid of such enforcement and the Grantors shall promptly reimburse and indemnify the Collateral Agent, as the case may be, for all costs and expenses incurred by the Collateral Agent in the exercise of its rights under this SECTION 6.7 in accordance with SECTION 9.3 hereof. In the event that

the Collateral Agent shall elect not to bring suit to enforce the Intellectual Property Collateral, each Grantor agrees, at the reasonable request of the Collateral Agent, to take all commercially reasonable actions necessary, whether by suit, proceeding or other action, to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value of or other damage to any of the Intellectual Property Collateral by others and for that purpose agrees to diligently maintain any suit, proceeding or other action against any Person so infringing necessary to prevent such infringement, except, in each case, as could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.8 Third Party Consents. Each Grantor shall use reasonable commercial efforts to obtain the consent of third parties to the extent such consent is necessary to create a valid, perfected security interest in favor of the Collateral Agent in any Intellectual Property Collateral.

ARTICLE VII

CERTAIN PROVISIONS CONCERNING ACCOUNTS

SECTION 7.1 Special Representations and Warranties. As of the time when each of its Accounts is included in the Borrowing Base as an Eligible Credit Card Receivable or an Eligible Trade Receivable each Grantor shall be deemed to have represented and warranted that such Account and all records, papers and documents relating thereto (i) are genuine and correct and in all material respects what they purport to be, (ii) to such Grantor's knowledge, represent the legal, valid and binding obligation of the account debtor, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, evidencing indebtedness unpaid and owed by such account debtor, arising out of the performance of labor or services or the sale, lease, license, assignment or other disposition and delivery of the goods or other property listed therein or out of an advance or a loan, and (iii) are in all material respects in compliance and conform with all applicable material federal, state and local Laws and applicable Laws of any relevant foreign jurisdiction.

SECTION 7.2 Maintenance of Records. Each Grantor shall keep and maintain at its own cost and expense materially complete records of each Account, in a manner consistent with prudent business practice, including, without limitation, records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto. Each Grantor shall, at such Grantor's sole cost and expense, upon the Collateral Agent's written demand made at any time after the occurrence and during the continuance of any Event of Default, deliver all tangible evidence of Accounts, including, without limitation, all documents evidencing Accounts and any books and records relating thereto to the Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by such Grantor). Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent may transfer a full and complete copy of any Grantor's books, records, credit information, reports, memoranda and all other writings relating to the Accounts to and for the use by any Person that has acquired or is contemplating acquisition of an interest in the Accounts or the Collateral Agent's security interest therein in accordance with applicable Law without the consent of any Grantor.

SECTION 7.3 Legend. Each Grantor shall legend, at the reasonable request of the Collateral Agent made at any time after the occurrence and during the continuance of any Event of Default and in form and manner reasonably satisfactory to the Collateral Agent, the Accounts and the other books, records and documents of such Grantor evidencing or pertaining to the Accounts with an

appropriate reference to the fact that the Accounts have been collaterally assigned to the Collateral Agent for the benefit of the Credit Parties and that the Collateral Agent has a security interest therein.

SECTION 7.4 Modification of Terms, Etc. No Grantor shall rescind or cancel any indebtedness evidenced by any Account or modify any term thereof or make any adjustment with respect thereto except in the ordinary course of business consistent with prudent business practice, or extend or renew any such indebtedness except in the ordinary course of business consistent with prudent business practice or compromise or settle any dispute, claim, suit or legal proceeding relating thereto or sell any Account or interest therein except in the ordinary course of business consistent with prudent business practice in accordance with the Credit Agreement without the prior written consent of the Collateral Agent.

SECTION 7.5 Collection. Each Grantor shall cause to be collected from the account debtor of each of the Accounts, as and when due in the ordinary course of business consistent with prudent business practice (including, without limitation, Accounts that are delinquent, such Accounts to be collected in accordance with generally accepted commercial collection procedures), any and all amounts owing under or on account of such Account, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The costs and expenses (including, without limitation, reasonable and documented attorneys' fees) of collection, in any case, whether incurred by any Grantor, the Collateral Agent or any other Credit Party, shall be paid by the Grantors.

ARTICLE VIII

REMEDIES

SECTION 8.1 Remedies. Upon the occurrence and during the continuance of any Event of Default the Collateral Agent may, and at the direction of the Required Lenders, shall, from time to time in respect of the Collateral (in each case, subject to the Term Loan B Intercreditor Agreement), in addition to the other rights and remedies provided for herein, under applicable Law or otherwise available to it:

(a) Personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from any Grantor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon any Grantor's premises where any of the Collateral is located, remove such Collateral, remain present at such premises to receive copies of all communications and remittances relating to the Collateral and use in connection with such removal and possession any and all services, supplies, aids and other facilities of any Grantor;

(b) Demand, sue for, collect or receive any money or property at any time payable or receivable in respect of the Collateral including, without limitation, instructing the obligor or obligors on any agreement, instrument or other obligation constituting part of the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Collateral Agent, and in connection with any of the foregoing, compromise, settle, extend the time for payment and make other modifications with respect thereto; provided, however, that in the event that any such payments are made directly to any Grantor, prior to receipt by any such obligor of such instruction, such Grantor shall segregate all amounts received

pursuant thereto in trust for the benefit of the Collateral Agent and shall promptly pay such amounts to the Collateral Agent;

(c) Sell, assign, grant a license to use or otherwise liquidate, or direct any Grantor to sell, assign, grant a license to use or otherwise liquidate, any and all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment, license or liquidation;

(d) Take possession of the Collateral or any part thereof, by directing any Grantor in writing to deliver the same to the Collateral Agent at any place or places so designated by the Collateral Agent, in which event such Grantor shall at its own expense: (A) forthwith cause the same to be moved to the place or places designated by the Collateral Agent and therewith delivered to the Collateral Agent, (B) store and keep any Collateral so delivered to the Collateral Agent at such place or places pending further action by the Collateral Agent and (C) while the Collateral shall be so stored and kept, provide such security and maintenance services as shall reasonably be necessary to protect the same and to preserve and maintain them in good condition. Each Grantor's obligation to deliver the Collateral as contemplated in this SECTION 8.1 is of the essence hereof. Upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by any Grantor of such obligation;

(e) Withdraw all moneys, instruments, securities and other property in any bank, financial securities, deposit or other account of any Grantor constituting Collateral for application to the Secured Obligations as provided in SECTION 8.7 hereof;

(f) Retain and apply the Distributions to the Secured Obligations as provided in Article V hereof;

(g) Exercise any and all rights as beneficial and legal owner of the Collateral, including, without limitation, perfecting assignment of and exercising any

and all voting, consensual and other rights and powers with respect to any Collateral; and

(h) Exercise all the rights and remedies of a secured party under the UCC, and the Collateral Agent may also in its sole discretion, without notice except as specified in SECTION 8.2 hereof, sell, assign or grant a license to use the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable. The Collateral Agent or any other Credit Party or any of their respective Affiliates may be the purchaser, licensee, assignee or recipient of any or all of the Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations owed to such Person as a credit on account of the purchase price of any Collateral payable by such Person at such sale. Each purchaser, assignee, licensee or recipient at any such sale shall acquire the property sold, assigned or licensed absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives, to the fullest extent permitted by Law, all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Collateral Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the fullest extent

permitted by Law, each Grantor hereby waives any claims against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold, assigned or licensed at such a private sale was less than the price which might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than one offeree.

SECTION 8.2 Notice of Sale. Each Grantor acknowledges and agrees that, to the extent notice of sale or other disposition of Collateral shall be required by applicable Law and unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market (in which event the Collateral Agent shall provide such Grantor such advance notice as may be practicable under the circumstances), ten (10) days' prior written notice to such Grantor of the time and place of any public sale or of the time after which any private sale or other intended disposition is to take place shall be commercially reasonable notification of such matters. To the extent permitted by applicable Law, no notification need be given to any Grantor if it has signed, after the occurrence of an Event of Default, a statement renouncing or modifying (as permitted under Law) any right to notification of sale or other intended disposition.

SECTION 8.3 Waiver of Notice and Claims. Each Grantor hereby waives, to the fullest extent permitted by applicable Law, notice or judicial hearing in connection with the Collateral Agent's taking possession or the Collateral Agent's disposition of any of the Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Grantor would otherwise have under law, and each Grantor hereby further waives, to the fullest extent permitted by applicable Law: (i) all damages occasioned by such taking of possession, (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder and (iii) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable Law. The Collateral Agent shall not be liable for any incorrect or improper payment made pursuant to this Article VIII in the absence of gross negligence or willful misconduct. Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the applicable Grantor therein and thereto, and shall be a perpetual bar both at law and in equity against such Grantor and against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through or under such Grantor.

SECTION 8.4 Certain Sales of Collateral.

(a) Each Grantor recognizes that, by reason of certain prohibitions contained in applicable Law, rules, regulations or orders of any Governmental Authority, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who meet the requirements of such Governmental Authority. Each Grantor acknowledges that any such sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such restricted sale shall be deemed to have been made in a commercially reasonable manner and that, except as may be required by applicable Law, the Collateral Agent shall have no obligation to engage in public sales.

(b) Each Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act, and applicable state securities Laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Securities Collateral and Investment Property, to limit purchasers to Persons who will agree, among other things, to acquire such Securities Collateral or Investment Property for their own account, for investment and not with a view to the distribution

or resale thereof. Each Grantor acknowledges that any such private sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Securities Collateral or Investment Property for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities Laws, even if such issuer would agree to do so.

(c) If the Collateral Agent determines to exercise its right to sell any or all of the Securities Collateral or Investment Property, upon prior written request, the applicable Grantor shall from time to time furnish to the Collateral Agent all such information as the Collateral Agent may reasonably request in order to determine the number of securities included in the Securities Collateral or Investment Property which may be sold by the Collateral Agent as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(d) Each Grantor further agrees that a breach of any of the covenants contained in this SECTION 8.4 will cause irreparable injury to the Collateral Agent and the other Credit Parties, that the Collateral Agent and the other Credit Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this SECTION 8.4 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

SECTION 8.5 No Waiver; Cumulative Remedies.

(a) No failure on the part of the Collateral Agent to exercise, no course of dealing with respect to, and no delay on the part of the Collateral Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy; nor shall the Collateral Agent be required to look first to, enforce or exhaust any other security, collateral or guaranties. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law.

(b) In the event that the Collateral Agent shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by

foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case, the Grantors, the Collateral Agent and each other Credit Party shall be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Collateral Agent and the other Credit Parties shall continue as if no such proceeding had been instituted.

SECTION 8.6 Certain Additional Actions Regarding Intellectual Property. If any Event of Default shall have occurred and be continuing, upon the written demand of Collateral Agent, each Grantor shall execute and deliver to Collateral Agent an assignment or assignments of the registered Patents, Trademarks and/or Copyrights and such other documents as are necessary or appropriate to carry out the intent and purposes hereof to the extent such assignment does not result in any loss of rights therein under applicable Law. Within five (5) Business Days of written notice thereafter from Collateral

Agent, each Grantor shall make available to Collateral Agent, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of the Event of Default as Collateral Agent may reasonably designate to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by such Grantor under the registered Patents, Trademarks and/or Copyrights, and such Persons shall be available to perform their prior functions on Collateral Agent's behalf.

SECTION 8.7 Application of Proceeds. The proceeds received by the Collateral Agent in respect of any sale of, collection from or other realization upon all or any part of the Collateral pursuant to the exercise by the Collateral Agent of its remedies shall be applied, together with any other sums then held by the Collateral Agent pursuant to this Security Agreement, in accordance with and as set forth in Section 8.04 of the Credit Agreement.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Concerning Collateral Agent.

(a) The Collateral Agent has been appointed as collateral agent pursuant to the Credit Agreement. The actions of the Collateral Agent hereunder are subject to the provisions of the Credit Agreement. The Collateral Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of the Collateral), in accordance with this Security Agreement and the Credit Agreement. The Collateral Agent may employ agents and attorneys-in-fact in connection herewith and shall not be liable for the negligence or misconduct of any such agents or attorneys-in-fact. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in the Credit Agreement. Upon the acceptance of any appointment as the Collateral Agent by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under this Security Agreement, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under this Security Agreement. After any retiring Collateral Agent's resignation, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was the Collateral Agent.

(b) The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equivalent to that which the Collateral Agent, in its individual capacity, accords its own property consisting of similar instruments or interests, it being understood that neither the Collateral Agent nor any of the other Credit Parties shall have responsibility for, without limitation (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Securities Collateral, whether or not the Collateral Agent or any other Credit Party has or is deemed to have knowledge of such matters or (ii) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

(c) The Collateral Agent shall be entitled to rely upon any written notice, statement, certificate, order or other document or any telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person, and, with respect to all

matters pertaining to this Security Agreement and its duties hereunder, upon advice of counsel selected by it.

(d) If any item of Collateral also constitutes collateral granted to Collateral Agent under any other deed of trust, mortgage, security agreement, pledge or instrument of any type, in the event of any conflict between the provisions hereof and the provisions of such other deed of trust, mortgage, security agreement, pledge or instrument of any type in respect of such collateral, Collateral Agent, in its sole discretion, shall select which provision or provisions shall control.

SECTION 9.2 Collateral Agent May Perform; Collateral Agent Appointed Attorney-in-Fact. If any Grantor shall fail to perform any covenants contained in this Security Agreement or in the Credit Agreement, the Collateral Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend funds for such purpose; provided, however, that Collateral Agent shall in no event be bound to inquire into the validity of any tax, lien, imposition or other obligation which such Grantor fails to pay or perform as and when required hereby. Any and all amounts so expended by the Collateral Agent shall be paid by the Grantors in accordance with the provisions of SECTION 9.3 hereof. Neither the provisions of this SECTION 9.2 nor any action taken by Collateral Agent pursuant to the provisions of this SECTION 9.2 shall prevent any such failure to observe any covenant contained in this Security Agreement nor any breach of warranty from constituting an Event of Default. Each Grantor hereby appoints the Collateral Agent its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, or otherwise, from time to time after the occurrence and during the continuation of an Event of Default in the Collateral Agent's discretion to take any action and to execute any instrument consistent with the terms of the Credit Agreement and the other Security Documents which the Collateral Agent may deem necessary to accomplish the purposes hereof. The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof until the termination of this Agreement in accordance with SECTION 9.5. Each Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

SECTION 9.3 Expenses. Each Grantor will upon demand pay to the Collateral Agent the amount of any and all amounts required to be paid pursuant to Section 10.04 of the Credit Agreement.

SECTION 9.4 Continuing Security Interest; Assignment. This Agreement shall create a continuing security interest in the Collateral and shall (i) be binding upon the Grantors, their respective successors and assigns, and (ii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and the other Credit Parties and each of their respective successors, transferees and assigns. No other Persons (including, without limitation, any other creditor of any Grantor) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (ii), any Credit Party may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Credit Party, herein or otherwise, subject, however, to the provisions of the Credit Agreement.

SECTION 9.5 Termination; Release.

(a) This Security Agreement, the Lien in favor of the Collateral Agent (for the benefit of itself and the other Credit Parties) and all other security interests granted hereby (1) shall terminate with respect to all Secured Obligations when (i) the Commitments shall have expired or been terminated, (ii) the principal of and interest on each Loan and all fees and other Secured Obligations shall have been paid in full in cash, (iii) all Letters of Credit (as defined in

the Credit Agreement) shall have (A) expired or terminated and have been reduced to zero, (B) been Cash Collateralized to the extent required by the Credit Agreement, or (C) been supported by another letter of credit in a manner reasonably satisfactory to the L/C Issuer and the Administrative Agent, and (iv) all L/C Obligations have been paid in full; provided, however, that in connection with the termination of this Security Agreement, the Collateral Agent may require such indemnities as it shall reasonably deem necessary or appropriate to protect the Credit Parties against (x) loss on account of credits previously applied to the Secured Obligations that may subsequently be reversed or revoked, and (y) any obligations that may thereafter arise with respect to the Other Liabilities, and (2) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Secured Obligation is rescinded or must otherwise be restored by any Credit Party or the Grantors upon the bankruptcy or reorganization of any Loan Party or otherwise.

(b) The Collateral shall be released from the Lien of this Security Agreement in accordance with the provisions of the Credit Agreement (which release shall be automatic in the case of any sale, transfer or disposition permitted under Section 7.05 of the Credit Agreement). Upon termination hereof or any release of Collateral in accordance with the provisions of the Credit Agreement, the Collateral Agent shall, upon the request and at the sole cost and expense of the Grantors, assign, transfer and deliver to the Grantors, against receipt and without recourse to or warranty by the Collateral Agent, such of the Collateral to be released (in the case of a release) or all of the Collateral (in the case of termination of this Security Agreement) as may be in possession of the Collateral Agent and as shall not have been sold or otherwise applied pursuant to the terms hereof, and, with respect to any other Collateral, proper documents and instruments (including UCC-3 termination statements or releases) acknowledging the termination hereof or the release of such Collateral, as the case may be.

(c) At any time that the respective Grantor desires that the Collateral Agent take any action described in clause (b) of this SECTION 9.5, such Grantor shall, upon reasonable request of the Collateral Agent, deliver to the Collateral Agent an officer's certificate certifying that the release of the respective Collateral is permitted pursuant to clause (a) or (b) of this SECTION 9.5. The Collateral Agent shall have no liability whatsoever to any other Credit Party as the result of any release of Collateral by it as permitted (or which the Collateral Agent in good faith believes to be permitted) by this SECTION 9.5.

SECTION 9.6 Modification in Writing. No amendment, modification, supplement, termination or waiver of or to any provision hereof, nor consent to any departure by any Grantor therefrom, shall be effective unless the same shall be made in accordance with the terms of the Credit Agreement and unless in writing and signed by the Collateral Agent and the Grantors. Any amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by any Grantor from the terms of any provision hereof shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Security Agreement or any other document evidencing the Secured Obligations, no notice to or demand on any Grantor in any case shall entitle any Grantor to any other or further notice or demand in similar or other circumstances.

SECTION 9.7 Notices. Unless otherwise provided herein or in the Credit Agreement, any notice or other communication herein required or permitted to be given shall be given in the manner and become effective as set forth in the Credit Agreement, as to any Grantor, addressed to it at the address of the Lead Borrower set forth in the Credit Agreement and as to the Collateral Agent, addressed to it at the address set forth in the Credit Agreement, or in each case at such other address as shall be designated

by such party in a written notice to the other parties hereto complying as to delivery with the terms of this SECTION 9.7.

SECTION 9.8 GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

SECTION 9.9 CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH GRANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECURITY AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY CREDIT PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GRANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (A) OF THIS SECTION. EACH GRANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH GRANTOR AGREES THAT ANY ACTION COMMENCED BY ANY GRANTOR ASSERTING ANY CLAIM ARISING UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT SOLELY IN A COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY OR ANY FEDERAL COURT SITTING THEREIN AND ANY COUNTERCLAIM BROUGHT BY ANY GRANTOR SHALL BE IN THE SAME COURT WHERE THE SUCH INITIAL CLAIM WAS BROUGHT, IN EACH CASE, AS THE COLLATERAL AGENT MAY ELECT IN ITS SOLE DISCRETION AND CONSENTS TO

THE EXCLUSIVE JURISDICTION OF SUCH COURTS WITH RESPECT TO ANY SUCH ACTION.

(d) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.7. NOTHING IN THIS SECURITY AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND WHETHER INITIATED BY OR AGAINST ANY SUCH PERSON OR IN WHICH ANY SUCH PERSON IS JOINED AS A PARTY LITIGANT). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.10 Severability of Provisions. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 9.11 Execution in Counterparts; Effectiveness. This Security Agreement may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Security Agreement by telecopy, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

SECTION 9.12 No Release. Nothing set forth in this Security Agreement shall relieve any Grantor from the performance of any term, covenant, condition or agreement on such Grantor's part to be performed or observed under or in respect of any of the Collateral or from any liability to any Person under or in respect of any of the Collateral or shall impose any obligation on the Collateral Agent or any other Credit Party to perform or observe any such term, covenant, condition or agreement on such Grantor's part to be so performed or observed or shall impose any liability on the Collateral Agent or any other Credit Party for any act or omission on the part of such Grantor relating thereto or for any breach of any representation or warranty on the part of such Grantor contained in this Security Agreement, the Credit Agreement or the other Loan Documents, or under or in respect of the Collateral or made in connection herewith or therewith. The obligations of each Grantor contained in this SECTION 9.12 shall survive the termination hereof and the discharge of such Grantor's other obligations under this Security Agreement, the Credit Agreement and the other Loan Documents.

SECTION 9.13 Obligations Absolute. All obligations of each Grantor hereunder shall be absolute and unconditional irrespective of:

(a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Grantor;

(b) any lack of validity or enforceability of the Credit Agreement or any other Loan Document, or any other agreement or instrument relating thereto;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement or any other Loan Document or any other agreement or instrument relating thereto;

(d) any pledge, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Secured Obligations;

(e) any exercise, non-exercise or waiver of any right, remedy, power or privilege under or in respect hereof, the Credit Agreement or any other Loan Document except as specifically set forth in a waiver granted pursuant to the provisions of SECTION 9.6 hereof; or

(f) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Grantor (other than the termination of this Security Agreement in accordance with SECTION 9.5(a) hereof).

SECTION 9.14 Intercreditor Agreement. Notwithstanding anything herein to the contrary, the parties hereto acknowledge that the security interest and Liens granted to the Collateral Agent herein for the benefit of the Collateral Agent, the Credit Parties and the other holders of the Secured Obligations and the rights, remedies, duties and obligations provided for herein are subject to the terms of the Term Loan B Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of this Agreement and the Term Loan B Intercreditor Agreement, the provisions of the Term Loan B Intercreditor Agreement shall control. Nothing contained in the Term Loan B Intercreditor Agreement shall be deemed to modify any of the provisions of this Agreement, which, as among the Grantors and Collateral Agent shall remain in full force and effect in accordance with its terms.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Grantors and the Collateral Agent have caused this Security Agreement to be duly executed and delivered by their duly authorized officers as of the date first above written.

FLOOR AND DECOR OUTLETS OF AMERICA, INC., as a Grantor

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

FDO ACQUISITION CORP., as a Grantor

By: /s/ Trevor Lang

Name: Trevor Lang
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ William Chan
Name: William Chan
Title: Director

GUARANTY AGREEMENT

GUARANTY AGREEMENT (this "Guaranty"), dated as of May 1, 2013, by FDO ACQUISITION CORP., a Delaware corporation (the "Guarantor" and, together with any other person that executes a joinder hereto, the "Guarantors") in favor of (a) WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent, term loan agent and collateral agent (in such capacities, the "Agent") for its own benefit and the benefit of the other Credit Parties (as defined in the Credit Agreement referred to below) and (b) the other Credit Parties.

W I T N E S S E T H

WHEREAS, reference is made to that certain Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified hereafter, the "Credit Agreement"), by and among (i) Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Lead Borrower"), (ii) the other Borrowers party thereto, (iii) the Guarantors party thereto, (iv) the Agent and (v) the lenders party thereto (the "Lenders"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Lenders have agreed to make Loans to the Borrowers, and the L/C Issuer has agreed to issue Letters of Credit for the account of the Borrowers, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement.

WHEREAS, each Guarantor acknowledges that it is an integral part of a consolidated enterprise and that it will receive direct and indirect benefits from the availability of the credit facility provided for in the Credit Agreement, from the making of the Loans by the Lenders, and the issuance of the Letters of Credit by the L/C Issuer.

WHEREAS, the obligations of the Lenders to make Loans and of the L/C Issuer to issue Letters of Credit are each conditioned upon, among other things, the execution and delivery by the Guarantors of a guaranty in the form hereof. As consideration therefor, and in order to induce the Lenders to make Loans and the L/C Issuer to issue Letters of Credit, the Guarantors are willing to execute this Guaranty.

Accordingly, each Guarantor hereby agrees as follows:

SECTION 1. Guaranty. Each Guarantor irrevocably and unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the due and punctual payment when due (whether at the stated maturity, by required prepayment, by acceleration or otherwise) and performance by the Borrowers of all Obligations (collectively, the "Guaranteed Obligations"), including all such Guaranteed Obligations which shall become due but for the operation of the Bankruptcy Code. Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon this Guaranty notwithstanding any extension or renewal of any Guaranteed Obligation.

SECTION 2. Guaranteed Obligations Not Affected. To the fullest extent permitted by applicable Law, each Guarantor waives presentment to, demand of payment from, and protest to, any Loan Party of any of the Guaranteed Obligations, and also waives notice of acceptance of this Guaranty, notice of protest for nonpayment and all other notices of any kind. To the fullest extent permitted by applicable Law, the obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Agent or any other Credit Party to assert any claim or demand or to enforce or exercise any right or remedy against any Loan Party under the provisions of the Credit Agreement, any other Loan Document

---

or otherwise or against any other party with respect to any of the Guaranteed Obligations, (b) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of this Guaranty, any other Loan Document or any other agreement, with respect to any Loan Party or with respect to the Guaranteed Obligations, (c) the failure to perfect any security interest in, or the release of, any of the Collateral held by or on behalf of the Agent or any other Credit Party, or (d) the lack of legal existence of any Loan Party or legal obligation to discharge any of the Guaranteed Obligations by any Loan Party for any reason whatsoever, including, without limitation, in any insolvency, bankruptcy or reorganization of any Loan Party.

SECTION 3. Security. Each Guarantor hereby acknowledges and agrees that the Agent and each of the other Credit Parties may (a) take and hold security for the payment of this Guaranty and the Guaranteed Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine, and (c) release or substitute any one or more endorsees, the Borrowers, other guarantors or other obligors, in each case without affecting or impairing in any way the liability of any Guarantor hereunder.

SECTION 4. Guaranty of Payment. Each Guarantor further agrees that this Guaranty constitutes a guaranty of payment and performance when due of all Guaranteed Obligations and not of collection and, to the fullest extent permitted by applicable Law, waives any right to require that any resort be had by the Agent or any other Credit Party to any of the Collateral or other security held for payment of the Guaranteed Obligations or to any balance of any deposit account or credit on the books of the Agent or any other Credit Party in favor of any Loan Party or any other Person or to any other guarantor of all or part of the Guaranteed Obligations. Any payment required to be made by the Guarantors hereunder may be required by the Agent or any other Credit Party on any number of occasions and shall be payable to the Agent, for the benefit of the Agent and the other Credit Parties, in the manner provided in the Credit Agreement.

SECTION 5. Indemnification. Each Guarantor shall indemnify the Credit Parties and each of their Subsidiaries and Affiliates, and each of their respective stockholders, directors, officers, employees, agents, attorneys, and advisors as set forth in Section 10.04 of the Credit Agreement.

SECTION 6. No Discharge or Diminishment of Guaranty. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the payment in full in cash of the Guaranteed Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Guaranteed Obligations, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the Guaranteed Obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Agent or any other Credit Party to assert any claim or demand or to enforce any remedy under this Guaranty, the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or omission that may in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the payment in full in cash of the Guaranteed Obligations).

SECTION 7. Defenses of Loan Parties Waived. To the fullest extent permitted by applicable Law, each Guarantor waives any defense based on or arising out of any defense of any Loan Party or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Loan Party, other than the indefeasible payment in full in cash of the

Guaranteed Obligations. Each Guarantor hereby acknowledges that the Agent and the other Credit Parties may, at its election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Loan Party, or exercise any other right or remedy available to them against any Loan Party, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent that the Guaranteed Obligations have been paid in full in cash. Pursuant to, and to the extent permitted by, applicable Law, each Guarantor waives any defense arising out of any such election and waives any benefit of and right to participate in any such foreclosure action, even though such election operates, pursuant to applicable Law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against any Loan Party, as the case may be, or any security. Each Guarantor agrees that it shall not assert any claim in competition with the Agent or any other Credit Party in respect of any payment made hereunder in any bankruptcy, insolvency, reorganization, or any other proceeding.

SECTION 8. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Agent or any other Credit Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of any Loan Party to pay any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Agent or such other Credit Party as designated thereby in cash the amount of such unpaid Guaranteed Obligations. Upon payment by any Guarantor of any sums to the Agent or any other Credit Party as provided above, all rights of such Guarantor against any Loan Party arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior payment in full in cash of all the Guaranteed Obligations. In addition, any indebtedness of the Borrowers or any other Loan Party now or hereafter held by the Guarantor is hereby subordinated in right of payment to the prior indefeasible payment in full in cash of all of the Guaranteed Obligations. After the occurrence and during the continuance of an Event of Default, no Guarantor will demand, sue for, or otherwise attempt to collect any such indebtedness until the payment in full in cash of the Guaranteed Obligations, termination or expiration of the Commitments, and termination of the L/C Issuer's obligation to issue Letters of Credit under the Credit Agreement. If any amount shall erroneously be paid to any Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such indebtedness, such amount shall be held in trust for the benefit of the Credit Parties and shall forthwith be paid to the Agent to be credited against the payment of the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement.

SECTION 9. Limitation on Guaranty of Guaranteed Obligations. In any action or proceeding with respect to any Guarantor involving any state corporate law, the Bankruptcy Code or any other state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of such Guarantor under SECTION 1 hereof would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under said SECTION 1, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Credit Party, the Agent or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

SECTION 10. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of each Loan Party's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks

that such Guarantor assumes and incurs hereunder, and agrees that none of the Agent or the other Credit Parties will have any duty to advise any Guarantor of information known to it or any of them regarding such circumstances or risks.

SECTION 11. Termination. This Guaranty (a) shall terminate when (i) the Commitments shall have expired or been terminated, (ii) the principal of and interest on each Loan and all fees and other Guaranteed Obligations shall have been paid in full, (iii) all Letters of Credit shall have expired or terminated or been cash collateralized or backstopped by a letter of credit reasonably acceptable to the Agent and the L/C Issuer to the extent provided in the Credit Agreement, and (iv) all L/C Obligations shall have been paid in full, and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Guaranteed Obligation is rescinded or must otherwise be restored by any Credit Party or any Guarantor upon the bankruptcy or reorganization of any Loan Party or otherwise.

SECTION 12. Costs of Enforcement. Without limiting any of its obligations under the Credit Agreement and the other Loan Documents, and without duplication of any fees or expenses provided for under the Credit Agreement or the other Loan Documents, the Guarantors agree to pay all Credit Party Expenses.

SECTION 13. Binding Effect; Several Agreement; Assignments. Whenever in this Guaranty any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of each Guarantor that are contained in this Guaranty shall bind and inure to the benefit of each of such Guarantor and its successors and assigns. This Guaranty shall be binding upon each Guarantor and its successors and assigns, and shall inure to the benefit of the Agent and the other Credit Parties, and their respective successors and assigns, except that such Guarantor shall not have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such attempted assignment or transfer shall be void), except as expressly permitted by this Guaranty or the Credit Agreement.

SECTION 14. Waivers; Amendment.

(a) The rights, remedies, powers, privileges, and discretion of the Agent hereunder and under applicable Law (herein, the "Agent's Rights and Remedies") shall be cumulative and not exclusive of any rights or remedies which they would otherwise have. No delay or omission by the Agent in exercising or enforcing any of the Agent's Rights and Remedies shall operate as, or constitute, a waiver thereof. No waiver by the Agent of any Event of Default or of any default under any other agreement shall operate as a waiver of any other default hereunder or under any other agreement. No single or partial exercise of any of the Agent's Rights or Remedies, and no express or implied agreement or transaction of whatever nature entered into between the Agent and any Person, at any time, shall preclude the other or further exercise of the Agent's Rights and Remedies. No waiver by the Agent of any of the Agent's Rights and Remedies on any one occasion shall be deemed a waiver on any subsequent occasion, nor shall it be deemed a continuing waiver. The Agent's Rights and Remedies may be exercised at such time or times and in such order of preference as the Agent may determine. The Agent's Rights and Remedies may be exercised without resort or regard to any other source of satisfaction of the Guaranteed Obligations. No waiver of any provisions of this Guaranty or any other Loan Document or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or

demand on any Guarantor in any case shall entitle such Guarantor or any other Guarantor to any other or further notice or demand in the same, similar or other circumstances.

(b) Neither this Guaranty nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Agent and the Guarantor or Guarantors with respect to whom such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.01 of the Credit Agreement.

SECTION 15. Copies and Facsimiles. This instrument and all documents which have been or may be hereinafter furnished by the Guarantors to the Agent may be reproduced by the Agent by any photographic, microfilm, xerographic, digital imaging, or other process. Any such reproduction shall be admissible in evidence as the

original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business). Any facsimile or other electronic transmission which bears proof of transmission shall be binding on the party which or on whose behalf such transmission was initiated and likewise so admissible in evidence as if the original of such facsimile or other electronic transmission had been delivered to the party which or on whose behalf such transmission was received.

SECTION 16. Governing Law. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

SECTION 17. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 10.02 of the Credit Agreement, provided, that, communications and notices to the Guarantors may be delivered to the Lead Borrower on behalf of each Guarantor.

SECTION 18. Survival of Agreement; Severability.

(a) All covenants, agreements, indemnities, representations and warranties made by the Guarantors herein and in the certificates or other instruments delivered in connection with or pursuant to this Guaranty, the Credit Agreement or any other Loan Document shall be considered to have been relied upon by the Agent and the other Credit Parties and shall survive the execution and delivery of this Guaranty, the Credit Agreement and the other Loan Documents and the making of any Loans by the Lenders and the issuance of any Letters of Credit by the L/C Issuer, regardless of any investigation made by the Agent or any other Credit Party or on their behalf and notwithstanding that the Agent or other Credit Party may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended, and shall continue in full force and effect until terminated as provided in SECTION 11 hereof. The provisions of SECTION 4 and SECTION 12 hereof shall survive and remain in full force and effect regardless of the repayment of the Guaranteed Obligations, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Guaranty or any provision hereof.

(b) Any provision of this Guaranty held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 19. Counterparts. This Guaranty may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Guaranty by facsimile, pdf, or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Guaranty.

SECTION 20. Rules of Interpretation. The rules of interpretation specified in Sections 1.02 through 1.05 of the Credit Agreement shall be applicable to this Guaranty.

SECTION 21. Jurisdiction; Consent to Service of Process.

(a) Each Guarantor agrees that any suit for the enforcement of this Guaranty or any other Loan Document may be brought in the courts of the State of New York sitting in New York County or any federal court sitting therein, as the Agent may elect in their sole discretion, and consents to the non-exclusive jurisdiction of such courts. Each Guarantor hereby waives any objection which it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient forum. Each Guarantor irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guaranty or any other Loan Document, or for recognition or enforcement of any judgment, and each Guarantor hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the fullest extent permitted by applicable law, in such federal court. Each Guarantor hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guaranty or in any other Loan Document shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Guaranty or any other Loan Document against any Guarantor or its properties in the courts of any jurisdiction.

(b) Each Guarantor agrees that any action commenced by the Guarantor asserting any claim or counterclaim arising under or in connection with this Guaranty or any other Loan Document shall be brought solely in a court of the State of New York sitting in New York County or any federal court sitting therein, as the Agent may elect in their sole discretion, and consents to the exclusive jurisdiction of such courts with respect to any such action.

(c) Each Guarantor irrevocably consents to service of process in the manner provided for notices in SECTION 17. Nothing in this Guaranty or any other Loan Document will affect the right of the Agent to serve process in any other manner permitted by applicable law.

SECTION 22. Waiver of Jury Trial. EACH GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY) AND WAIVES THE RIGHT TO ASSERT ANY SETOFF, COUNTERCLAIM OR CROSS-CLAIM IN RESPECT OF, AND ALL STATUTES OF LIMITATIONS WHICH MAY BE RELEVANT TO, SUCH ACTION OR PROCEEDING; AND WAIVES DUE DILIGENCE, DEMAND, PRESENTMENT AND PROTEST AND ANY NOTICES

THEREOF AS WELL AS NOTICE OF NONPAYMENT. EACH GUARANTOR (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY CREDIT PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH CREDIT PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (B) ACKNOWLEDGES THAT THE AGENT AND THE OTHER CREDIT PARTIES HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION 22.

[**SIGNATURE PAGE FOLLOWS**]

IN WITNESS WHEREOF, the Guarantors have duly executed this Guaranty as of the day and year first above written.

GUARANTORS:

FDO ACQUISITION CORP.

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

Exhibit 10.14

EXECUTION COPY

FIRST AMENDMENT TO CREDIT AGREEMENT

FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of July 2, 2014 (the "Effective Date"), by and among

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent and Collateral Agent (in such capacities, the "Agent")

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Swing Line Lender and L/C Issuer,

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Term Loan Agent, the LENDERS party hereto (individually, each a "Lender" and collectively, "Lenders"),

FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation (the "Lead Borrower"); and

FDO Acquisition Corp., a Delaware corporation ("Borrower Holdco").

WHEREAS:

A. The Lead Borrower, Borrower Holdco, the Lenders and the Agent are parties to that certain Credit Agreement dated as of May 1, 2013 (as amended, restated, supplemented or otherwise modified, renewed or replaced from time to time, the "Credit Agreement"), pursuant to which the Lenders agreed, subject to the terms and conditions thereof, to extend credit and make certain other financial accommodations available to the Borrowers;

B. The Lead Borrower has notified the Agent of its request to increase the Aggregate Revolving Commitments by $25,000,000, and in connection therewith the Borrowers have requested that the Agent and the Lenders agree to amend the Credit Agreement as set forth herein, and the Agent and the Lenders have agreed to such amendments, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties signatory hereto agree as follows:

1. Definitions. Capitalized terms not otherwise defined herein shall have the respective meanings given such terms in the Credit Agreement.

2. Amendment to Credit Agreement.

(a) Additional Definitions. Section 1.01 of the Credit Agreement is hereby amended by adding the following defined terms in the appropriate alphabetical order therein:

"CIT Deferred Purchase Factoring Agreement" means that certain Deferred Purchase Factoring Agreement dated as of March 28, 2014, among the Lead Borrower and The CIT Group/Commercial Services, Inc. ("CIT").

"First Amendment" means the First Amendment to the Credit Agreement dated

---

and effective as of the First Amendment Effective Date, by and among the Lead Borrower, Borrower Holdco, the Agent, the Term Loan Agent and the Lenders party thereto.

"First Amendment Effective Date" means July 2, 2014. "Outside Revolving Maturity Date" means July 2, 2019.

"Qualified Cash" means unrestricted cash and unrestricted Permitted Cash Equivalent Investments of the Lead Borrower that are subject to the valid, enforceable and first priority perfected security interest of the Agent.

"Qualifying IPO" means the issuance by Borrower Holdco or any direct or indirect parent of Borrower Holdco of its common Equity Interests in an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8) pursuant to an effective registration statement filed with the SEC in accordance with the Securities Laws (whether alone or in connection with a secondary public offering).

"Revolving Maturity Date" means the earliest of (a) the Outside Revolving Maturity Date, (b) in the event that there are outstanding obligations under the Term Loan B Facility or any Permitted Refinancing thereof, the date that is 90 days prior to the then scheduled maturity date of the Term Loan B Obligations or any Permitted Refinancing thereof and (c) if the Term Loan has not been paid in full, the Term Maturity Date.

"Secured Leverage Ratio" means the ratio of Consolidated Total Indebtedness secured by a Lien minus Qualified Cash to Consolidated EBITDA.

"Term Maturity Date" means May 1, 2018.

(b) Section 1.01 of the Credit Agreement is hereby amended by amending and restating the following defined terms in their entirety:

"Accelerated Borrowing Base Delivery Event" means either (a) the occurrence and continuance of any Event of Default, or (b) at the election of the Agent, the failure of the Borrowers to maintain Availability at least equal to twelve and one-half percent (12.5%) of the Loan Cap for any three (3) consecutive Business Days. For purposes of this Agreement, the occurrence of an Accelerated Borrowing Base Delivery Event shall be deemed continuing at the Agent's or at that Term Loan Agent's option (i) so long as such Event of Default has not been waived, and/or (ii) if the Accelerated Borrowing Base Delivery Event arises as a result of the Borrowers' failure to achieve Availability as required hereunder, until Availability has exceeded twelve and one-half percent (12.5%) of the Loan Cap for thirty (30) consecutive calendar days, in which case an Accelerated Borrowing Base Delivery Event shall no longer be deemed to be continuing for purposes of this Agreement. The termination of an Accelerated Borrowing Base Delivery Event as provided herein shall in no way limit, waive or delay the occurrence of a subsequent Accelerated Borrowing Base Delivery Event in the event that the conditions set forth in this definition again arise.

"Aggregate Revolving Commitments" means the Revolving Commitments of all the Lenders. As of the First Amendment Effective Date, the Aggregate

Revolving Commitments are $125,000,000.

"Applicable Margin" means:

(a) (i) From and after the Closing Date until the first Adjustment Date, the percentages set forth in Level II of the pricing grid below and (ii) from and after the First Amendment Effective Date until the first Adjustment Date thereafter, the percentages set forth in Level II of the pricing grid below; and

(b) From and after the first Adjustment Date and on each Adjustment Date thereafter, the Applicable Margin shall be determined from the following pricing grid based upon the Average Daily Availability for the most recent Fiscal Month ended immediately preceding such Adjustment Date; provided, however, notwithstanding anything to the contrary set forth herein, upon the occurrence of an Event of Default under Sections 8.01(b), (c), (h) or (i) or if an Event of Default arises based on a breach of Section 6.04(a), (b), (c) or (h), the Agent may, and at the direction of the Required Lenders shall, immediately increase the Applicable Margin to that set forth in Level III (even if the Average Daily Availability requirements for a different Level have been met) and interest shall accrue at the Default Rate; provided further if the foregoing financial statements or any Borrowing Base Certificates are at any time restated or otherwise revised (including as a result of an audit) or if the information set forth in such financial statements or any Borrowing Base Certificates otherwise proves to be false or incorrect such that the Applicable Margin would have been higher than was otherwise in effect during any period, without constituting a waiver of any Default or Event of Default arising as a result thereof, interest due under this Agreement shall be immediately recalculated at such higher rate for any applicable periods and shall be due and payable on demand.

Level	Average Daily Availability	LIBOR Margin	Base Rate Margin	Commercial Letter of Credit Fee	Standby Letter of Credit Fee
I	Greater than or equal to 66% of the Loan Cap	1.25%	0.25%	0.75%	1.25%
II	Less than 66% of the Loan Cap, but greater than 33% of the Loan Cap	1.50%	0.50%	1.00%	1.50%
III	Less than or equal to 33% of the Loan Cap	1.75%	0.75%	1.25%	1.75%

"Availability Reserves" means, the sum of (a) the Term Loan Reserve, as determined by the Term Loan Agent from time to time in its Permitted Discretion, and (b) without duplication of any other Reserves or items to the extent such items are otherwise addressed or excluded through eligibility criteria, such reserves as the Agent

from time to time determines in its Permitted Discretion as being appropriate (i) to reflect the impediments to the Agent's ability to realize upon the Collateral, (ii) to reflect claims and liabilities that the Agent determines will need to be satisfied in connection with the realization upon the Collateral, (iii) to reflect criteria, events, conditions, contingencies or risks which adversely affect any component of the Borrowing Base, or (iv) to reflect that a Default or an Event of Default then exists. Without limiting the generality of the foregoing, Availability Reserves may include, in the Agent's Permitted Discretion, (but are not limited to) reserves based on: (a) rent; (b) customs duties, and other costs to release Inventory which is being imported into the United States; (c) outstanding Taxes and other governmental charges, including, without limitation, ad valorem, real estate, personal property, sales, claims of the PBGC and other Taxes which may have priority over the interests of the Agent in the Collateral; (d) salaries, wages and benefits due to employees of any Borrower, (e) Customer Credit Liabilities, (f) Customer Deposits, (g) reserves for reasonably anticipated changes in the Appraised Value of Eligible Inventory between appraisals, (h) warehousemen's or bailee's charges and other Permitted Encumbrances which may have priority over the interests of the Agent in the Collateral, (i) amounts due to vendors on account of consigned goods, (j) Cash Management Reserves, (k) Bank Products Reserves, and (l) collection handling, agent and other fees, together with any claims or other charge backs, incurred in connection with receivables that are assigned in connection with the CIT Deferred Purchase Factoring Agreement.

"Maturity Date" means the Revolving Maturity Date or Term Maturity Date, as applicable.

"Term Applicable Margin" means, with respect to LIBO Rate Loans, a rate of 2.75% per annum, and, with respect to Base Rate Loans, a rate of 1.75% per annum.

"Term Loan Borrowing Base", at any time of calculation, an amount equal to:

(a) the face amount of Eligible Credit Card Receivables multiplied by ten percent (10%);

plus

(b) the Cost of Eligible Inventory, net of Inventory Reserves, multiplied by the product of ten percent (10%) multiplied by the Appraised Value of Eligible Inventory; provided, however, that Inventory constituting Eligible In-Transit Inventory shall be in an amount no greater than 20% of Eligible On-Hand Inventory;

plus

(c) ten percent (10%) multiplied by the face amount of Eligible Trade Receivables (net of Receivables Reserves applicable thereto).

"Total Leverage Ratio" shall mean the ratio of Consolidated Total Indebtedness minus Qualified Cash to Consolidated EBITDA for the trailing twelve (12) month period.

(c) The definition of "Eligible Trade Receivables" in Section 1.01 of the Credit Agreement is hereby amended by amending and restating clause (e) and adding a new

clause (w) as follows:

"(e) Accounts (i) that are not subject to a perfected first priority and exclusive Lien in favor of the Agent, (ii) with respect to which a Borrower does not have good, valid and marketable title thereto, free and clear of any Lien (other than (1) Liens granted to the Agent pursuant to the Security Documents, (2) Liens granted to the Term Loan B Agent pursuant to the Term Loan B Documents and are subject to the Term Loan B Intercreditor Agreement, (3) Liens permitted under Section 7.02(d) for which the Agent has established Reserves, and (4) Permitted Encumbrances which are junior in priority to the Liens in favor of the Agent for which the Agent has established Reserves in its Permitted Discretion), or (iii) that have been sold to CIT, or on which CIT has a Lien, pursuant to the terms of the CIT Deferred Purchase Factoring Agreement;

(w) all Accounts owed by an account debtor and/or its Affiliates that have outstanding Accounts sold to CIT, or on which CIT has a Lien, pursuant to the terms of the CIT Deferred Purchase Factoring Agreement."

(d) Sections 2.09(a) and (b) of the Credit Agreement are hereby amended and restated in their entirety as follows:

"(a) Commitment Fee. The Borrowers shall pay to the Agent for the account of each Revolving Lender in accordance with its Applicable Percentage, a commitment fee calculated on a per annum basis equal to 0.25% per annum times the actual daily amount by which the Aggregate Revolving Commitments exceed the Total Revolving Outstandings. The commitment fee shall accrue at all times during the Availability Period, including at any time during which one or more of the conditions in Article IV is not met, and shall be due and payable quarterly in arrears on the first day after the end of each quarter, commencing with the first such date to occur after the Closing Date, and on the last day of the Availability Period. The commitment fee shall be calculated quarterly in arrears."

"(b) Early Termination Fee. In the event that the Termination Date occurs, for any reason, prior to November 1, 2014, or in the event that the Borrowers voluntarily prepay the Term Loan, in whole or in part, prior to November 1, 2014, the Borrowers shall pay to the Term Loan Agent, for the ratable benefit of the Term Lenders, a fee (the "Early Termination Fee") in respect of amounts which are or become payable by reason thereof equal to one and one half percent (1.5%) of the Outstanding Term Loan or of the amount of any such voluntary prepayment of the Term Loan, as applicable; provided, that the Borrowers shall not be required to pay an Early Termination Fee if the Borrowers voluntarily prepay the Term Loan, in whole, with the proceeds of a Qualifying IPO, not later than thirty (30) days following the consummation of such Qualifying IPO. All parties to this Agreement agree and acknowledge that the Term Lenders will have suffered damages on account of the early termination of this Agreement or any portion of the Term Loan and that, in view of the difficulty in ascertaining the amount of such damages, the Early Termination Fee constitutes reasonable compensation and liquidated damages to compensate the Term Lenders on account thereof."

(e) Section 2.15(a)(i) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(i) Request for Increase. Provided no Default or Event of Default then exists or would arise therefrom, upon notice to the Agent (which shall promptly notify the Lenders), the Lead Borrower may request an increase in the Aggregate Revolving Commitments by an amount (for all such requests) not exceeding $75,000,000 (the "Commitment Increase"); provided that (i) any such request for an increase shall be in a minimum amount of $5,000,000 and (ii) the Lead Borrower may make a maximum of three such requests. At the time of sending such notice, the Lead Borrower (in consultation with the Agent) shall specify the time period within which each Revolving Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Revolving Lenders). No Lender is required to increase its Commitment."

(f) Section 6.04(h) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(h) on or before the 15th day of each month from and after the Closing Date, a Borrowing Base Certificate from the as of the last day of the immediately preceding month, with such supporting materials as the Agent shall reasonably request, including, without limitation, (i) a report in reasonable detail of the Accounts assigned to CIT pursuant to the CIT Deferred Purchase Factoring Agreement and (ii) in the event that Accounts sold to CIT pursuant to the CIT Deferred Purchase Factoring Agreement exceed $1,000,000 in any fiscal year, a report in reasonable detail of the Accounts sold to CIT pursuant to the CIT Deferred Purchase Factoring Agreement solely to the extent such sold Accounts are due from customers having additional Accounts which have been included in the Borrowing Base for such month; provided, however, solely with respect to the Borrowing Base Certificate for the month of April 2013, the Borrowers shall only be required to deliver a preliminary Borrowing Base Certificate on or before May 15, 2013, together with such supporting materials as may be available at such time, and shall, on or before June 15, 2013, provide the final Borrowing Base Certificate for the month of April 2013, together with all supporting materials as the Agent shall reasonably request. Notwithstanding the foregoing, after the occurrence and during the continuance of an Accelerated Borrowing Base Delivery Event, on Wednesday of each week (or, if Wednesday is not a Business Day, on the next succeeding Business Day), the Lead Borrower shall furnish a Borrowing Base Certificate calculated as of the close of business on Saturday of the immediately preceding calendar week

(g) Section 6.05(a) of the Credit Agreement are hereby amended by adding a new clause (vii) as follows:

"(vii) of any material notices or material demands delivered or received by any Loan Party (or on its behalf) in connection with the CIT Deferred Purchase Factoring Agreement."

(h) Sections 6.07(b) and (c) of the Credit Agreement are hereby amended and restated in their entirety as follows:

"(b) Upon the request of the Agent after reasonable prior notice, permit the Agent or professionals (including investment bankers, consultants, accountants, and

lawyers) retained by the Agent to conduct commercial finance examinations and other evaluations, including, without limitation, of (i) the Lead Borrower's practices in the computation of the Borrowing Base and (ii) the assets included in the Borrowing Base and related financial information such as, but not limited to, sales, gross margins, payables, accruals and reserves. The Loan Parties shall pay the fees and expenses of the Agent and such professionals with respect to such examinations and evaluations. Without limiting the foregoing, the Loan Parties acknowledge that the Agent may, in its discretion, undertake up to: (i) two (2) commercial finance examinations during the twelve (12) months following the Closing Date at the Loan Parties' expense, and (ii) one (1) commercial finance examination during each of the following twelve (12) month periods thereafter at the Loan Parties' expense; provided, that, if Availability is, at any time, less than twenty-five percent (25%) of the Loan Cap, the Agent may conduct two (2) commercial finance examinations during such twelve (12) month period at the Loan Parties' expense. Notwithstanding the foregoing, the Agent may cause additional commercial finance examinations to be undertaken (i) as it in its discretion deems necessary or appropriate, at its own expense or, (ii) if required by Law, at the expense of Agent and the Loan Parties shared equally or (iii) if an Event of Default shall have occurred and be continuing, at the expense of the Loan Parties."

"(c) Upon the request of the Agent after reasonable prior notice, permit the Agent or professionals (including appraisers) retained by the Agent to conduct appraisals of the Collateral, including, without limitation, the assets included in the Borrowing Base. The Loan Parties shall pay the fees and expenses of the Agent and such professionals with respect to such appraisals. Without limiting the foregoing, the Loan Parties acknowledge that the Agent may, in its discretion, undertake up to: (i) two (2) inventory appraisals during the twelve (12) months following the Closing Date at the Loan Parties' expense, and (ii) one (1) inventory appraisal during each of the following twelve (12) month periods thereafter at the Loan Parties' expense; provided, that, if Availability is, at any time, less than twenty-five percent (25%) of the Loan Cap, the Agent may conduct two (2) inventory appraisals during such twelve (12) month period at the Loan Parties' expense. Notwithstanding the foregoing, the Agent may cause additional appraisals to be undertaken (i) as it in its discretion deems necessary or appropriate, at its own expense or, (ii) if required by Law, at the expense of Agent and the Loan Parties shared equally or (iii) if an Event of Default shall have occurred and be continuing, at the expense of the Loan Parties. So long as no Default or Event of Default has occurred and is continuing, Agent will provide Lead Borrower with a copy of the final appraisal report. Any adjustments to the Appraised Value or the Borrowing Base hereunder as a result of such appraisals shall become effective ten (10) days following the date of the applicable final appraisal report."

(i) Sections 7.01(k) and (q) of the Credit Agreement are hereby amended and restated in their entirety as follows:

"(k) other Indebtedness of the type not specifically addressed in the other subsections of this Section 7.01;"

"(q) prior to payment in full of all Term Loan B Obligations, other Indebtedness of the type not specifically addressed in the other sections of this Section 7.01 that matures no earlier than 91 days after the Maturity Date, so long as (A) after giving effect to the incurrence or assumption of such Indebtedness on a *Pro Forma* Basis,

the Total Leverage Ratio is less than or equal to 3.50:1.00, (B) the holders of such Indebtedness have joined the Term Loan B Intercreditor Agreement and accepted all of the terms and conditions thereof as if they were a Term Loan B Lender or Indebtedness junior to all of the Obligations and the Term Loan B Obligations provided the holder of such Indebtedness has executed a subordination and intercreditor agreement acceptable to Agent in its sole discretion, and (C) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is incurred or assumed;"

(j) Sections 7.02(t) and (cc) of the Credit Agreement are hereby amended and restated in their entirety as follows:

"(t) prior to payment in full of all Term Loan B Obligations, Liens securing Indebtedness of the Borrowers or their Subsidiaries, which Liens rank *pari passu* with the Liens securing the Term Loan B Obligations, so long as (A) after giving effect to the incurrence or assumption of such Indebtedness on a *Pro Forma* Basis, the Total Leverage Ratio is less than or equal to 3.50:1.00, (B) the holders of such Indebtedness have joined the Term Loan B Intercreditor and accepted all of the terms and conditions thereof as if they were a Term Loan B Lender or Indebtedness junior to all of the Obligations and the Term Loan B Obligations provided the holder of such Indebtedness has executed a subordination and intercreditor agreement acceptable to Agent in its sole discretion, and (C) no Default or Event of Default has occurred and is continuing at the time such Lien is granted;"

"(cc) other Liens of the type not specifically addressed in the other subsections of this Section 7.02 which are securing Indebtedness that matures no earlier than 91 days after the Outside Revolving Maturity Date, so long as (A) after giving effect to the incurrence or assumption of such Indebtedness on a *Pro Forma* Basis, the Secured Leverage Ratio is less than or equal to 3.50:1.00, (B) the holder of such Indebtedness has executed a subordination (as to lien only) and intercreditor agreement reasonably acceptable to Agent, and (C) no Default or Event of Default has occurred and is continuing at the time such Indebtedness is incurred or assumed."

(k) Section 7.03 of the Credit Agreement are hereby amended by adding the following paragraph at the end of such section:

"Without limiting the foregoing, no Loan Party shall obtain any advance payments from CIT in respect of accounts to be sold or assigned by the Borrowers to CIT pursuant to the CIT Deferred Purchase Factoring Agreement, or any loans or other advances or other financial accommodations from CIT, and the only Indebtedness of any Loan Party to CIT, contingent or otherwise, shall consist of the commissions and other fees and charges of CIT incurred in the ordinary course of business pursuant to the terms of the CIT Deferred Purchase Factoring Agreement."

(l) Section 7.05(d) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(d) dispositions by the Borrowers to CIT of Accounts of the Borrowers, in accordance with the terms and conditions of the CIT Deferred Purchase Factoring Agreement;"

(m) Sections 7.09(a) and (b) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"(a) Amend or modify in any manner materially adverse to the Lenders or the Agent, or grant any waiver or release under or terminate in any manner (if such granting or termination shall be materially adverse to the Lenders), (a) the Organization Documents of Parent, Borrower Holdco or any of their Subsidiaries or (b) the CIT Deferred Purchase Factoring Agreement.

(b) Make, or agree or offer in writing to pay or make, directly or indirectly, any payment or other distribution in cash in respect of: (1) any Indebtedness permitted to be incurred hereunder, including pursuant to Section 7.01(k) or that is subordinated in right of payment of the Obligations or secured by Liens that are in all respects subordinated to the Liens securing the Obligations pursuant to a subordination agreement between the holders of such Indebtedness and Agent, which subordination agreement must be in form and substance acceptable to the Agent in its sole discretion ("Junior Indebtedness"), or (2) any Term Loan B Obligations or any Permitted Refinancing in respect thereof; except for (i) payments of regularly scheduled principal and interest, mandatory offers to repay, mandatory prepayments of principal, premium and interest and payments of fees, expenses and indemnification obligations with respect to such Term Loan B Obligations, Junior Indebtedness or, in each case any Permitted Refinancing in respect thereof to the extent permitted under any applicable subordination agreement, (ii) so long as no Default or Event of Default has occurred and is continuing, payments or distributions in respect of all or any portion of Term Loan B Obligations, Junior Indebtedness or, in each case, any Permitted Refinancing in respect thereof with the proceeds contributed directly or indirectly to Borrower Holdco or the Lead Borrower by Parent from the issuance, sale or exchange by Parent of Equity Interests made within six (6) months prior thereto, (iii) the conversion of any Term Loan B Obligations or Junior Indebtedness to Equity Interests of Parent, (iv) so long as no Event of Default has occurred and is continuing, the payment that is required under the Code to prevent any Term Loan B Obligations, Junior Indebtedness, or in each case, any Permitted Refinancing in respect thereof from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(l) of the Code, and (v) additional payments and distributions so long as both immediately before such payment or distribution is made and immediately after giving effect thereto, the Payment Conditions are satisfied; or"

(n) Schedules 2.01 to the Credit Agreement shall be amended by deleting such schedule and replacing it with the schedule set forth on Annex I attached hereto.

3. Representations and Warranties. The Lead Borrower and Borrower Holdco represent and warrant to the Agent, the Term Agent and the Lenders that:

(a) the representations and warranties set forth in the Credit Agreement and in each of the other Loan Documents are true and correct in all material respects (or, in the case of any representation and warranty qualified by materiality, in all respects) on the Effective Date, as if made on and as of the Effective Date and as if each reference therein to "this Agreement" or the "Credit Agreement" or the like includes reference to this Amendment and the Credit Agreement as amended hereby (except to the extent that such representations and warranties expressly relate to an earlier date, in which case they are true and correct as of such earlier date);

and

(b) after giving effect to this Amendment, no Default or Event of Default exists as of the Effective Date.

4. Conditions Precedent. The amendments set forth in this Amendment shall not be effective until each of the following conditions precedent are satisfied in a manner satisfactory to Agent:

(a) receipt by the Agent of this Amendment, duly authorized and executed by the Lead Borrower, Borrower Holdco, the Term Agent and the Lenders;

(b) receipt of a Revolving Note executed by the Borrowers in favor of each Lender requesting a Revolving Note reflecting its increased Revolving Commitment;

(c) the Borrowers shall pay to the Agent, for the benefit of the Lenders, an amendment fee (the "Amendment Fee") in an amount equal to $137,500. The Amendment Fee shall be fully earned, due and payable in full on the First Amendment Effective Date and is not refundable for any reason or under any circumstances. The Agent shall distribute the Increase Fee among the Lenders as it determines in its sole discretion;

(d) reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrowers pursuant to the terms of the Credit Agreement; and

(e) after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing, nor shall any Default or Event of Default result immediately from the consummation of the transactions contemplated herein.

5. Effect on Loan Documents. As amended hereby, the Credit Agreement and the other Loan Documents shall be and remain in full force and effect in accordance with their terms and hereby are ratified and confirmed by each Borrower in all respects. The execution, delivery, and performance of this Amendment shall not operate as a waiver of any right, power, or remedy of the Agent or Lenders under the Credit Agreement or the other Loan Documents. Each Borrower hereby ratifies and confirms in all respects all of its obligations and any prior grant of a security interest under the Credit Agreement and the other Loan Documents.

6. No Novation; Entire Agreement. This Amendment is not a novation or discharge of the terms and provisions of the obligations of the Borrower under the Credit Agreement and the other Loan Documents. There are no other understandings, express or implied, among the Loan Parties, the Agent and the Lenders regarding the subject matter hereof or thereof.

7. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

8. Counterparts; Electronic Execution. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered shall be deemed an original, and all of which, when taken together, shall

constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by facsimile or other electronic transmission also shall deliver a manually executed counterpart of this Amendment but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

9. Construction. This Amendment and the Credit Agreement shall be construed collectively and in the event that any term, provision or condition of any of such documents is inconsistent with or contradictory to any term, provision or condition of any other such document, the terms, provisions and conditions of this Amendment shall supersede and control the terms, provisions and conditions of the Credit Agreement. Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "herein", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit Agreement", "thereunder", "therein", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as the date first above written.

FLOOR AND DECOR OUTLETS OF AMERICA, INC., as Lead Borrower

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

FDO ACQUISITION CORP, as a Guarantor

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

[Signature Page to First Amendment to Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Agent and Revolving Lender, L/C Issuer and Swing Line Lender

By: /s/ Jason Searle
Name: Jason Searle
Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Term Loan Agent and Term Lender

By: /s/ Sally A. Sheehan
Name: Sally A Sheehan
Title: Director

BANK OF AMERICA, N.A., as Revolving Lender

By: /s/ Matthew Potter
Name: Matthew Potter
Title: Vice President

SUNTRUST BANK, as Revolving Lender

By: /s/ Ryan Jones
Name: Ryan Jones
Title: Vice President

[Signature Page to First Amendment]

ANNEX I

Schedule 2.01

Lender	Revolving Commitment	Applicable Percentage	Term Commitment	Applicable Percentage
Wells Fargo Bank, National Association	$ 50,000,000	40.000000000 %	$ 10,000,000	100.0000000000 %
Bank of America, N.A.	$ 37,500,000	30.000000000 %	$ 0	0.000000000 %
SunTrust Bank	$ 37,500,000	30.000000000 %	$ 0	0.000000000 %
Total	**$ 125,000,000**	**100.000000000 %**	**$ 10,000,000**	**100.0000000000 %**

Exhibit 10.15

EXECUTION VERSION

CREDIT AGREEMENT

Dated as of May 1, 2013

among

FLOOR AND DECOR OUTLETS OF AMERICA, INC.,

as Borrower,

THE OTHER LOAN PARTIES FROM TIME TO TIME PARTY HERETO,

as Guarantors,

THE LENDERS PARTY HERETO FROM TIME TO TIME,

as Lenders,

and

GCI CAPITAL MARKETS LLC,

as Agent

GCI CAPITAL MARKETS LLC,

acting as Sole Bookrunner and Co-Lead Arranger,

and

MCS CAPITAL MARKETS LLC,

acting as Co-Lead Arranger and Syndication Agent

Table of Contents

ARTICLE I DEFINITIONS AND ACCOUNTING TERMS 1

1.01 Defined Terms 1
1.02 Other Interpretive Provisions 29
1.03 Accounting Terms Generally 29
1.04 Rounding 30
1.05 Times of Day 30
1.06 [Reserved] 30
1.07 Currency Equivalents Generally 30

ARTICLE II THE TERM COMMITMENTS AND LOANS 30

2.01 Credit Facilities 30
2.02 Borrowings, Conversions and Continuations of Committed Loans 33
2.03 [Reserved] 33
2.04 [Reserved] 33
2.05 Prepayments 34
2.06 Termination of Term Commitments 36
2.07 [Reserved] 36
2.08 Interest 36
2.09 Fees 37
2.10 Computation of Interest and Fees 37
2.11 Evidence of Debt 37
2.12 Payments Generally; Funding Source 38
2.13 Sharing of Payments by Lenders 38
2.14 Protective Advances 38

ARTICLE III TAXES, YIELD PROTECTION AND ILLEGALITY 39

3.01 Taxes 39
3.02 Illegality 41
3.03 Inability to Determine Rates 42
3.04 Increased Costs; Reserves on LIBO Rate Loans 42
3.05 Compensation for Losses 43
3.06 Mitigation Obligations; Replacement of Lenders 44
3.07 Survival 44

ARTICLE IV CONDITIONS PRECEDENT 44

4.01 Conditions of Loans 44
4.02 Further Conditions to Each Loan 46

ARTICLE V REPRESENTATIONS AND WARRANTIES 46

5.01 Organization; Powers 46
5.02 Authorization 47
5.03 Enforceability 47
5.04 Governmental Approvals 47
5.05 [Reserved] 48
5.06 Financial Statements 48
5.07 Title to Properties; Possession Under Leases 48
5.08 Subsidiaries; Equity Interests 48
5.09 Litigation; Compliance with Laws 49
5.10 Federal Reserve Regulations 49
5.11 Investment Company Act 50
5.12 Use of Proceeds 50
5.13 Tax Returns 50
5.14 No Material Misstatements 50
5.15 Employee Benefit Plans 50
5.16 Environmental Matters 51
5.17 Security Documents 52
5.18 Location of Real Estate and Leased Premises 52
5.19 Solvency 53
5.20 No Material Adverse Effect 53
5.21 Insurance 53
5.22 USA PATRIOT Act; OFAC 53
5.23 Intellectual Property; Licenses, Etc. 53
5.24 Deposit Accounts; Credit Card Arrangements 54
5.25 No Default 54
5.26 Labor Matters 54

ARTICLE VI AFFIRMATIVE COVENANTS 55

6.01 Existence; Business and Properties 55
6.02 Insurance 55
6.03 Taxes 56
6.04 Financial Statements, Reports, etc 57

6.05 Litigation and Other Notices 59
6.06 Compliance with Laws 60
6.07 Maintaining Records; Access to Properties 61
6.08 Use of Proceeds 61
6.09 Compliance with Environmental Laws 61
6.10 Further Assurances; Additional Security 61
6.11 Cash Management 63
6.12 Accounting 65
6.13 Lender Calls 65
6.14 Deposit Accounts; Credit Card Processors 65
6.15 Collateral Reports 65
6.16 Post-Closing Obligations 65

ARTICLE VII NEGATIVE COVENANTS 66

7.01 Indebtedness 66
7.02 Liens 68
7.03 [Reserved] 70
7.04 Investments, Loans and Advances 70
7.05 Mergers, Consolidations, Sales of Assets and Acquisitions 73
7.06 Restricted Payments 74
7.07 Transactions with Affiliates 76
7.08 Business of Borrower Holdco and its Subsidiaries 77
7.09 Limitation on Payments and Modifications of Indebtedness; Modifications of Certificate of Incorporation, By Laws and Certain Other Agreements; etc 77
7.10 Financial Performance Covenant 80
7.11 Fiscal Year 80

ARTICLE VIII BORROWER HOLDCO COVENANT 80

ARTICLE IX EVENTS OF DEFAULT 81

9.01 Events of Default 81

9.02 Right to Cure 84
9.03 Remedies Upon Events of Default 86
9.04 Application of Funds 86

ARTICLE X THE AGENT 87

10.01 Appointment of Agent 87

10.02 Rights as a Lender 88
10.03 Exculpatory Provisions 88
10.04 No Liability to Fund; Return of Payments 88
10.05 Delegation of Duties 89
10.06 Resignation of Agent 89
10.07 Non-Reliance on Agent and Other Lenders 90
10.08 No Other Duties, Etc 90
10.09 Agent May File Proofs of Claim 90
10.10 Collateral and Guaranty Matters 90
10.11 Notice of Transfer 91
10.12 Reports and Financial Statements 91
10.13 Agency for Perfection 92
10.14 Indemnification of Agent 92
10.15 Relation among Lenders 92
10.16 Defaulting Lenders 92

ARTICLE XI MISCELLANEOUS 93

11.01 Complete Agreement; Modification of Agreement; Amendments and Waivers 93
11.02 Notices; Effectiveness; Electronic Communications 94
11.03 No Waiver; Cumulative Remedies 96
11.04 Expenses; Indemnity; Damage Waiver 96
11.05 Payments Set Aside 97
11.06 Successors and Assigns 97
11.07 Treatment of Certain Information; Confidentiality 102
11.08 Right of Setoff 103
11.09 Interest Rate Limitation 103
11.10 Counterparts; Integration; Effectiveness 103
11.11 Survival 104
11.12 Severability 104
11.13 Replacement of Lenders 104
11.14 Governing Law; Jurisdiction; Etc 105
11.15 Waiver of Jury Trial 106
11.16 No Advisory or Fiduciary Responsibility 106
11.17 USA PATRIOT Act Notice 106
11.18 Foreign Asset Control Regulations 107

11.19 Time of the Essence 107
11.20 Press Releases 107
11.21 Certain Waivers 107
11.22 Strict Construction 108
11.23 Attachments 108

SCHEDULES

5.01 Loan Parties Organizational Information
5.04 Governmental Approvals
5.06 Material Indebtedness
5.08 Subsidiaries; Other Equity Investments; Equity Interests in the Borrower
5.09 Closing Date Litigation
5.18(a) Owned Real Estate
5.18(b) Leased Real Estate

5.21 Insurance
5.23 Intellectual Property Matters
5.24(a) DDAs
5.24(b) Credit Card Arrangements
5.25 Material Contracts
6.16 Post-Closing Obligations
7.02(a) Existing Liens
7.04 Existing Investments
11.02 Certain Addresses for Notices

EXHIBITS

	Form of
A	Loan Notice
B	Excess Cash Flow Certificate
C	Note
D	Compliance Certificate
E	Assignment and Assumption
F	DDA Notification
G	Joinder
H	Affiliated Lender Assignment and Assumption
I	Credit Card Notification

ANNEXES

A	Closing Agenda

CREDIT AGREEMENT

This CREDIT AGREEMENT (as amended, restated, supplemented or otherwise modified from time to time, this "Agreement") is entered into as of May 1, 2013, among FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation (the "Borrower"), the other Loan Parties (as hereinafter defined) party hereto from time to time, the Lenders (as hereinafter defined) party hereto from time to time, and GCI Capital Markets LLC, a Delaware limited liability company, as administrative agent for the Lenders.

WHEREAS, Borrower desires that Lenders extend a term credit facility to Borrower of Eighty Million and No/100 Dollars ($80,000,000.00) in the aggregate for the purposes of financing the Closing Date Dividend (as hereinafter defined), refinancing certain obligations of Parent, Borrower Holdco and Borrower on the Closing Date (as hereinafter defined), paying related fees, costs and expenses in connection with this Agreement and the Closing Date Dividend and funding working capital of the Borrower and for Borrower's other general corporate purposes, and, for this purpose, Lenders are willing to make certain loans and other extensions of credit to the Borrower of up to such amount, upon the terms and conditions set forth herein;

WHEREAS, the Guarantors (as hereinafter defined) are willing to guaranty the Obligations (as hereinafter defined);

WHEREAS, the Loan Parties desire to secure all of their Obligations under the Loan Documents (as hereinafter defined) by granting to Agent (as hereinafter defined), for the benefit of the Credit Parties (as hereinafter defined), a security interest in and lien upon substantially all of their existing and after acquired personal and real property;

WHEREAS, each Loan Party desires to pledge to Agent, for the benefit of the Credit Parties, all of the Equity Interests (as hereinafter defined) of each of its Subsidiaries (as hereinafter defined) to secure the Obligations, subject to any limitations set forth herein or in the Security Documents (as hereinafter defined); and

WHEREAS, all Annexes, Schedules, Exhibits and other attachments (collectively, "Appendices") hereto, or expressly identified in this Agreement, are incorporated herein by reference, and taken together, shall constitute but a single agreement. These Recitals shall be construed as part of this Agreement.

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

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"ABL Priority Collateral" shall have the meaning specified in the Intercreditor Agreement.

"Acceleration Event" means the occurrence of an Event of Default (i) in respect of which all or any portion of the Obligations have become or been declared to be immediately due and payable pursuant to Section 9.03, and/or (ii) pursuant to either of Section 9.01(h) and/or Section 9.01(i).

"Account" means "accounts" as defined in the UCC, and also means a right to payment of a monetary obligation, whether or not earned by performance, (a) for property that has been or is to be sold, leased, licensed, assigned, or otherwise disposed of, (b) for services rendered or to be rendered, (c) for a policy of insurance issued or to be issued, (d) for a secondary obligation incurred or to be incurred, or (e) arising out of the use of a credit or charge card or information contained on or for use with the card.

"Acquisition" means, with respect to any Person (a) a purchase or other acquisition of a Controlling interest in the Equity Interests of any other Person, (b) a purchase or other acquisition of all or substantially all of the assets or properties of another Person or of any business unit of another Person, (c) a merger or consolidation of such Person with any other Person or any other transaction or series of transactions resulting in the acquisition of all or substantially all of the assets or a Controlling interest in the Equity Interests of any Person or (d) any acquisition of any Store locations of any Person, in each case, in any transaction or group of transactions which are part of a common plan.

"Act" has the meaning specified in Section 11.17.

"Adjusted EBITDA" shall be calculated as set forth on the Compliance Certificate.

"Administrative Questionnaire" means an administrative questionnaire in a form supplied by the Agent.

"Affiliate" means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Affiliated Lender" means, at any time, any Lender that is a Permitted Holder (but excluding, in any event, Borrower Holdco, Borrower or any of their respective

Subsidiaries (including any Unrestricted Subsidiaries)).

"Affiliated Lender Participant" means, at any time, a Person who holds or who, upon the effectiveness of a grant of a participation in a Loan would hold, a participation in a Loan, and who would be, if such Person were a Lender, an Affiliated Lender, provided that for the purposes of subsection 11.06(h)(i)(D), a Person that holds a participation in a Loan solely granted by an Affiliated Lender shall not be an Affiliated Lender Participant.

"Agent" means GCI Capital Markets LLC, in its capacity as administrative agent under the Loan Documents, or any successor thereto.

"Agent Parties" has the meaning specified in Section 11.02(c).

"Agent's Office" means the Agent's address and, as appropriate, account as set forth on its signature page to this Agreement, or such other address or account as the Agent may from time to time notify the Borrower and the Lenders.

"Agreement" has the meaning specified in the preamble.

"Annual Financial Statements" has the meaning specified in Section 6.04(a).

"Appendices" shall have the meaning assigned to it in the Recitals hereto.

"Applicable Lenders" means the Required Lenders, all affected Lenders, or all Lenders, as the context may require.

"Applicable Margin" means (i) five and one-half percent (5.50%) in the case of Base Rate Loans and (ii) six and one-half percent (6.50%) in the case of LIBO Rate Loans.

"Applicable Percentage" means, as the context requires, with respect to any Lender at any time, the portion of the aggregate principal balance of the Loan represented by the outstanding principal balance of such Lender's Loan at such time; provided, that if the Loan has been paid in full at any time the Applicable Percentage is being determined, then the Applicable Percentage of each Lender shall be such Lender's Applicable Percentage at the time the Loan was paid in full. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Section 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

"Approved Fund" means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignee Group" means two or more Eligible Assignees that are Affiliates of one another or Approved Funds with respect to such Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 11.06(b)), and accepted by the Agent, in substantially the form of Exhibit E or any other form approved by the Agent.

"Audited Financial Statements" means the audited consolidated balance sheet of Parent and its Subsidiaries for the Fiscal Year ended December 29, 2011, and the related consolidated statements of income or operations, Shareholders' Equity and cash flows for such Fiscal Year of Parent and its Subsidiaries, including the notes thereto.

"Base Rate" shall mean, for any day, a floating rate equal to the greater of (x) the higher of (i) the per annum rate publicly quoted from time to time by The Wall Street Journal as the "Prime Rate" in the United States (or, if The Wall Street Journal ceases quoting a prime rate of the type described, either (a) the per annum rate quoted as the base rate on such corporate loans in a different national publication as reasonably selected by Agent or (b) the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus fifty (50) basis points per annum, and (y) the sum of (a) the LIBO Rate calculated for each such day based on an Interest Period of one (1) month determined two (2) Business Days prior to the first day of the then current month (but in no event less than one and one-quarter percent (1.25%) per annum) plus (b) a rate per annum equal to the Applicable Margin for LIBO Rate Loans for such day less the Applicable Margin for Base Rate Loans for such day. Each change in any interest rate provided for in this Agreement based upon the Base Rate shall take effect at the time of such change in the Base Rate.

"Base Rate Loan" means a Loan or portion thereof bearing interest by reference to the Base Rate.

"Blocked Account" has the meaning provided in Section 6.11(a).

"Blocked Account Agreement" means with respect to an account established by a Loan Party, an agreement, in form and substance reasonably satisfactory to the Agent, establishing control (as defined in the UCC) of such account by the Agent and whereby the bank or other financial institution maintaining

such account agrees, upon the occurrence and during the continuance of an Event of Default, to comply only with the instructions originated by the Agent without the further consent of any Loan Party, in each case, subject to the terms of the Intercreditor Agreement.

"Blocked Account Bank" means each bank with whom deposit accounts are maintained in which any funds of any of the Loan Parties from one or more DDAs are concentrated and with whom a Blocked Account Agreement has been, or is required to be, executed in accordance with the terms hereof.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" has the meaning specified in the introductory paragraph hereto.

"Borrower Holdco" means FDO Acquisition Corp., a Delaware corporation.

"Borrower Materials" has the meaning specified in Section 6.04.

"Borrowing" means the borrowing of the Loan made by each of the Lenders on the Closing Date pursuant to Section 2.01(a).

"Borrowing Base Certificates" shall mean the certificates delivered from time to time by the borrowers under the Revolving Credit Agreement and pursuant to the terms thereof calculating the Borrowing Base (as defined in the Revolving Credit Agreement) of such borrowers.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Agent's Office is located and, if such day relates to any LIBO Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the London interbank market.

"Canadian Subsidiaries" means Subsidiaries incorporated, amalgamated or otherwise formed under the laws of Canada or any province thereof.

"Capital Expenditures" shall mean, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period that are required to be capitalized under GAAP. For purposes of calculating Excess Cash Flow, Capital Expenditures shall be calculated as set forth in the Compliance Certificate.

"Capital Lease Obligations" means, with respect to any Person for any period, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as liabilities on a balance sheet of such Person under GAAP and the amount of which obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Dominion Event" has the meaning set forth in the Revolving Credit Agreement as in effect on the date hereof.

"CFC" means a Person that is a controlled foreign corporation under Section 957 of the Code.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental

Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided, however, for the purposes of this Agreement: (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means an event or series of events by which:

(a) at any time prior to a Specified IPO, Permitted Holders shall cease to own and control legally and beneficially (free and clear of all Liens), either directly or indirectly, equity securities in the Parent representing more than 51% of all of the Equity Interests of the Parent on a fully-diluted basis;

(b) Permitted Holders shall fail to have the power to elect a majority of the board of directors of Parent, or, indirectly, the power to elect a majority of the board of directors of the Borrower;

(c) at any time after a Specified IPO, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 30% or more of the Equity Interests of the Parent entitled to vote for members of the board of directors or equivalent governing body of the Parent on a fully-diluted basis (and taking into account all such Equity Interests that such "person" or "group" has the right to acquire pursuant to any option right);

(d) any "change of control" occurs under the Revolving Credit Agreement;

(e) any "change in control" or similar event as defined in any Organizational Documents of any Loan Party;

(f) the Parent fails at any time to own, directly or indirectly, 100% of the Equity Interests of each other Loan Party free and clear of all Liens (other than the Liens in favor of the Agent and the Revolver Agents which are subject to the Intercreditor Agreement), except where any transfer or sale of any such Equity Interests are permitted in the Loan Documents; or

(g) Borrower Holdco fails at any time to own, directly or indirectly, 100% of the Equity Interests of Borrower.

"Closing Date" means the first date all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 11.01.

"Closing Date Dividend" shall mean that certain dividend in the amount of $60,000,000 made on or within ten (10) Business Days after the Closing Date by Borrower Holdco to Parent to be used by Parent to, among other things, repay in full the Subordinated Notes.

"Code" means the Internal Revenue Code of 1986, and the regulations promulgated thereunder, as amended and in effect.

"Collateral" means any and all "Collateral" as defined in any applicable Security Document and all other property that is or is intended under the terms of the Security Documents to be subject to Liens in favor of the Agent.

"Collateral Access Agreement" means an agreement reasonably satisfactory in form and substance to the Agent executed by (a) a bailee or any other Person in possession of Collateral or (b) any landlord of Real Estate leased by any Loan Party.

"Collateral and Guaranty Requirements" means to cause any such Person (a) to (i) become a Loan Party by executing and delivering to the Agent a Joinder to this Agreement or a Joinder to any Security Documents or such other documents as the Agent shall deem appropriate for such purpose, (ii) grant a Lien to the Agent on such Person's assets of the same type that constitute Collateral to secure the Obligations, and (iii) deliver to the Agent certain Organizational Documents, corporate approval documents and other documents as Agent may reasonably request, and, if reasonably requested by Agent, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation referred to in clause (a)) and (b) if any Equity Interests or Indebtedness of such Person are owned by or on behalf of any Loan Party, to pledge such Equity Interests and promissory notes evidencing such Indebtedness, in each case in form, content and scope reasonably satisfactory to the Agent in accordance with the provisions of the Security Documents. In no event shall compliance with these requirements waive or be deemed a waiver or consent to any transaction giving rise to the need to comply with these requirements if such transaction was not otherwise expressly permitted by this Agreement or constitute or be deemed to constitute, with respect to any Subsidiary, an approval of such Person as a Guarantor.

"Commodity Exchange Act" means the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

"Compliance Certificate" means a certificate substantially in the form of Exhibit E.

"Condemnation Event" shall mean any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of any property or assets of a Person, or confiscation of such property or assets or the requisition of the use of such property or assets.

"Confidential Information" has the meaning specified in Section 11.07.

"Consolidated" means, when used to modify a financial term, test, statement, or report of a Person, the application or preparation of such term, test, statement or report (as applicable) based upon the consolidation, in accordance with GAAP, of the financial condition or operating results of such Person and its Subsidiaries.

"Consolidated Tangible Assets" means the total assets of Borrower Holdco and its Subsidiaries appearing on the balance sheet on the most recently delivered Required Financial Statements, *minus* all intangible assets, including, without limitation, Intellectual Property, goodwill and other like intangible assets,*minus* unamortized debt discount and expense and the par value of all Equity Interests held thereby.

"Consolidated Total Net Debt" shall mean consolidated funded Indebtedness of Borrower Holdco and its Subsidiaries (consisting of Indebtedness for borrowed money, Capital Lease Obligations, purchase

money debt, seller notes, earn-out and similar deferred purchase price obligations so long as such obligations become a liability on the balance sheet of such Person in accordance with GAAP, and all guarantees of the foregoing, net of Unrestricted Cash of Borrower Holdco and its Subsidiaries (other than the cash proceeds of any such Indebtedness being incurred in reliance on compliance with any financial ratio-based incurrence test)), in each case, set forth on the most recently delivered Required Financial Statements for such period; provided that with respect to the amount of cash and cash equivalents used for purposes of calculating the Consolidated Total Net Debt with respect to any such Indebtedness being incurred in reliance on compliance with any financial ratio-based incurrence test, such cash and cash equivalents shall not include any proceeds received from such Indebtedness.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Card Notification" has the meaning specified in Section 6.11(a)(i).

"Credit Parties" means, collectively, Agent, Lenders and each holder of an Obligation, and "Credit Party" shall mean each such Person individually.

"Credit Party Expenses" means, without limitation, (a) all reasonable and invoiced out-of-pocket expenses incurred by the Agent and its Affiliates, in connection with this Agreement and the other Loan Documents, including without limitation (i) the reasonable and invoiced fees, charges and disbursements of (A) counsel for the Agent (plus any applicable local counsel), (B) outside consultants for the Agent, (C) appraisers, and (D) all such reasonable and invoiced out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of the Obligations, and (ii) in connection with (A) the syndication of the credit facilities provided for herein, (B) the preparation, negotiation, administration, management, execution and delivery of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (C) efforts to monitor or rate the Loans or any of the other Obligations, (D) the enforcement or protection of their rights in connection with this Agreement or the Loan Documents or efforts to preserve, protect, collect, or enforce the Collateral, or (E) any workout, restructuring or negotiations in respect of any Obligations, (b) all customary, reasonable and invoiced fees and charges (as adjusted from time to time) of the Agent with respect to the disbursement of funds (or the receipt of funds) to or for the account of Loan Parties (whether by wire transfer or otherwise), together with any reasonable and invoiced out-of-pocket costs and expenses incurred in connection therewith, and (c) all reasonable and invoiced out-of-pocket expenses incurred by the Lenders after the occurrence and during the continuance of an Event of Default; provided that the Lenders shall be entitled to reimbursement for no more than one firm of counsel (plus any applicable local counsel) representing the Agent and one counsel representing all other Lenders (absent a conflict of interest in which case the Credit Parties may engage and be reimbursed for one additional firm of counsel).

"Cure Notice" shall have the meaning assigned to it in Section 9.02(a).

"DDA" means each checking, savings or other demand deposit account maintained by any of the Loan Parties. All funds in each DDA shall be conclusively presumed to be Collateral and proceeds of Collateral and the Agent and the Lenders shall have no duty to inquire as to the source of the amounts on deposit in any DDA.

"DDA Notification" has the meaning specified in Section 6.11(a)(iii).

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Default" means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed to fund any portion of the Loans it is required to fund hereunder, (b) has otherwise failed to pay over to the Agent any other amount required to be paid by it hereunder within three (3) Business Days of the date when due, (c) has failed or refused to abide by any of its obligations under this Agreement, or (d) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"Default Rate" shall have the meaning assigned to it in Section 2.08(b).

"Designated Event of Default" means any Event of Default under Sections 9.01(b), 9.01(c), 9.01(d) (solely with respect to a default under Sections 6.04(b), 6.04(d), 6.11 or 7.10 that remains outstanding for over ninety (90) days),9.01(h) or Section 9.01(i).

"Disinterested Director" means, with respect to any person and transaction, a member of the board of directors of such person who does not have any material direct or indirect financial interest in or with respect to such transaction.

"Disposition" or "Dispose" means the sale, transfer, license, lease or other disposition (whether in one transaction or in a series of transactions, and including any sale and leaseback transaction and any sale, transfer, license or other disposition) of any property (including, without limitation, any Equity Interests) by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts

receivable or any rights and claims associated therewith.

"Disqualified Institution" means the Persons identified in writing to the Agent on or prior to the Closing Date as competitors that are directly engaged in the same line of business as the Loan Parties (or, if after the Closing Date, that are mutually agreed upon between the Borrower and the Agent) (or any Affiliates of the foregoing that are reasonably identifiable as such); provided such competitors shall exclude any bank, financial institution or fund that regularly invests in commercial loans or similar extensions of credit in the ordinary course of business.

"Disqualified Stock" means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable (other than solely for Qualified Equity Interests), pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof (other than solely for Qualified Equity Interests), in whole or in part, on or prior to the date that is 91 days after the date on which the Loans and all other Obligations are repaid in full; provided, however, that (i) only the portion of such Equity Interests which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock and (ii) with respect to any Equity Interests issued to any employee or to any plan for the benefit of employees of the Borrower or its Subsidiaries or by any such plan to such employees, such Equity Interest shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Borrower or one of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's

termination, resignation, death or disability and if any class of Equity Interest of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of an Equity Interest that is not Disqualified Stock, such Equity Interests shall not be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Equity Interest that would constitute Disqualified Stock solely because the holders thereof have the right to require a Loan Party to repurchase such Equity Interest upon the occurrence of a change of control or an asset sale shall not constitute Disqualified Stock. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Agreement will be the maximum amount that the Borrower and its Subsidiaries may become obligated to pay upon maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock or portion thereof, plus accrued dividends.

"Dollars" and "$" mean lawful money of the United States.

"Domestic Subsidiary" means any Subsidiary that is organized under the laws of the United States of America, any State thereof or the District of Columbia (excluding, for the avoidance of doubt, any Subsidiary organized under the laws of Puerto Rico or any other territory).

"Effective Yield" shall mean, as of any date of determination with respect to subject Indebtedness, the sum of the following for such Indebtedness: (i) the LIBO Rate for a period of one month (giving effect to any applicable LIBO Rate floor); (ii) the interest rate margins as of such date (determined with reference to the LIBO Rate); and (iii) the amount of original issue discount and upfront fees thereon (converted to yield assuming the lesser of a four-year average life and the remaining life to maturity, and without any present value discount).

"Eligible Assignee" means (a) a Lender or any of its Affiliates, (b) an Approved Fund, (c) subject to compliance in all respects with Section 11.06(h), an Affiliated Lender, any other Person (other than a natural Person) approved by (i) the Agent, and (ii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed and, in the case of Borrower, shall otherwise be governed by Section 11.06(b)(iii)); provided that, notwithstanding the foregoing, "Eligible Assignee" shall not include a (A) Loan Party or any of the Loan Parties' Subsidiaries (including, for the avoidance of doubt, Unrestricted Subsidiaries), except as provided in Section 11.06(h), Sponsor, Sponsor Affiliates or Freeman Spogli, or (B) so long as no Designated Event of Default has occurred and is continuing, any Disqualified Institution (provided that in no event shall an assignment to a Disqualified Institution be in an amount less than $5,000,000).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any Hazardous Materials into the environment.

"Environmental Liability" means any liability, obligation, damage, loss, claim, action, suit, judgment, order, fine, penalty, fee, expense, or cost, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of any Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal or presence of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equipment" has the meaning specified in the UCC.

"Equity Cure" shall have the meaning assigned to it in Section 9.02.

"Equity Interests" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

"ERISA Event" means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or written notification that a Multiemployer Plan is in reorganization within the meaning of Title IV of ERISA; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate, a Pension Plan or Multiemployer Plan; (e) an event or condition which constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Borrower or any ERISA Affiliate.

"Event of Default" has the meaning specified in Section 9.01. An Event of Default shall be deemed to be continuing unless and until that Event of Default has been duly waived as provided in Section 11.01 hereof.

"Excess Cash Flow" shall be calculated as set forth on Exhibit B attached hereto.

"Excluded Taxes" means, with respect to the Agent, any Lender, the L/C Issuer or any other recipient of any payment to be made by or on account of any obligation of the Loan Parties hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), in each case (i) imposed as a result of such recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which any Loan Party is located, (c) in the case of a Foreign Lender, (i) any withholding tax that is imposed on amounts payable to such Foreign Lender (A) at the time such Foreign Lender becomes a party hereto (other than as an assignee pursuant to a request by the Borrower under Section 11.13) or (B) designates a new Lending Office, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Loan Parties with respect to such withholding tax pursuant to Section 3.01(a) or (ii) is attributable to such Foreign Lender's failure or inability (other than

as a result of a Change in Law) to comply with Section 3.01(e), and (d) any U.S. federal, state or local backup withholding tax, and (e) any U.S. federal withholding tax imposed under FATCA.

"Executive Order" has the meaning specified in Section 11.18.

"Existing Credit Agreement" means that certain Credit Agreement, dated as of June 21, 2011 (as amended by the First Amendment to Credit Agreement, dated as of September 29, 2011, and as further amended by the Second Amendment to Credit Agreement, dated as of May 8, 2012), among the Borrower, Borrower Holdco and Parent, Wells Fargo Bank, National Association, as administrative agent, Suntrust Bank, as syndication agent, Barclays Bank PLC, as documentation agent, and the other lenders named therein, Wells Fargo Securities, LLC and Suntrust Robinson Humphrey, Inc., as joint lead arrangers, and Wells Fargo Securities, LLC, as sole bookrunner.

"Existing Indebtedness" means all obligations under the Existing Credit Agreement and all obligations under the Subordinated Notes and the documents executed in connection therewith.

"FATCA" means current Section 1471 through 1474 of the Code or any amended version or successor provision that is substantively similar to and, in each case, any regulations promulgated thereunder and any interpretation and other guidance issued in connection therewith.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) as reasonably determined by the Agent.

"Fee Letter" means the letter agreement, dated the date hereof, among the Borrower, the Agent and KKR Asset Management LLC.

"Financial Covenant Cure Amount" shall have the meaning assigned to it in Section 9.02(b).

"Financial Covenant Default" shall have the meaning assigned to it in Section 9.02.

"Fiscal Month" means any fiscal month of any Fiscal Year, which month shall generally end on the last Thursday of each calendar month in accordance with the fiscal accounting calendar of the Loan Parties.

"Fiscal Quarter" means any fiscal quarter of any Fiscal Year, which quarters shall generally end on the last Thursday of each March, June, September, and December of such Fiscal Year in accordance with the fiscal accounting calendar of the Loan Parties.

"Fiscal Year" means any period of twelve (12) consecutive months ending on the last Thursday of any calendar year.

"Foreign Asset Control Regulations" has the meaning specified in Section 11.18.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is organized. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means each Subsidiary other than a Domestic Subsidiary, including, without limitation, any CFCs.

"FRB" means the Board of Governors of the Federal Reserve System of the United States.

"Freeman Spogli" means FS Equity Partners VI, L.P. and FS Affiliates VI, L.P. and any Affiliates that are Controlled by or under common Control with, either of FS Equity Partners VI, L.P. or FS Affiliates VI, L.P.

"Fund" means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

"GC-Cap" shall mean GCI Capital Markets LLC, a Delaware limited liability company.

"Governing Body" shall mean the board of directors, board of managers, board of representatives, board of advisors or similar governing or advisory body of any Person.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantee" means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any

Indebtedness or other obligation payable or performable by another Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien); provided, however, that the term "Guarantee" shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The

amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Guarantors" shall mean Borrower Holdco, each Subsidiary of Borrower Holdco (other than Borrower) signatory to this Agreement under the heading "Guarantor" on the signature pages hereto and each other Subsidiary of Borrower Holdco (other than Borrower) that executes this Agreement as a guarantor or any other guarantee in favor of Agent in connection with the transactions contemplated by this Agreement and the other Loan Documents.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature, in each case, that are regulated pursuant to any Environmental Law.

"Immaterial Subsidiaries" means any Subsidiary that taken together with all Immaterial Subsidiaries as of the last day of the Fiscal Quarter of Borrower Holdco most recently ended, did not have assets with a value in excess of 5.0% of Consolidated Tangible Assets or revenues representing in excess of 5.0% of total revenues of Borrower Holdco and its Subsidiaries on a Consolidated basis as of such date. All Accounts and Inventory of the Immaterial Subsidiaries shall be segregated or otherwise identifiable in a manner sufficient to distinguish ownership of such Accounts and Inventory from the Accounts and Inventory of the Loan Parties.

"Incremental Term Loan" shall have the meaning assigned to it in Section 2.01(b).

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or title retention agreements relating to property or assets purchased by such Person, (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services, to the extent the same would be required to be shown as a long-term liability on a balance sheet prepared in accordance with GAAP , (e) all Capital Lease Obligations of such Person, (f) all net payments that such Person would have to make in the event of an early termination, on the date Indebtedness of such Person is being determined, in respect of outstanding Swap Contracts, (g) the principal component of all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and bank guarantees, (h) the principal component of all obligations of such Person in respect of bankers' acceptances, (i) all seller notes, earn-outs and similar deferred purchase price obligations, (j) all Guarantees by such Person of Indebtedness described in clauses (a) through (i) above) and (k) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock (excluding accrued dividends that have not increased the liquidation preference of such Disqualified Stock); provided that Indebtedness shall not include (i) trade payables, accrued expenses and intercompany liabilities arising in the ordinary course of business or (ii) purchase price holdbacks arising in the ordinary course of business in respect of a portion of the purchase prices of an asset to satisfy unperformed obligations of the seller of such asset. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such Person in respect thereof.

"Indemnified Taxes" means Taxes other than Excluded Taxes imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document.

"Indemnitees" has the meaning specified in Section 11.04(b).

"Information" has the meaning specified in Section 5.14(a).

"Intellectual Property" means all present and future: trade secrets, know-how and other proprietary information; trademarks, trademark applications, internet domain names, service marks, trade dress, trade names, business names, designs, logos, slogans (and all translations, adaptations, derivations and combinations of the foregoing), indicia and other source and/or business identifiers, and all registrations or applications for registrations which have heretofore been or may hereafter be issued thereon throughout the world; copyrights and copyright applications; (including copyrights for computer programs) and all tangible and intangible property embodying the copyrights, unpatented inventions (whether or not patentable); patents and patent applications; industrial design applications and registered industrial designs; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, computer software, source codes, object codes, executable code, data, databases and other physical manifestations, embodiments or incorporations of any of the foregoing; all other intellectual property; and all common law and other rights throughout the world in and to all of the foregoing.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of the Closing Date, by and among Agent and the Revolving Agents, as amended, restated, supplemented or otherwise modified from time to time.

"Interest Payment Date" means (a) as to any Base Rate Loan, the first Business Day of each calendar quarter to occur while such Base Rate Loan is outstanding (for the avoidance of doubt, such payment shall be an interest payment in arrears), (b) as to any LIBO Rate Loan, on the last day of any applicable Interest Period (for the avoidance of doubt, such payment shall be an interest payment for the Interest Period ending on such day) and as to any LIBO Rate Loan that has an Interest Period of more than three months, at the end of each three month interval from the commencement of such Interest Period and (c) in addition to the foregoing, the date upon which the Loan has been paid in full or prepaid in whole or in part shall be deemed to be an "Interest Payment Date" with respect to any interest which is then accrued and unpaid under this Agreement (in the case of a partial prepayment of the Loan, only with respect to the principal amount so prepaid).

"Interest Period" shall mean with respect to any LIBO Rate Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to this Agreement and ending one, two, three or six months (or, if available to all relevant Lenders, nine or twelve months or a shorter period) thereafter, as selected by Borrower's irrevocable notice to Agent, as set forth in Section 2.02(b); provided that the foregoing provision relating to Interest Periods is subject to the following:

(a) if any Interest Period would otherwise end on a day that is not a LIBOR Business Day, such Interest Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding LIBOR Business Day;

(b) any Interest Period that would otherwise extend beyond the final scheduled maturity date of the Loan shall end two (2) LIBOR Business Days prior to such date; and

(c) any Interest Period pertaining to a LIBO Rate Loan that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), shall end on the last LIBOR Business Day of a calendar month.

"Internal Control Event" means a material weakness in, or fraud that involves management or other employees who have a significant role in, the Parent's and/or its Subsidiaries' internal controls over financial reporting, in each case as described in the Securities Laws.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person, (c) any Acquisition, or (d) any other investment of money or capital. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment, but adjusted for any dividends or other return of capital upon such Investment.

"Joinder" means an agreement, substantially in the form attached hereto asExhibit G, pursuant to which, among other things, a Person becomes a party to, and bound by the terms of, this Agreement and/or the Loan Documents in the same capacity and to the same extent as either the Borrower or a Guarantor, as applicable.

"Junior Indebtedness" means any Indebtedness permitted to be incurred hereunder that is subordinated in right of payment to the Obligations or secured by Liens that are subordinated to the Liens securing the Obligations, in each case on terms reasonably acceptable to the Agent, or any Permitted Refinancing thereof.

"Laws" means each international, foreign, Federal, state and local statute, treaty, rule, guideline, regulation, ordinance, code and administrative or judicial precedent or authority, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and each applicable administrative order, directed duty, request, license, authorization and permit of, and agreement with, any Governmental Authority, in each case whether or not having the force of law.

"Lease" means any agreement, whether written or oral, no matter how styled or structured, pursuant to which a Loan Party is entitled to the use or occupancy of any space in a structure, land, improvements or premises for any period of time.

"Lender" or "Lenders" means the Persons named on the signature pages of this Agreement as lenders, and, if any such Lender shall assign all or any portion of the Term Commitments or Obligations in accordance with the terms of this Agreement, such term shall include such assignee.

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Agent.

"LIBO Rate" shall mean for each Interest Period a rate of interest determined by Agent equal to (a) the Base LIBOR Rate for such Interest Period, divided by (b) 100% minus the Reserve Percentage. The LIBO Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage. "Base LIBOR Rate" means the greater of (a) 1.25% per annum, and (b) the rate per annum rate appearing on Bloomberg L.P.'s (the "Service") Page BBAM1/(Official BBA USD Dollar Libor Fixings) (or on any

successor or substitute page of such Service, or any successor to or substitute for such Service) two (2) LIBOR Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBO Rate Loan requested (whether as an initial LIBO Rate Loan or as a continuation of a LIBO Rate Loan or as a conversion of a Base Rate Loan to a LIBO Rate Loan) by Borrower in accordance with the Agreement, which determination shall be conclusive in the absence of manifest error. "Reserve Percentage" means, on any day, the maximum percentage prescribed by the Federal Reserve Board (or any successor Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that are in effect on such date with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities"), but so long as no Lender is required or directed under applicable regulations to maintain such reserves, the Reserve Percentage shall be zero.

"LIBO Rate Loan" means a Loan or any portion thereof bearing interest by reference to the LIBO Rate.

"LIBOR Business Day" shall mean a Business Day on which banks in the city of London are generally open for interbank or foreign exchange transactions.

"Lien" means (a) any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale, Capital Lease Obligation or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing) and (b) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" and "Loans" shall mean the term loan funded on the Closing Date under the Term Commitments pursuant toSection 2.01(a) (it being understood that such term shall refer to the aggregate Loan funded to the Borrower when used in the context of all Lenders collectively and a particular Lender's portion of the aggregate Loan when used in the context of an individual Lender).

"Loan Account" has the meaning specified in Section 2.11(a).

"Loan Documents" means this Agreement, each Note, the Fee Letter, Blocked Account Agreements, the Security Documents, the DDA Notifications, the Credit Card Notifications, the Intercreditor Agreement and any other instrument or agreement now or hereafter executed and delivered in connection herewith.

"Loan Modification" shall have the meaning assigned to it in Section 11.01(b).

"Loan Parties" means, collectively, the Borrower and each Guarantor.

"Margin Stock" has the meaning specified in Regulation U.

"Material Adverse Effect" shall mean a material adverse change in, or a material adverse effect upon, (a) the operations, business, assets, liabilities (actual or contingent) or financial condition of the Loan Parties and their Subsidiaries (taken as a whole), (b) the ability of the Loan Parties (taken as a whole) to perform any of their respective obligations under any Loan Documents to which they are parties, or (c) the legality, validity or enforceability of any Loan Document or the rights and remedies of

the Agent and the Lenders (taken as a whole), under any Loan Document. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event in and of

itself does not have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other than existing events would result in a Material Adverse Effect.

"Material Contract" means, with respect to any Person, each contract to which such Person is a party, the loss of which is reasonably likely to result in a Material Adverse Effect. Schedule 5.25 annexed hereto sets forth, as of the Closing Date, each of the Loan Parties' Material Contracts.

"Material Indebtedness" means Indebtedness (other than the Obligations) of the Loan Parties in an aggregate principal amount exceeding $8,000,000. For purposes of determining the amount of Material Indebtedness at any time, (a) the amount of the obligations in respect of any Swap Contract at such time shall be calculated at the Swap Termination Value thereof and (b) available yet undrawn committed amounts shall be included.

"Maturity Date" means May 1, 2019.

"Maximum Rate" has the meaning specified in Section 11.09.

"Monthly Financial Statements" has the meaning specified in Section 6.04(b).

"Moody's" means Moody's Investors Service, Inc. and any successor thereto.

"Mortgage Policies" has the meaning specified in Section 6.10(b).

"Mortgaged Properties" shall mean all fee-owned Real Estate of the Loan Parties pledged as security for the Obligations.

"Mortgages" shall mean each of the mortgages, deeds of trust or similar real estate security documents delivered by any Loan Party to Agent on behalf of itself and the other Credit Parties with respect to the Mortgaged Properties, all in form and substance reasonably satisfactory to Agent, in each case as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions, or during the preceding five plan years, has made or been obligated to make contributions.

"Net Proceeds" means (a) with respect to any proceeds of a Condemnation Event or Disposition by any Loan Party or any of its Subsidiaries, or insurance proceeds paid in respect of any casualty loss relating to any assets or property, that are received or paid to the account of any Loan Party or any Subsidiary of a Loan Party, the excess, if any, of (i) the sum of cash and cash equivalents received in connection with such event or transaction (including any cash or cash equivalents received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) over (ii) the sum of (A) the principal amount of any Indebtedness that is secured by the applicable asset by a Permitted Encumbrance on such asset that is required to be repaid (or to establish an escrow for the future repayment thereof) in connection with such event or transaction (other than Indebtedness under the Loan Documents), and (B) the reasonable and customary out-of-pocket expenses incurred by such Loan Party or such Subsidiary in connection with such event or transaction (including, without limitation, appraisals, and brokerage, legal, title and recording or transfer tax expenses and commissions) paid by such Loan Party or such Subsidiaries to third parties (other than Affiliates); and

(b) with respect to the sale or issuance of any Equity Interest by any Loan Party or any of its Subsidiaries or the incurrence or issuance of any Indebtedness by any Loan Party or any Subsidiary of a Loan Party, the excess of (i) the sum of the cash and cash equivalents received in connection with such transaction over (ii) the underwriting discounts and commissions, and other reasonable and customary out-of-pocket expenses, incurred by such Loan Party or such Subsidiary in connection therewith.

"Non-Consenting Lender" has the meaning specified in Section 11.01.

"Note" means any promissory note made by the Borrower in favor of a Lender evidencing the Loan made by such Lender, substantially in the form of Exhibit C, as each may be amended, restated, supplemented or modified from time to time.

"Notice of Conversion/Continuation" shall have the meaning assigned to it in Section 2.02(b).

"Obligations" shall mean all loans, advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Loan Party or any of its Subsidiaries to Agent or any Lender and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, in all cases, to the extent arising under this Agreement or any of the other Loan Documents. This term includes all principal, interest, fees, indemnities, expenses, attorneys' fees and any other sum chargeable to any Loan Party or any of its Subsidiaries under this Agreement or any of the other Loan Documents (including all interest, fees, costs, indemnities and expenses which accrue after the commencement of any case or proceeding in bankruptcy, or for the reorganization of any Loan Party or any proceeding under any Debtor Relief Laws naming a Loan Party as the debtor in such proceeding, whether or not allowed in such proceeding).

"Organization Documents" means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws (or equivalent or comparable constitutive documents with respect to any non-U.S. jurisdiction); (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable Governmental Authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity, and (d) in each case, all shareholder or other equity holder agreements, voting trusts and similar arrangements to which such Person is a party or which is applicable to its Equity Interests and all other arrangements relating to the Control or management of such Person.

"Other Accounts" has the meaning specified in Section 6.11(a).

"Other Connection Taxes" means, with respect to any recipient, Taxes imposed on overall net income however denominated and franchise taxes imposed (in lieu of net income taxes) as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment pursuant to Section 11.13).

"Parent" means FDO Holdings, Inc., a Delaware corporation.

"Participant" has the meaning specified in Section 11.06(d).

"Participation Register" has the meaning specified in Section 11.06(d).

"Payment Conditions" has the meaning set forth in the Revolving Credit Agreement as in effect on the date hereof.

"PBGC" means the Pension Benefit Guaranty Corporation.

"PCAOB" means the Public Company Accounting Oversight Board.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer or other plan described in Section 4064(a) of ERISA, has made contributions at any time during the immediately preceding five plan years.

"Perfection Certificate" shall mean a perfection certificate with respect to the Loan Parties in a form reasonably satisfactory to the Agent.

"Permitted Business Acquisition" means any acquisition by (i) the Borrower or any wholly-owned Subsidiary of the Borrower that is a Loan Party of substantially all of the assets of a Person, which assets are located in the United States of America or Canada or (ii) the Borrower or any wholly-owned Subsidiary of the Borrower that is a Loan Party of 100% of the Equity Interests of a Person incorporated under the Laws of any State in the United States of America, the District of Columbia or Canada and whose assets are primarily located in the United States of America or Canada (any Person whose assets or Equity Interests are to be acquired is referred to as the "Target"), in each instance, to the extent that each of the following conditions shall have been satisfied:

(a) no Default or Event of Default shall then exist or would exist after giving effect thereto;

(b) the total consideration paid and payable (including without limitation, any deferred payment and assumption or incurrence of any Indebtedness) for all Permitted Business Acquisitions consummated during the term of this Agreement shall not exceed $25,000,000 in the aggregate;

(c) the Borrower shall have furnished to the Agent at least ten (10) Business Days prior to the consummation of such Permitted Business Acquisition (1) an executed term sheet and/or commitment letter (setting forth in reasonable detail the terms and conditions of such Permitted Business Acquisition) and, at the request of the Agent, such other information and documents that the Agent may reasonably request, including, without limitation and to the extent available, drafts of the respective

material agreements, documents or instruments pursuant to which such Permitted Business Acquisition is to be consummated (including, without limitation, any related management, non-compete, employment, option or other material agreements), any schedules to such agreements, documents or instruments and all other material ancillary agreements, instruments and documents to be executed or delivered in connection therewith, and executed counterparts thereof prior to closing, (2) pro forma financial statements of the Loan Parties and their Subsidiaries after giving effect to the consummation of such Permitted Business Acquisition, (3) a certificate of a Responsible Officer of the Borrower demonstrating that the Total Net Leverage Ratio, calculated on a *Pro Forma* basis after giving effect to such Permitted Business Acquisition (using Consolidated Total Net Debt calculated as of the date of consummation of such Permitted Business Acquisition and after giving effect thereto, and Adjusted EBITDA calculated for the twelve (12) month period ending on the last day of the most recent Fiscal Month for which Borrower has delivered to Agent and Lenders financial statements pursuant to Section 6.04), does not exceed the lesser of (I) 4.00:1.00 and (II) (A) the Total Net Leverage Ratio financial covenant threshold set forth in Section 7.10 for the Fiscal Quarter ending on, or most recently prior to, the date of consummation of such Permitted Business Acquisition (provided for purposes of this clause (A) the first Total Net Leverage Ratio financial covenant threshold set forth in Section 7.10 shall be used at all times prior to December 26, 2013) less (B) 0.25, and (4) copies of such other agreements, instruments and other documents (including, without limitation, the Loan Documents required by Section 6.10) as the Agent reasonably shall request; provided that, with respect to any such acquisition for which the aggregate consideration paid or payable (as determined in accordance with clause (b) above) does not exceed $7,500,000, the Borrower shall only be required to comply with item (3) of this clause (c);

(d) the Borrower and its Subsidiaries (including any new Subsidiary) shall execute and deliver the agreements, instruments and other documents required by Section 6.10;

(e) such Permitted Business Acquisition shall not be hostile and shall have been approved by the Governing Body and/or the stockholders or other equityholders of the Target;

(f) the Target shall be engaged in business or businesses substantially similar or related to the businesses or activities engaged in by the Borrower and its Subsidiaries on the Closing Date or otherwise in compliance with the terms of this Agreement;

(g) at Agent's request with respect to any Permitted Business Acquisition where the total consideration for such Permitted Business Acquisition determined pursuant to clause (b) above exceeds $10,000,000, Borrower shall have delivered to Agent a "businessmen review" or other accounting report with respect to the Target, in form and from an independent accounting or other similar firm, reasonably acceptable to Agent;

(h) the representations and warranties made by the Loan Parties in this Agreement and the other Loan Documents shall be true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to "material," "Material Adverse Effect" or dollar thresholds) both before and after giving effect to such Permitted Business Acquisition (unless such representation or warranty is expressly made as of an earlier date, in which case such representation or warranty shall be true and correct in all material respects (or in all respects if such representation or warranty contains any materiality qualifier, including references to "material," "Material Adverse Effect" or dollar thresholds) as of such earlier date); and

(i) no Cash Dominion Event shall then exist or would arise immediately after giving effect to such Permitted Business Acquisition.

"Permitted Cash Equivalent Investments" means:

(a) direct obligations of the United States of America or any agency thereof or obligations guaranteed by the United States of America or any agency thereof, in each case, with maturities not exceeding two years;

(b) time deposits, eurodollar time deposits, certificates of deposit and money market deposits, in each case, with maturities not exceeding one year from the date of acquisition thereof, and overnight bank deposits, in each case, with any commercial bank having capital, surplus and undivided profits of not less than $250.0 million and whose long term debt, or whose parent holding company's long term debt, is rated at least "A-2" by Moody's or at least "A" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(c) repurchase obligations for underlying securities of the types described in clauses (b) and (c) above entered into with a bank meeting the qualifications described in clause (c) above;

(d) commercial paper maturing not more than one year after the date of acquisition, issued by a corporation (other than an Affiliate of the Borrower) organized and in existence under the laws of the United States of America or any foreign country recognized by the United States of America with a rating at the time any investment therein is made of at least "P-1" by Moody's or at least "A-1" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(e) securities with maturities of two years or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, having one of the two highest rating categories obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized rating agency);

(f) Indebtedness issued by persons (other than any Permitted Holder) with a rating of at least "A-2" by Moody's or "A" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency), in each case with maturities not exceeding one year from the date of acquisition;

(g) shares of mutual funds whose investment guidelines restrict 95% of such funds' investments to those satisfying the provisions of clauses (a) through (g) above;

(h) money market funds that (i) comply with the criteria set forth in Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated "Aaa" by Moody's and "AAA" by S&P (or reasonably equivalent ratings of another internationally recognized rating agency) and (iii) have portfolio assets of at least $5,000.0 million; and

(i) instruments equivalent to those referred to in clauses (a) through (h) above denominated in any foreign currency comparable in credit quality and tenor to those referred to above and commonly used by corporations for cash management purposes in any jurisdiction outside the United States to the extent reasonably required in connection with any business conducted by any Subsidiary organized in such jurisdiction.

"Permitted Disposition" has the meaning specified in Section 7.05.

"Permitted Encumbrances" has the meaning specified in Section 7.02.

"Permitted Holders" means Sponsor, the Sponsor Affiliates (as used in the definition of "Change of Control, solely to the extent such Sponsor Affiliates are Controlled by, or under common Control with, Sponsor) and Freeman Spogli.

"Permitted Indebtedness" has the meaning specified in Section 7.01.

"Permitted Investments" has the meaning provided in Section 7.04.

"Permitted Refinancing" means, with respect to any Person, any Indebtedness issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund (collectively, to "Refinance"), the Indebtedness being Refinanced (or previous refinancings thereof constituting a Permitted Refinancing); provided, that (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so Refinanced (plus unpaid accrued interest and premiums thereon and underwriting discounts, defeasance costs, fees, commissions and expenses), (b) the weighted average life to maturity of such Permitted Refinancing is greater than or equal to the weighted average life to maturity of the Indebtedness being Refinanced, (c) such Permitted Refinancing shall not require any scheduled principal payments due prior to the Maturity Date in excess of, or prior to, the scheduled principal payments due prior to such Maturity Date for the Indebtedness being Refinanced, (d) if the Indebtedness being Refinanced is subordinated in right of payment or liens to the Obligations under this Agreement (whether through an intercreditor agreement or otherwise), such Permitted Refinancing shall be subordinated in right of payment or liens, as applicable, to such Obligations on terms at least as favorable to the Credit Parties as those contained in the documentation governing the Indebtedness being Refinanced, and, to the extent such Indebtedness is subject to an intercreditor agreement, such Permitted Refinancing will be subject to the provisions of such intercreditor agreement, (e) no Permitted Refinancing shall have direct or indirect obligors who were not also obligors of the Indebtedness being Refinanced, or greater guarantees or security, than the Indebtedness being Refinanced, (f) such Permitted Refinancing shall be otherwise on terms not materially less favorable to the Credit Parties than those contained in the documentation governing the Indebtedness being Refinanced, including, without limitation, with respect to financial and other covenants and events of default, (g) the interest rate applicable to any such Permitted Refinancing shall not exceed the then applicable market interest rate, and (h) at the time thereof, no Default or Event of Default shall have occurred and be continuing.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, limited partnership, Governmental Authority or other entity.

"Plan" means any "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) established, maintained or contributed by the Borrower or, with respect to any such plan that is subject to Section 412 of the Code or Title IV of ERISA, by the Borrower or any ERISA Affiliate.

"Platform" has the meaning specified in Section 6.04.

"*Pro Forma* Basis" means, for purposes of calculating compliance with any test or financial covenant under this Agreement for any period, that the applicable Permitted Business Acquisition, Restricted Payments, Disposition or Investment (and all other Permitted Business Acquisitions, Restricted Payments, Dispositions or Investments that have been consummated during the applicable period) and the following transactions in connection therewith shall be deemed to have occurred as of the first day of the applicable period of measurement in such test or covenant: (a) income statement items (whether positive or negative) attributable to or projected from the property or Person subject to such Permitted Business Acquisition, Restricted Payment, Disposition or Investment, (i) in the case of a Disposition shall be

excluded, and (ii) in the case of a Permitted Business Acquisition, shall be included; (b) any retired Indebtedness; and (c) any Indebtedness incurred or assumed by Borrower or any of the Subsidiaries in connection therewith and if such Indebtedness has a floating or formula rate, shall have an implied rate of interest for the applicable period for purposes of this definition determined by utilizing the rate which is or would be in effect with respect to such Indebtedness as at the relevant date of determination; provided, however, that the foregoing *pro forma* adjustments may be applied to any such test or financial covenant solely to the extent that such adjustments are approved by Agent (other than adjustments described in clause (1)(i) of the calculation of Adjusted EBITDA) and give effect to events (including operating expense reductions) that are (1) attributable to such transaction, (2) expected to have a continuing impact on Borrower and its Subsidiaries, and (3) are reasonably deemed in good faith to be achievable based on reasonable assumptions and information then available to Borrower and Agent.

"Projections" means the Loan Parties' and their Subsidiaries' forecasted consolidated: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, together with appropriate supporting details and a statement of underlying assumptions.

"Protective Advances" shall have the meaning assigned to it in Section 2.14.

"Public Lender" has the meaning specified in Section 6.04.

"Qualified Equity Interests" shall mean any Equity Interests other than Disqualified Stock.

"Real Estate" means all Leases and all land, together with the buildings, structures, parking areas, and other improvements thereon, now or hereafter owned by any Loan Party, including all easements, rights-of-way, and similar rights relating thereto and all leases, tenancies, and occupancies thereof.

"Real Estate Lease" means a lease which either (a) requires the payment of rent in an aggregate amount of $250,000 or more during each twelve (12) month period of its term or (b) has demised 70,000 square feet or more, including all options to expand.

"Receipts and Collections" has the meaning specified in Section 6.11(c).

"Register" has the meaning specified in Section 11.06(c).

"Registered Public Accounting Firm" means a firm of independent public accountants of recognized national or regional standing reasonably acceptable to the Agent.

"Regulation U" means Regulation U of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Related Transactions" means the Closing Date Dividend, the entering into of the Revolving Credit Documents by the parties thereto and the incurrence of Indebtedness under the Revolving Credit Documents, the repayment of Existing Indebtedness, the payment of all fees, costs and expenses associated with all of the foregoing and the execution and delivery of all of the Related Transactions Documents.

"Related Transactions Documents" shall mean the agreements, documents and instruments evidencing the Closing Date Dividend and the Revolving Credit Documents.

"Release" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating in, into, upon, onto or through the environment.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than events for which the 30 day notice period has been waived.

"Reports" has the meaning specified in Section 10.12(b).

"Required Contribution Date" shall have the meaning assigned to it in Section 9.02(b).

"Required Financial Statements" has the meaning specified in Section 6.04(b).

"Required Lenders" shall mean two or more unaffiliated Lenders (but not less than two Lenders unless only one Lender with Loan outstanding remains) having Applicable Percentages that exceed fifty percent (50%) in the aggregate. For purposes of determining the number of Lenders under this definition, a Lender and any other Lenders that are Affiliates or Approved Funds of such Lender shall be counted as a single Lender. For purposes of determining the Applicable Percentage of the outstanding Loan, the aggregate amount of outstanding Loans held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, chief financial officer, vice president of finance, controller, treasurer or assistant treasurer of a Loan Party or any of the other individuals designated in writing to the Agent by an existing Responsible Officer of a Loan Party as an authorized signatory of any certificate or other document to be delivered hereunder. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, defeasance, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to such Person's stockholders, partners or members (or the equivalent of any thereof), or any option, warrant or other right to acquire any such dividend or other distribution or payment. Without limiting the foregoing, "Restricted Payments" with respect to any Person shall also include all payments made by such Person with any proceeds of a dissolution or liquidation of such Person.

"Revolving Agents" means, collectively, the Administrative Agent and Term Loan Agent (each as defined in the Revolving Credit Agreement).

"Revolving Credit Agreement" means that certain Credit Agreement dated as of the Closing Date by and among Borrower, the other Loan Parties party thereto, Revolving Agents and Revolving Lender, as amended, restated, supplemented or otherwise modified in accordance with the terms of the Intercreditor Agreement and this Agreement.

"Revolving Credit Documents" means the Revolving Credit Agreement, including the exhibits and schedules thereto, and the "Loan Documents" (as defined in the Revolving Credit Agreement), in each case, as amended, restated, supplemented or otherwise modified in accordance with the terms of the Intercreditor Agreement and this Agreement.

"Revolving Lender" means, collectively, the "Lenders" under the Revolving Credit Agreement, together with their successors and assigns.

"Revolving Loan Obligations" shall have the meaning given to the term "ABL Obligations" as defined in the Intercreditor Agreement.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"SEC" means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley, and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the PCAOB.

"Security Agreement" means the Security Agreement dated as of the Closing Date among the Loan Parties and the Agent, as the same now exists or may hereafter be amended, modified, supplemented, renewed, restated or replaced (including, without limitation, through any joinder agreements).

"Security Documents" means the Security Agreement, the Blocked Account Agreements, the DDA Notifications, the Credit Card Notifications, the Mortgages and all other agreements entered into guaranteeing payment of, or granting or perfecting a Lien upon property as security for payment of, the Obligations.

"Shareholders' Equity" means, as of any date of determination, consolidated shareholders' equity of the Borrower and its Subsidiaries as of that date determined in accordance with GAAP.

"Solvent" and "Solvency" means, with respect to any Person on a particular date, that on such date (a) the fair value of the assets of such Person exceeds its debts and liabilities, direct, subordinated, contingent or otherwise; (b) the present fair saleable value of the property of such Person is greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) such Person is able to pay its debts and liabilities, subordinated, contingent or otherwise, as such liabilities become absolute and matured; and (d) such Person is not engaged in, and is not about to engage in a business for which it has unreasonably small capital. For purposes of determining Solvency, the amount of any contingent liability at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, could reasonably be expected to become an actual or matured liability.

"Specified IPO" shall mean an initial underwritten public offering of the common stock of the Parent (or of an entity of which the Parent is a direct or indirect wholly owned subsidiary), in which the aggregate gross offering proceeds are at least $50,000,000 and the aggregate value of all outstanding common stock of the IPO issuer is at least $200,000,000, calculated on a pre-money basis and assuming a value for each share of common stock equal to the IPO price per share to the public.

"Sponsor" means Ares Corporate Opportunities Fund III, L.P.

"Sponsor Affiliate" shall mean each Affiliate of Sponsor and each individual who is a partner or employee of Sponsor.

"Spot Rate" has the meaning specified in Section 1.07 hereof.

"Store" means any retail store (which may include any real property, fixtures, equipment, inventory and other property related thereto) operated, or to be operated, by any Loan Party.

"Subordinated Indebtedness" means Indebtedness which is expressly subordinated in right of payment to the prior payment in full of the Obligations, and/or the Liens securing such Indebtedness are Subordinated to the Liens securing the Obligations, on terms acceptable to Agent and which is in form and on terms approved in writing by Agent.

"Subordinated Notes" means Parent's 10.0% Subordinated Notes due November 24, 2017 issued pursuant to that certain Note Agreement, dated November 24, 2010 (as amended by Amendment No. 1 to Note Agreement, dated December 13, 2012), between Parent and each of the holders listed on Exhibit A attached thereto.

"Subsidiary" of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the Equity Interests having ordinary voting power for the election of directors or other governing body are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of a Loan Party. Notwithstanding the foregoing, except for purposes of the definition of "Unrestricted Subsidiary" or as otherwise expressly stated herein, an Unrestricted Subsidiary shall be deemed not to be a Subsidiary of a Loan Party or any other Subsidiary for purposes of this Agreement, the other Loan Documents and the Appendices, other than with respect to the provisions of ERISA, for which it shall constitute a Subsidiary.

"Subsidiary Redesignation" shall have the meaning specified in the definition of "Unrestricted Subsidiary".

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement, and (c) any other Swap Obligations.

"Swap Obligation" means, with respect to any Guarantor, any obligation to pay or perform under any agreement, contract or transaction that constitutes a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act.

"Swap Termination Value" means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

"Taxes" or "taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Commitment" means, as to each Lender, its obligation to make a portion of the Loan to the Borrower pursuant toSection 2.01 in an aggregate principal amount at any one time outstanding not to exceed the amount set forth on such Lender's signature page hereto or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable. As of the Closing Date, the aggregate amount of the Term Commitments is $80,000,000.

"Term Priority Collateral" shall have the meaning specified in the Intercreditor Agreement.

"Termination Date" means the earliest to occur of (i) the Maturity Date or (ii) the date on which the maturity of the Obligations is accelerated (or deemed accelerated) in accordance with Article IX.

"Testing Dates" shall have the meaning assigned to it in Section 9.02(a).

"Total Net Leverage Ratio" shall mean the ratio of Consolidated Total Net Debt to Adjusted EBITDA for the trailing four Fiscal Quarter period.

"Trading with the Enemy Act" has the meaning specified in Section 11.18.

"Type" means, with respect to the Loan or any portion thereof, its character as a Base Rate Loan or a LIBO Rate Loan.

"UCC" or "Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning specified in Article 9 of the Uniform Commercial Code; provided further that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "Uniform Commercial Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

"Unfunded Pension Liability" means the excess of a Pension Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan's assets, determined in

accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

"United States" and "U.S." mean the United States of America.

"Unrestricted Cash" shall mean cash or cash equivalents of the Loan Parties that would not appear as "restricted" on the Required Financial Statements.

"Unrestricted Subsidiary" means any Immaterial Subsidiary of Borrower Holdco (other than the Borrower) formed or acquired after the Closing Date and designated by the Borrower as an Unrestricted Subsidiary hereunder by written notice to the Agent; provided that the Borrower shall only be permitted to so designate an Unrestricted Subsidiary if: (a) no Default or Event of Default has occurred and is continuing or would result therefrom, (b) the Loan Parties are in compliance on a *Pro Forma* Basis with the financial covenant set forth in Section 7.10, recomputed for the most recently ended Fiscal Quarter for which Monthly Financial Statements have been delivered to Agent pursuant to Section 6.04 (it being agreed to and understood that (i) for purposes hereof the last paragraph ofSection 7.10 shall not be given any force or effect and pro forma compliance with the financial covenant set forth in Section 7.10 shall be required pursuant to this clause (b) at all times even from and after the occurrence of a Specified IPO and (ii) prior to the first financial covenant threshold testing date set forth in Section 7.10, the Loan Parties shall be deemed to be required to comply with a Total Net Leverage Ratio of no greater than 5.00 to 1.00), (c) such Unrestricted Subsidiary is capitalized (to the extent capitalized by Borrower Holdco or any of its Subsidiaries) through Investments as permitted by, and in compliance with, Section 7.04(j), and any prior or concurrent Investments in such Subsidiary by Borrower Holdco or any of its Subsidiaries shall be deemed to have been made under Section 7.04(j), (d) without duplication of clause (c), any assets owned by such Unrestricted Subsidiary at the time of the initial designation thereof are treated as Investments pursuant to Section 7.04(j) and (e) such Subsidiary has been designated an "unrestricted subsidiary" (or otherwise not be subject to the covenants and defaults) under the Revolving Credit Agreement; provided that at the time of the initial investment by Borrower Holdco or any of its Subsidiaries in such Subsidiary, Borrower Holdco shall designate such entity as an Unrestricted Subsidiary in a written notice to the Agent. Borrower may designate any Unrestricted Subsidiary to be a Subsidiary for purposes of this Agreement (each, a "Subsidiary Redesignation"); provided that (i) such Unrestricted Subsidiary, both before and after giving effect to such designation, shall be a wholly owned Subsidiary of Borrower Holdco or the Borrower, (ii) no Default or Event of Default shall have occurred and be continuing or would result therefrom, (iii) the Loan Parties are in compliance on a *Pro Forma* Basis with the financial covenant set forth inSection 7.10, recomputed for the most recently ended Fiscal Quarter for which Monthly Financial Statements have been delivered to Agent pursuant to Section 6.04 (it being agreed to and understood that (i) for purposes hereof the last paragraph of Section 7.10 shall not be given any force or effect and pro forma compliance with the financial covenant set forth in Section 7.10 shall be required pursuant to this clause (b) at all times even from and after the occurrence of a Specified IPO and (ii) prior to the first financial covenant threshold testing date set forth in Section 7.10, the Loan Parties shall be deemed to be required to comply with a Total Net Leverage Ratio of no greater than 5.00 to 1.00), (iv) all representations and warranties contained herein and in the Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of such Subsidiary Redesignation (both before and after giving effect thereto), unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date, and (v) the Borrower shall have delivered to the Agent an officer's certificate executed by a Responsible Officer of the Borrower, certifying to the best of such officer's knowledge, compliance with the requirements of preceding clauses (i) through (iv), inclusive.

1.02 Other Interpretive Provisions. With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The word "will" shall be construed to have the same meaning and effect as the word "shall." Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement,

instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein", "hereof" and "hereunder", and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including", the words "to" and "until" each mean "to but excluding", and the word "through" means "to and including".

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

(d) Any reference herein or in any other Loan Document to the satisfaction, repayment, or payment in full of the Obligations shall mean the repayment in Dollars in full in cash or immediately available funds (or, in the case of contingent Obligations, providing cash collateralization or other collateral as may be reasonably requested by the Agent) of all of the Obligations other than unasserted contingent indemnification Obligations.

1.03 Accounting Terms Generally.

(a) GAAP Accounting. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to in Article VII shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any other Financing Accounting Standard or FASB Accounting Standards

Codification™ having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party or any Subsidiary of any Loan Party at "fair value."

(b) Changes in GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

1.04 Rounding. Any financial ratios required to be maintained by the Loan Parties pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to times of day in New York, New York (daylight or standard, as applicable).

1.06 [Reserved].

1.07 Currency Equivalents Generally. Any amount specified in this Agreement (other than in Article II, Article X and Article XI) or any of the other Loan Documents to be in Dollars shall also include the equivalent of such amount in any currency other than Dollars, such equivalent amount thereof in the applicable currency to be determined by the Agent at such time on the basis of the Spot Rate (as defined below) for the purchase of such currency with Dollars. For purposes of this Section 1.07, the "Spot Rate" for a currency means the rate determined by the Agent to be the rate quoted by the Person acting in such capacity as the spot rate for the purchase by such Person of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two Business Days prior to the date of such determination; provided that the Agent may obtain such spot rate from another financial institution designated by the Agent if the Person acting in such capacity does not have as of the date of determination a spot buying rate for any such currency.

ARTICLE II
THE TERM COMMITMENTS AND LOANS

2.01 Credit Facilities.

(a) Loan.

(i) Subject to the terms and conditions of this Agreement, on the Closing Date, each Lender agrees, severally and not jointly, to make a Loan to the Borrower in an original principal amount not to exceed such Lender's Applicable Percentage of the Term Commitment. Amounts paid or prepaid in respect of the Loan may not be reborrowed. The funding of the Loan shall be made on written notice by Borrower to Agent, at Agent's address specified herein, substantially in the form of Exhibit A (a "Loan Notice") and shall include the information required in such Exhibit. The failure of any Lender to make its portion of the Loan on the date

required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its portion of the Loan.

(ii) The Loan shall be repaid, beginning on September 30, 2013 and on the last day of each calendar quarter thereafter, in an amount equal to the respective amount set forth opposite the dates indicated below, with the remaining principal amount of the Loan then outstanding due and payable in full on the Maturity Date.

Principal Amortization Payment Dates	Principal Amortization Payment

September 30, 2013	$	200,000
December 31, 2013	$	200,000
March 31, 2014	$	200,000
June 30, 2014	$	200,000
September 30, 2014	$	200,000
December 31, 2014	$	200,000
March 31, 2015	$	200,000
June 30, 2015	$	200,000
September 30, 2015	$	200,000
December 31, 2015	$	200,000
March 31, 2016	$	200,000
June 30, 2016	$	200,000
September 30, 2016	$	200,000
December 31, 2016	$	200,000
March 31, 2017	$	200,000
June 30, 2017	$	200,000
September 30, 2017	$	200,000
December 31, 2017	$	200,000
March 31, 2018	$	200,000
June 30, 2018	$	200,000
September 30, 2018	$	200,000
December 31, 2018	$	200,000
March 31, 2019	$	200,000
Maturity Date	$	75,400,000

(iii) Notwithstanding the foregoing clause (ii), the entire unpaid balance of the aggregate Loan and all other Obligations shall be due and payable in full on the Maturity Date, if not sooner paid in full in accordance with the terms of the Loan Documents (without limiting Borrower's obligation to timely make all payments required under the terms of the Loan Documents).

(iv) The foregoing Section 2.01(a)(ii) and (iii) shall be adjusted to reflect any Incremental Term Loans without affecting any Lender's rights thereunder relating to the Loans funded on the Closing Date.

(b) Incremental Term Loan. The Borrower shall have the right from time to time to borrow from the existing Lenders or additional Lenders, one or more incremental term loans hereunder (each an "Incremental Term Loan"), in an aggregate principal amount not to exceed $25,000,000, provided:

(i) the amount of each Incremental Term Loan shall be in a minimum amount of $2,000,000 and minimum increments of $500,000 in excess thereof;

(ii) all fees and expenses owed by Borrower to Agent and the Lenders in respect of such Incremental Term Loan shall have been paid;

(iii) no Lender shall be required to increase its respective Term Commitment; provided, prior to the Borrower offering such Incremental Term Loan to any Person that is not an existing Lender (each of which Person shall constitute an Eligible Assignee and will require the approval of the Agent to the extent required by Section 11.06(b)), the existing Lenders shall be afforded the opportunity to provide such Incremental Term Loan, and each existing Lender shall have the right to participate in any selected Lender's portion of such Incremental Term Loan to the extent of such Lender's ratable share of such portion of such Incremental Term Loan (based on its then-existing *pro rata* share of the Loan);

(iv) after giving pro forma effect to the borrowing of such Incremental Term Loan and the use of proceeds thereof, (i) no Default or Event of Default shall exist and (ii) as of the last day of the most recent Fiscal Month for which financial statements are required to have been delivered pursuant to Section 6.04(b), (or Section 6.04(a)), the Total Net Leverage Ratio (calculated for the most recent trailing twelve Fiscal Month period ending with the Fiscal Month reflected in such financial statements) of the Loan Parties and their Subsidiaries shall not be greater than 3.50 to 1.00;

(v) (i) the Incremental Term Loans shall rank pari passu in right of payment and of security with the Loan, (ii) the final maturity date of any such Incremental Term Loan shall be no earlier than the Maturity Date and (iii) the weighted average life to maturity of such Incremental Term Loan shall not be shorter than the weighted average life to maturity of the Loan;

(vi) the economic terms of such Incremental Term Loan (including the interest rate, upfront fees and original issue discount) will be determined by the Borrower and the lenders providing such Incremental Term Loan, provided that if the Effective Yield applicable to such Incremental Term Loan exceeds the corresponding Effective Yield applicable to the Loan or any prior Incremental Term Loan, then the interest rate margin with respect to the Loan or such prior Incremental Term Loan, as the case may be, shall be increased by an amount such that the Effective Yield on the Loan or such prior Incremental Term Loan, as applicable, equals the Effective Yield with respect to such Incremental Term Loan;

(vii) no Incremental Term Loan or any portion thereof shall cause any portion of the Obligations to constitute "Excess Term Obligations" (as defined in the Intercreditor Agreement) or otherwise violate the terms of the Intercreditor Agreement;

(viii) except as otherwise provided above or agreed by the Required Lenders, such Incremental Term Loan shall be on terms (including, but not limited to, security, priority and prepayments) consistent with the Loan.

Each of the parties hereto hereby agrees that, upon the effectiveness of the Incremental Term Loan, this Agreement shall be deemed amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Incremental Term Loan evidenced thereby and the Agent, the Borrower and the Lenders providing such Incremental Term Loan may revise this Agreement to evidence such amendments.

Notwithstanding the foregoing, no Incremental Term Loan shall become effective under this Section 2.01(b) unless on the date of such effectiveness, the conditions set forth in Section 4.02 shall be satisfied or duly waived.

(c) Reliance on Notices. Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Advance, Notice of Conversion/Continuation or similar notice believed thereby to be genuine. Agent may assume that each Person executing and delivering such a notice was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary.

2.02 Borrowings, Conversions and Continuations of Committed Loans.

(a) The Loan (or any portion thereof) shall be either Base Rate Loans or LIBO Rate Loans as the Borrower may request subject to and in accordance with this Section 2.02 and as set forth on the Notice of Advance delivered by the Borrower in connection with the funding of the Loan on the Closing Date or as set forth in any Notice of Conversion/Continuation delivered thereafter.

(b) Borrower shall have the option to (i) convert at any time all or any part of outstanding Loans from Base Rate Loans to LIBO Rate Loans, (ii) convert any LIBO Rate Loan to a Base Rate Loan, subject to payment of LIBO Rate breakage costs in accordance with Section 3.05 if such conversion is made prior to the expiration of the Interest Period applicable thereto, or (iii) continue all or any portion of the Loan as a LIBO Rate Loan upon the expiration of the applicable Interest Period and the succeeding Interest Period of that continued Loan shall commence on the last day of the Interest Period of the Loan to be continued. Loans for which Borrower has not elected the LIBO Rate option shall be Base Rate Loans. During the continuation of any Event of Default, Agent or Required Lenders may terminate Borrower's right to exercise the options set forth in this Section 2.02(b). Any portion of the Loan to be made or continued as, or converted into, a LIBO Rate Loan must be in a minimum amount of $500,000 and integral multiples of $250,000 in excess of such amount. Any such election must be made by noon on the third (3rd) Business Day prior to (1) the end of each Interest Period with respect to any LIBO Rate Loans to be continued as such, or (2) the date on which Borrower wishes to convert any Base Rate Loan to a LIBO Rate Loan for an Interest Period designated by Borrower in such election. If no election is received with respect to a LIBO Rate Loan by noon on the third (3rd) Business Day prior to the end of the Interest Period with respect thereto, that LIBO Rate Loan shall be converted to a Base Rate Loan at the end of its Interest Period. Borrower must make such election by notice to Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice Loan Notice. Notwithstanding the foregoing, at no time shall there be more than three (3) LIBO Rate Loans outstanding.

2.03 [Reserved].

2.04 [Reserved].

2.05 Prepayments.

(a) Voluntary Prepayments. Borrower may at any time and from time to time on at least two (2) days' prior written notice to Agent, voluntarily prepay all or part of the Loan; provided, however, that (A) any such prepayments shall be in a minimum amount of $500,000 and integral multiples of $100,000 in excess of such amount (or such lesser amount outstanding). Any such voluntary prepayment of the Loan must be accompanied by the payment of any LIBO Rate funding breakage costs in accordance with Section 3.05 plus, to the extent applicable, a premium as required by Section 2.05(e). Any partial prepayment of the Loan made by or on behalf of Borrower shall be applied to the remaining scheduled installments of the Loan (including the final installment due on the Maturity Date) in such order as Borrower elects (or pro rata to such remaining installments if Borrower fails to elect a different order of application by the time the proceeds of such voluntary prepayment are received by Agent), provided that Protective Advances and interest thereon must be repaid before any prepayment is applied to the Loan. Any prepayment of the Loan under this Section 2.05(a) shall be applied first to the portion of the Loan comprised of Base Rate Loans and then to the portion of the Loan comprised of LIBO Rate Loans, in the direct order of Interest Period maturities.

(b) Mandatory Prepayments.

(i) Within three Business Days of receipt by any Loan Party or any of its Subsidiaries of Net Proceeds of any asset Disposition (including any Disposition of Equity Interests of any Person owned by such Loan Party or Subsidiary), on account of any insurance proceeds paid in respect of any casualty loss relating to any assets or property of such Person or on account of a Condemnation Event (other than asset Disposition, insurance and/or Condemnation Event Net Proceeds of less than $500,000 in the aggregate in any Fiscal Year and all proceeds of asset Dispositions permitted by Section 7.05(a)(i), 7.05(a)(ii), 7.05(a)(iv), 7.05(b), 7.05(c), 7.05(f), 7.05(i) and 7.05(j)), the Borrower shall prepay the Loans and other Obligations in an amount equal to all such Net Proceeds; provided that no prepayment shall be required in connection with such an asset Disposition, casualty loss or Condemnation Event if the proceeds thereof are reinvested by the Person receiving such proceeds in a similar asset used or useful in the business (or, in the case of insurance proceeds, used to repair, refurbish, restore, replace or rebuild the asset giving rise to such proceeds) within one hundred eighty (180) days following receipt thereof, or such Person shall have entered into a binding commitment during such one hundred eighty (180) day period in respect of such reinvestment and shall actually reinvest such proceeds within one hundred eighty (180) days thereafter, but only to the extent that the Borrower notifies Agent of such Person's intent to make such reinvestment at the time such Net Proceeds are received and when such reinvestment occurs no Event of Default shall then be in existence. Any such prepayment shall be applied in accordance with Section 2.05(c) below (either at the time of receipt thereof or upon expiration of the 180-day period described above (as the same may be extended by up to 180 additional days as described above) to the extent the Net Proceeds are not so reinvested (or, in the case of insurance proceeds, not used to repair, refurbish, restore, replace or rebuild the asset giving rise to such Net Proceeds) within such period as permitted in this Section 2.05(b)(i)), and shall be accompanied by a premium pursuant to Section 2.05(e) and LIBO Rate funding breakage costs as required under the terms of this Agreement, in each case to the extent applicable. Notwithstanding the foregoing, prior to the Discharge of ABL Obligations (as defined in the Intercreditor Agreement), to the extent the Net Proceeds described in this Section 2.05(b)(i) arise from a Disposition of, or casualty loss or Condemnation Event pertaining to, ABL Priority Collateral, such Net Proceeds shall first be used by the Loan Parties to satisfy any mandatory prepayments required under Section 2.05(c) of the Revolving Credit Agreement as in effect on the date hereof and then to satisfy the mandatory prepayment requirement under

this Section 2.05(b)(i) so long as the Payment Conditions are satisfied at the time Borrower is required to make a mandatory prepayment pursuant to the terms of this Section 2.05(b)(i) after giving effect to such prepayments under the Revolving Credit Agreement.

(ii) If any Loan Party or any of its Subsidiaries receives proceeds on account of an Equity Cure or incurs any Indebtedness (other than Indebtedness permitted to be incurred under Section 7.01), no later than the Business Day following the date of receipt of the proceeds thereof (or Net Proceeds in the case of the incurrence of Indebtedness) by any Loan Party or any of its Subsidiaries (or no later than the fifth (5th) Business Day following the date of receipt of the proceeds thereof in the case of an Equity Cure), the Borrower shall prepay the Loans and other Obligations in an amount equal to all such proceeds (or Net Proceeds in the case of the incurrence of Indebtedness), subject, in the case of an Equity Cure, to the terms of Section 9.02(b) allowing for the prepayment of Revolving Loan Obligations under the circumstances set forth therein. Any such prepayment shall be applied in accordance with Section 2.05(c) below and shall be accompanied by a premium pursuant to Section 2.05(e) and LIBO Rate funding breakage costs as required under the terms of this Agreement, in each case to the extent applicable.

(iii) Until the Termination Date, Borrower shall prepay the Loans and other Obligations on the date that is one hundred twenty (120) days

following the end of the Fiscal Year ending December 26, 2013 and each Fiscal Year of the Borrower thereafter, in an amount equal to (A) fifty percent (50%) of Excess Cash Flow for the immediately preceding Fiscal Year (calculated, with respect to the Fiscal Year ending December 26, 2013, for the period commencing on the first day of the Fiscal Month immediately following the Closing Date and ending on the last day of such Fiscal Year); provided that the percentage of Excess Cash Flow that shall be required to be prepaid in accordance with this clause (iii) in respect of a particular Fiscal Year shall be reduced to twenty-five percent (25%) if the Total Net Leverage Ratio as of the last day of such Fiscal Year is less than 3.25 to 1.00, as determined by the applicable Compliance Certificate delivered with the Annual Financial Statements for such Fiscal Year pursuant to Section 6.04(a) (provided that in no event shall any such reduction occur unless the Borrower delivers to Agent such a Compliance Certificate) less (B) the amount of voluntary prepayments of the principal balance of the Loans during the immediately preceding Fiscal Year. Any such prepayment shall be applied in accordance with Section 2.05(c) below and shall be accompanied by LIBO Rate funding breakage costs as required under the terms of this Agreement. Each such prepayment shall be accompanied by a certificate signed by a Responsible Officer of Borrower certifying the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be substantially in the form of Exhibit C hereto. Notwithstanding anything herein to the contrary, no prepayment shall be required pursuant to this clause (iii) with respect to any Fiscal Year where the Total Net Leverage Ratio as of the last day of such Fiscal Year is less than 2.50 to 1.00, as determined by the applicable Compliance Certificate delivered with the Annual Financial Statements for such Fiscal Year pursuant to Section 6.04(a) (provided that in no event shall the foregoing have any force or effect unless the Borrower delivers to Agent such a Compliance Certificate).

(c) Application of Certain Mandatory Prepayments. Subject to the provisions of Section 9.04, any prepayments made by Borrower pursuant to Sections 2.05(b)(i) through (b)(iii) shall be applied as follows: first, to Protective Advances; second, to the outstanding principal balance of the Loan; and third, to any other Obligations then outstanding; provided that (i) any partial prepayment of the Loan made by or on behalf of Borrower shall be applied to reduce the remaining scheduled installments of the Loan (including the final installment due on the Maturity Date) in direct order of maturity, and (ii) any prepayment of the Loan shall be applied first to the portion of the Loan comprised of Base Rate Loans

and then to the portion of the Loan comprised of LIBO Rate Loans, in the direct order of Interest Period maturities.

(d) No Deemed Consent. Nothing in this Section 2.05 shall be construed to constitute Agent's or any Lender's consent to any transaction referred to in Sections 2.05(b)(i) and (b)(ii) above which is not permitted by other provisions of this Agreement or the other Loan Documents.

(e) Prepayment Premium. All prepayments of the Loan made or required to be made prior to the second anniversary of the Closing Date (whether voluntary or mandatory (but, with respect to mandatory prepayments, solely to the extent arising under Section 2.05(b)(ii) or resulting from asset Dispositions constituting a Change of Control or the sale or disposition of all or substantially all of the assets of the Loan Parties, taken as a whole), as applicable, and whether before or after acceleration of the Obligations), shall be subject to an additional premium (to be paid to Agent for the benefit of the Lenders as liquidated damages and compensation for the costs of being prepared to make funds available hereunder with respect to the Loan) equal to the amount of such prepayment multiplied by (i) two percent (2.0%) (such amount reducing to one percent (1.0%) if a Specified IPO has occurred on or prior to the applicable prepayment date), with respect to prepayments made after the Closing Date but prior to the first anniversary of the Closing Date and (ii) one percent (1.0%) (such amount reducing to one-half of one percent (0.50%) if a Specified IPO has occurred on or prior to the applicable prepayment date), with respect to prepayments made on or after the first anniversary of the Closing Date but prior to the second anniversary of the Closing Date. On or after the second anniversary of the Closing Date, no premiums shall be payable pursuant to this Section 2.05(e) in connection with any prepayments of the Loan other than LIBO Rate funding breakage costs as required under the terms of this Agreement.

2.06 Termination of Term Commitments. The Term Commitment of each Lender shall automatically terminate upon such Lender's funding of its portion of the Loan, which shall occur no later than the Closing Date.

2.07 [Reserved].

2.08 Interest.

(a) Subject to the provisions of Section 2.08(b) below,

(i) each LIBO Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the LIBO Rate for such Interest Period plus the Applicable Margin; and

(ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Margin.

(b) Automatically and for so long as any Event of Default shall have occurred and be continuing under Section 9.01(h) or (i) (or at the election of Agent or Required Lenders for so long as any Event of Default under Section 9.01(b) or (c) shall have occurred and be continuing), the interest rates applicable to the Loans shall be increased by two percentage points (2%) per annum above the rates otherwise applicable hereunder (the "Default Rate") and all past due Obligations shall bear interest at a Default Rate equal to (i) in the case of past due interest, the Default Rate applicable to the Loans giving rise to such interest and (ii) in the case of all other past due Obligations, the Default Rate applicable to Loans that are Base Rate Loans. Unless otherwise agreed to by Required Lenders, interest at the Default

Rate shall accrue retroactively from the initial date of such Event of Default until that Event of Default ceases to exist and shall be payable on demand at Agent's election.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

2.09 Fees. In addition to any other Fees required to be paid pursuant to the terms of any Loan Documents the Borrower shall pay to the Agent and KKR Asset Management LLC fees in the amounts and at the times specified in the Fee Letter. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

2.10 Computation of Interest and Fees. Except for any computations with respect to the definition of Base Rate (which shall be computed on the basis of a year of 365 days, or to the extent a leap year, 366 days), all computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.12(a), bear interest for one day. Each determination by the Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.11 Evidence of Debt.

(a) The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by the Agent (the "Loan Account") in the ordinary course of business. In addition, each Lender may record in such Lender's internal records, an appropriate notation evidencing the date and amount of each Loan from such Lender, each payment and prepayment of principal of any such Loan, and each payment of interest, fees and other amounts due in connection with the Obligations due to such Lender. The accounts or records maintained by the Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Agent in respect of such matters, the accounts and records of the Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Agent, the Borrower shall execute and deliver to such Lender (through the Agent) a Note, which shall evidence such Lender's portion of the Loan, in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto. Upon receipt of an affidavit of a Lender as to the loss, theft, destruction or mutilation of such Lender's Note and upon cancellation of such Note, the Borrower will issue, in lieu thereof, a replacement Note in favor of such Lender, in the same principal amount thereof and otherwise of like tenor.

(b) Agent shall render monthly statements regarding the Loan Account to the Borrower including principal, interest, fees, and including an itemization of all charges and expenses constituting Credit Party Expenses owing, and such statements, absent manifest error, shall be conclusively presumed to be correct and accurate and constitute an account stated between Borrower and the Credit Parties unless, within 30 days after receipt thereof by the Borrower, the Borrower shall deliver to Agent written objection thereto describing the error or errors contained in any such statements.

2.12 Payments Generally; Funding Source.

(a) Payments Generally. All payments to be made by the Loan Parties shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Agent, for the account of the respective Lenders to which such payment is owed, at the Agent's Office in Dollars and in immediately available funds not later than 2:00 p.m. on the date specified herein. The Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Agent after 2:00 p.m., at the option of the Agent, shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by the Borrower shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.13 Sharing of Payments by Lenders. If any Credit Party shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, interest on, or other amounts with respect to, any of the Obligations resulting in a Lender receiving payment of a proportion of the aggregate amount of Obligations in respect of the Loan greater than its *pro rata* share thereof as provided herein (including, in each case, as in contravention of the priorities of payment set forth in Section 9.04), then the Credit Party receiving such greater proportion shall (a) notify the Agent of such fact, and (b) purchase (for cash at face value) participations in the Obligations of the other Lenders or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Credit Parties ratably and in the priorities set forth in Section 9.04, provided that:

(i) if any such participations or subparticipations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations or subparticipations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by the Loan Parties pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its portion of the Loan to any assignee or participant to the extent in compliance with the terms of this Agreement in all respects, other than, for the avoidance of doubt, to the Loan Parties or any Subsidiary thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

2.14 Protective Advances.

(a) Agent is authorized by the Borrower and the Lenders to, from time to time in Agent's sole discretion (but Agent shall not have any obligation to), make disbursements and advances to

the Borrower, on behalf of all Lenders, which Agent, in its sole discretion, deems necessary or desirable (i) to preserve or protect the Collateral, or any portion thereof, (ii) to enhance the likelihood of, or maximize the amount of, repayment of the Loans and other Obligations, or (iii) to pay any other amount chargeable to or required to be paid by the Borrower pursuant to the terms of this Agreement, including payments of reimbursable expenses (including costs, fees, and expenses as described in Section 11.04) and other sums payable under the Loan Documents (any of such loans are herein referred to as "Protective Advances"); provided that after giving effect to the making of a Protective Advance the aggregate amount of outstanding Protective Advances shall not exceed $2,000,000. Protective Advances may be made even if the conditions precedent set forth in Section 4.02 have not been satisfied. The Protective Advances shall be secured by the Liens in favor of Agent in and to the Collateral and shall constitute Obligations hereunder. All Protective Advances shall accrue interest at a per annum rate equal to the Base Rate plus the Applicable Margin plus, at all times after an Event of Default has occurred and is continuing, two percent (2%). Agent's authorization to make Protective Advances may be revoked at any time by the Required Lenders. Any such revocation must be in writing and shall become effective prospectively upon Agent's receipt thereof.

(b) Upon the making of a Protective Advance by Agent (whether before or after the occurrence of a Default), each Lender shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from Agent without recourse or warranty, an undivided interest and participation in such Protective Advance in proportion to its Applicable Percentage immediately prior to giving effect to the making of such Protective Advance, payable on demand of Agent. From and after the date, if any, on which any Lender is required to fund its participation in any Protective Advance purchased hereunder, Agent shall promptly distribute to such Lender, such Lender's Applicable Percentage thereof of all payments of principal and interest and all proceeds of Collateral received by Agent in respect of such Protective Advance.

ARTICLE III
TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law. If the Borrower or any other withholding agent shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Agent or the applicable Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholding been made.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Loan Parties. The Loan Parties shall indemnify the Agent and each Lender within 10 days after demand therefor, for the full amount of any Indemnified Taxes or

Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Agent), or by the Agent, in each case, on its own behalf or on behalf of the Agent or a Lender shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(e) Status of Lenders. Any Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. Such delivery shall be provided on the Closing Date and on or before such documentation expires or becomes obsolete or after the occurrence of an event requiring a change in the documentation most recently delivered. In addition, any Lender, if requested by the Borrower or the Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Agent as will enable the Borrower or the Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person within the meaning of Code Section 7701(a)(30)(a "US Person"), any Lender shall deliver to the Borrower and the Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) any Lender that is a U.S. Person shall deliver executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax; and

(ii) any Foreign Lender shall deliver whichever of the following is applicable:

(A) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party;

(B) duly completed copies of Internal Revenue Service Form W-8ECI;

(C) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate ("Tax Compliance Certificate") to the effect that such Foreign Lender is not (1) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (2) a "10 percent shareholder" of the Borrowers

within the meaning of section 881(c)(3)(B) of the Code, or (3) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN;

(D) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a Tax Compliance Certificate, IRS Form W-9 and/or other certification documents from each beneficial owner, as applicable;

(E) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made; or

(F) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Agent as may be necessary for the Borrower and the Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for the purposes of this clause (F), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) Treatment of Certain Refunds. If the Agent or any Lender determines, in its sole discretion, exercised in good faith, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Loan Parties or with respect to which the Loan Parties have paid or remitted additional amounts pursuant to this Section, it shall pay to the Loan Parties an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Loan Parties under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Agent or such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Loan Parties, upon the request of the Agent or such Lender agree to repay the amount paid over to the Loan Parties (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Agent or such Lender in the event the Agent or such Lender is required to repay such refund to such Governmental Authority. This subsection shall not be

construed to require the Agent or such Lender to make available its tax returns (or any other information relating to its Taxes that it deems confidential) to the Loan Parties or any other Person.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund LIBO Rate Loans, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Agent, any obligation of such Lender to make or continue LIBO Rate Loans or to convert Base Rate Loans to LIBO Rate Loans shall be suspended until such Lender notifies the Agent and the Borrower that the circumstances giving rise to such determination no longer

exist. Upon receipt of such notice, the Borrower shall, upon demand from such Lender (with a copy to the Agent), prepay or, if applicable, convert all LIBO Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBO Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBO Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates. If the Required Lenders determine that for any reason in connection with any request for a conversion to or continuation of a LIBO Rate Loan that (a) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount and Interest Period of such LIBO Rate Loan, (b) adequate and reasonable means do not exist for determining the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan, or (c) the LIBO Rate for any requested Interest Period with respect to a proposed LIBO Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, the Agent will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBO Rate Loans shall be suspended until the Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a conversion to or continuation of LIBO Rate Loans.

3.04 Increased Costs; Reserves on LIBO Rate Loans.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBO Rate);

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any LIBO Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.01 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBO Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any LIBO Rate Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital requirements or liquidity has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy),

then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than nine months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Reserves on LIBO Rate Loans. The Borrower shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), except any reserve requirement reflected in the LIBO Rate, additional interest on the unpaid principal amount of each LIBO Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided the Borrower shall have received at least 10 days' prior notice (with a copy to the Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant Interest Payment Date, such additional interest shall be due and payable 10 days from receipt of such notice.

3.05 Compensation for Losses. Upon demand of any Lender (with a copy to the Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise);

(b) any failure by the Borrower (for reason other than the failure of such Lender to make a Loan) to prepay, continue or convert any Loan other than a Base Rate Loan on the date or in the amount notified by the Borrower; or

(c) any assignment of a LIBO Rate Loan on a day other than the last day of the Interest Period therefor as a result of a request by the Borrower pursuant to Section 11.13;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each LIBO Rate Loan made by it at the LIBO Rate for such Loan by a matching deposit or other borrowing in the London interbank market for a comparable amount and for a comparable period, whether or not such LIBO Rate Loan was in fact so funded.

3.06 Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.04, or the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender gives a notice pursuant to Section 3.02, then such Lender shall use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender to any material unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, the Borrower may replace such Lender in accordance with Section 11.13.

3.07 Survival. Each party's obligations under this Article III shall survive the repayment of the Loan and all other Obligations.

ARTICLE IV
CONDITIONS PRECEDENT

4.01 Conditions of Loans. The obligation of each Lender to make its Loan hereunder is subject to satisfaction of the following conditions precedent:

(a) Documents. Agent shall have received each of the agreements, instruments, certificates, documents and other items set forth on Annex A, each in form and substance reasonably satisfactory to Agent and each fully executed, as applicable, each of which shall be originals, facsimiles or other electronic image scan transmission (e.g., "pdf" or "tif " via e-mail) (followed promptly by originals) unless otherwise specified, each, as applicable, properly executed by a Responsible Officer of the signing Loan Party and, except as otherwise specified, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date);

(b) Existing Indebtedness. (1) Agent shall have received a payoff letter from the agent for the lenders under the Existing Credit Agreement reasonably satisfactory in form and substance to the Agent evidencing that the Existing Credit Agreement has been or concurrently with the Closing Date is being terminated, all obligations thereunder are being paid in full, and all Liens securing obligations under the Existing Credit Agreement have been or concurrently with the Closing Date are being released; and (2) the Agent shall be reasonably satisfied that the Subordinated Notes have been or concurrently with the Closing Date are being terminated, all obligations thereunder are being paid in full, and all Liens securing obligations under the Subordinated Notes, if any, have been or concurrently with

the Closing Date are being released (which, for the avoidance of doubt, shall consist of the funds flow and copies of communications sent to each of the holders of the Subordinated Notes delivering repayment in full on the Closing Date);

(c) Lien Searches. Results of Uniform Commercial Code, tax and judgment lien searches in each Loan Party's respective jurisdiction of incorporation or organization indicating the absence of Liens on the assets of the Loan Parties, except for Permitted Encumbrances and Liens for which termination statements and releases, satisfactions and discharges of any mortgages, and releases or subordination agreements reasonably satisfactory to the Agent are being tendered concurrently with such extension of credit or other arrangements reasonably satisfactory to the Agent for the delivery of such termination statements and releases, satisfactions and discharges have been made.

(d) Financials; Financial Condition. Agent shall have received the Required Financial Statements certified by a Responsible Officer of Borrower, in each case in form and substance reasonably satisfactory to Agent. The Solvency Certificate set forth on Annex A shall state that (a) the Borrower and its Subsidiaries, taken as a whole, will be Solvent upon the consummation of the transactions contemplated herein and the Related Transactions; (b) the Pro Forma Balance Sheet fairly presents the financial condition of Borrower and each of its Subsidiaries as of the date thereof after giving effect to the transactions contemplated by the Loan Documents; and (c) the Projections are based upon estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Closing Date, reflect Borrower's good faith and reasonable estimates of future financial performance of each Loan Party and each of its Subsidiaries and of the other information projected therein for the period set forth therein. Notwithstanding the foregoing, it is acknowledged by Agent and Lenders that projections as to future events are not to be viewed as facts and that the actual results during the period or periods covered by such projections may differ from the projected results.

(e) Approvals; Waivers. Agent shall have received satisfactory evidence that the Loan Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents and the consummation of the Related Transactions.

(f) Opening Availability Requirement. On the Closing Date, and after allowing for the payment of all fees, costs and expenses in connection with this Agreement and the Related Transactions, there shall be at least $25,000,000 of unused but available revolving loan commitments under the Revolving Credit Agreement.

(g) Payment of Fees. Borrower shall have paid the fees required to be paid on the Closing Date and shall have reimbursed Agent for all fees, costs and expenses of closing (limited, in the case of legal counsel, to the reasonable and documented fees and expenses of one primary firm of counsel selected by Agent and such local counsel as Agent reasonably deems necessary).

(h) Leverage Requirement. The Total Net Leverage Ratio, measured as of the most recently reported month end of the Borrower (for the twelve month period then ended and assuming the funding of the Loan and the Related Transactions had occurred), shall not be more than 4.00 to 1.00.

(i) Capital Structure. The capital structure of each Loan Party and its Subsidiaries and the terms and conditions of all Indebtedness of each Loan Party and its Subsidiaries shall be acceptable to each Lender in its sole discretion. Agent shall have received evidence reasonably

acceptable to it that Revolving Lender shall have advanced to Borrower $50,000,000 pursuant to the Revolving Credit Agreement.

(j) Consummation of Related Transactions. Agent shall have received fully executed copies of the Related Transactions Documents, each of which shall be in form and substance reasonably satisfactory to Agent and its counsel. The Closing Date Dividend and the other Related Transactions shall have been consummated (or shall be consummated substantially concurrently with the funding of the Loan) in accordance with the terms of the Related Transactions Documents.

(k) Other Documents. Agent shall have received all information that will allow Agent and Lenders to identify the Loan Parties in accordance with the USA Patriot Act.

Without limiting the generality of the provisions of Section 10.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

4.02 Further Conditions to Each Loan. Except as otherwise expressly provided herein, no Lender shall be obligated to fund its Loan or any Incremental Term Loan if, as of the date thereof:

(a) Any representation or warranty by any Loan Party contained herein or in any of the other Loan Documents shall be untrue or incorrect in any material respect (or untrue or incorrect in any respect if such representation or warranty contains any materiality qualifier, including references to "material," "Material Adverse Effect" or dollar thresholds) as of such date (or as of a specific earlier date if such representation or warranty expressly relates to an earlier date); or

(b) (i) Any Event of Default shall have occurred and be continuing or would result after giving effect to the Loan or any Incremental Term Loan, as applicable, or (ii) a Default shall have occurred and be continuing or would result after giving effect to the Loan or any Incremental Term Loan, as applicable.

The request and acceptance by Borrower of the proceeds of the Loan or any Incremental Term Loan, as applicable, shall be deemed to constitute, as of the date of such request or acceptance, (i) a representation and warranty by Borrower that the conditions in Sections 4.01 (with respect to the Loan only) and 4.02 have been satisfied and (ii) a reaffirmation by each Loan Party of its guaranty of the Obligations set forth in any Loan Document and of the granting and continuance of Agent's Liens, on behalf of itself and the other Credit Parties, pursuant to the Security Documents.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to Agent and the Lenders that:

5.01 Organization; Powers. Each Loan Party and each of its Subsidiaries (a) is a partnership, limited liability company or corporation duly organized, validly existing and in good standing (or in any foreign jurisdiction where an equivalent status exists, enjoys the equivalent status under the laws of such foreign jurisdiction of organization) under the laws of the jurisdiction of its organization, (b) has all requisite power and authority to own its property and assets and to carry on its business as now conducted, (c) is qualified and is licensed, and where applicable, in good standing to do business in each

jurisdiction where such qualification is required, except where the failure so to qualify or be in good standing could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, and (d) has the power and authority to execute, deliver and perform its obligations under each of the Loan Documents and each other agreement or instrument contemplated thereby to which it is or will be a party and, in the case of the Borrower, to borrow and otherwise obtain credit hereunder. Schedule 5.01 annexed hereto sets forth, as of the Closing Date, each Loan Party's name as it appears in official filings in its state of incorporation or organization, the current location of its chief executive office and principal place of business, its state of incorporation or organization, organization type, organization number, if any, issued by its state of incorporation or organization, and its federal employer identification number.

5.02 Authorization. The execution, delivery and performance by the Loan Parties of each of the Loan Documents to which it is a party and the borrowings hereunder (a) have been duly authorized by all corporate, stockholder, partnership or limited liability company action required to be taken by the Loan Parties and (b) will not (i) violate (A) any provision of law, statute, rule or regulation, in any material respect, (B) the certificate or articles of incorporation or other Organization Documents (including any partnership, limited liability company or operating agreement or by-laws) of any Loan Party, (C) any applicable order of any court or any rule, regulation or order of any Governmental Authority or (D) any provision of any indenture, certificate of designation for preferred stock, agreement or other instrument to which any Loan Party is a party or by which any of them or any of their property is or may be bound, (ii) be in conflict with, result in a breach of, constitute (alone or with notice or lapse of time or both) a default under, or give rise to a right of or result in any cancellation or acceleration of any Material Contract or Material Indebtedness or right or obligation (including any payment) or to a loss of a material benefit under any such indenture, certificate of designation for preferred stock, agreement or other instrument, other than with respect to the Organization Documents of any Loan Party, where any such conflict, violation, breach or default referred to in clause (i)(A) or (C) or clause (ii) of this Section 5.02(b) could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, or (iii) result in the creation or imposition of any Lien upon any property or assets of any Loan Party, other than the Liens created by the Loan Documents and Permitted Encumbrances.

5.03 Enforceability. This Agreement has been duly executed and delivered by each of the Loan Parties and constitutes, and each other Loan Document when executed and delivered by each Loan Party that is party thereto will constitute, a legal, valid and binding obligation of such Loan Party enforceable against each such Loan Party in accordance with its terms, subject to (a) the effects of bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance or other similar laws affecting creditors' rights generally, (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and (c) implied covenants of good faith and fair dealing.

5.04 Governmental Approvals. No action, consent or approval of, registration or filing with or any other action by any Governmental Authority or third party is required for the perfection or maintenance of the Liens created under the Security Documents or the exercise by the Agent or any Lender of its rights under the Loan Documents or the remedies in respect of the Collateral, except for (a) the filing of Uniform Commercial Code financing statements and equivalent filings in foreign jurisdictions, (b) filings with the United States Patent and Trademark Office and the United States Copyright Office and comparable offices in foreign jurisdictions and equivalent filings in foreign jurisdictions, (c) filings which may be required under Environmental Laws, (d) such as have been made or obtained and are in full force and effect, (e) such actions, consents and approvals the failure of which to be obtained or made could not reasonably be expected to have a Material Adverse Effect and (f) filings or other actions listed on Schedule 5.04.

5.05 [Reserved].

5.06 Financial Statements.

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein and (ii) fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein.

(b) The unaudited Consolidated balance sheet of the Parent and its Subsidiaries dated March 31, 2013, and the related Consolidated statements of income or operations, Shareholders' Equity and cash flows for the Fiscal Month ended on that date (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present the financial condition of the Parent and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments. As of the Closing Date, Schedule 5.06 sets forth all Material Indebtedness of the Loan Parties and their Consolidated Subsidiaries as of such financial statements.

(c) To the best knowledge of the Borrower, no Internal Control Event exists or has occurred since the date of the Audited Financial Statements that has resulted in or could reasonably be expected to result in a misstatement in any material respect, (i) in any financial information delivered or to be delivered to the Agent or the Lenders, (ii) of the Borrowing Base (as defined in the Revolving Credit Agreement), (iii) of covenant compliance calculations provided hereunder or (iv) of the assets, liabilities, financial condition or results of operations of the Parent and its Subsidiaries on a Consolidated basis; it being understood and agreed that any Internal Control Event disclosed in connection with preparation for an imminent Specified IPO may be remedied within six (6) months following the date of such Specified IPO.

5.07 Title to Properties; Possession Under Leases.

(a) Each of the Loan Parties has valid fee simple title to, or valid leasehold interests in, or easements or other limited property interests in, all of its Real Estate and has valid title to its personal property and assets, in each case, except for Permitted Encumbrances and defects in title that do not materially interfere with its ability to conduct its business as currently conducted or to utilize such properties and assets for their intended purposes and except where the failure to have such title would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. All such properties and assets are free and clear of Liens, other than Permitted Encumbrances.

(b) Neither the Loan Parties nor any of their Subsidiaries has defaulted under any lease to which it is a party, except for such defaults as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each of the Loan Parties' and their Subsidiaries' leases is in full force and effect, except leases in respect of which the failure to be in full force and effect would not reasonably be expected to have a Material Adverse Effect. The Loan Parties and each of their Subsidiaries enjoys peaceful and undisturbed possession under all such leases, other than leases in respect of which the failure to enjoy peaceful and undisturbed possession would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.08 Subsidiaries; Equity Interests. As of the Closing Date, the Loan Parties have no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 5.08, which Schedule sets forth

the legal name, jurisdiction of incorporation or formation and authorized Equity Interests of each such Subsidiary. All of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by a Loan Party (or a Subsidiary of a Loan Party) and are free and clear of all Liens except for those created under the Security Documents or those in favor of the Revolving Agents and, as of the Closing Date, are in the amounts listed on Part (a) of Schedule 5.08. On the Closing Date, except as set forth in Schedule 5.08, there are no outstanding rights to purchase any Equity Interests in any Subsidiary. As of the Closing Date, Parent and the Loan Parties have no equity investments in any other corporation or entity other than those specifically disclosed in Part(b) of Schedule 5.08. All of the outstanding Equity Interests in Parent and in the Loan Parties have been validly issued, and are fully paid and non-assessable and, solely in the case of the Loan Parties, are owned free and clear of all Liens except for those created under the Security Documents or in favor of the Revolving Agent, which, as of the Closing Date, are in the amounts specified on Part (c) of Schedule 5.08. The copies of the Organization Documents of each Loan Party and each amendment thereto provided pursuant toSection 4.01(a), together with any updates, amendments, or other modifications delivered to the Agent under this Agreement from time to time, are true and correct copies of each such document, each of which is valid and in full force and effect.

5.09 Litigation; Compliance with Laws.

(a) There are no actions, suits or proceedings at law or in equity or by or on behalf of any Governmental Authority or in arbitration now pending, or, to the knowledge of the Borrower, threatened in writing against or affecting the Loan Parties or any of their Subsidiaries or any business, property or rights of any such person (but excluding any actions, suits or proceedings arising under or relating to any Environmental Laws, which are subject to Section 5.16) which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) To the knowledge of the Borrower, none of the Loan Parties or their of its Subsidiaries or their respective properties or assets is in violation of (nor will the continued operation of their material properties and assets as currently conducted violate) any law, rule or regulation (including any zoning, building, ordinance, code or approval, or any building permit, but excluding any Environmental Laws, which are subject to Section 5.16) or any restriction of record or agreement affecting any property, or is in default with respect to any judgment, writ, injunction or decree of any Governmental Authority, where such violation or default could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Schedule 5.09 lists all ongoing litigation as of the Closing Date that is material, notwithstanding such matters could not be reasonably expected to have a Material Adverse Effect.

5.10 Federal Reserve Regulations.

(a) No Loan Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund indebtedness originally incurred for such purpose or (ii) for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board, including Regulation U or Regulation X.

5.11 Investment Company Act. Neither Parent nor any Loan Party is an "investment company" as defined in, or subject to regulation under, the Investment

Company Act of 1940, as amended.

5.12 Use of Proceeds. Borrower shall utilize the proceeds of the Loan solely for financing the Closing Date Dividend, refinancing certain obligations of Parent, Borrower Holdco and Borrower on the Closing Date, payment of fees, costs and expenses in connection with this Agreement and the Closing Date Dividend and the funding of Borrower's working capital and for other general corporate purposes. Borrower's use of proceeds of the Loans funded on the Closing Date are set forth with more specificity on the funds flow memorandum delivered to Agent on or prior to the Closing Date.

5.13 Tax Returns.

(a) Each Loan Party has timely filed or caused to be filed all federal, and all material state and local tax returns required to have been filed by it and each such tax return is true and correct in all material respects;

(b) Each Loan Party has timely paid or caused to be timely paid all Taxes shown to be due and payable by it on the returns referred to in clause (a) of this Section 5.13 and all other material Taxes or material general or special assessments and other governmental charges or levies (or made adequate provision (in accordance with GAAP) for the payment of all Taxes, assessments, charges or levies due) with respect to all periods or portions thereof (except for Taxes, assessments, charges or levies that are being contested in good faith by appropriate proceedings in accordance with Section 6.03 and for which such Loan Party has set aside on its books adequate reserves in accordance with GAAP); and

(c) There are no material claims being asserted in writing with respect to any Taxes.

5.14 No Material Misstatements.

(a) All written information (other than the Projections, estimates and information of a general economic nature or general industry nature) (the "Information") concerning Parent or any of the Loan Parties, and any other transactions contemplated hereby prepared by or on behalf of the foregoing or their representatives and made available to any Lender or the Agent in connection with the transactions contemplated hereby, when taken as a whole, heretofore, contemporaneously or hereafter furnished, was, is or will be true and correct in all material respects as of the date such Information was furnished to such person and as of the Closing Date and did not, taken as a whole, contain any untrue statement of a material fact as of any such date or omit to state a material fact necessary in order to make the statements contained therein, taken as a whole, not materially misleading in light of the circumstances under which such statements were made.

(b) The Projections and estimates and information of a general economic nature prepared by or on behalf of the Borrower or any of its representatives and that have been made available to any Lenders or the Agent in connection with the transactions contemplated hereby have been prepared in good faith based upon assumptions believed by the Borrower to be reasonable as of the date thereof (it being understood that actual results may vary materially from the Projections), as of the date such Projections and estimates, as applicable, were furnished to the Lenders.

5.15 Employee Benefit Plans.

(a) Except as would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) each Plan is in compliance in all respects with the applicable

provisions of ERISA and the Code; (ii) no Reportable Event has occurred during the past five years as to which Parent or any of its Subsidiaries or any ERISA Affiliate was required to file a report with the PBGC, other than reports that have been filed; (iii) no ERISA Event has occurred or is reasonably expected to occur; (iv) none of the Parent or any Loan Parties or their Subsidiaries has engaged in a "prohibited transaction" (as defined in Section 406 of ERISA and Code Section 4975) in connection with any employee pension benefit plan (as defined in Section 3(2) of ERISA) that would subject Parent or any of its Subsidiaries to tax or other penalty; (v) none of the Parent nor any of its Subsidiaries or, to the knowledge of the Parent or Borrower, any ERISA Affiliate has received any written notification that any Multiemployer Plan is in reorganization or has been terminated within the meaning of Title IV of ERISA, or has knowledge that any Multiemployer Plan is reasonably expected to be in reorganization (within the meaning of Section 4242 of ERISA), terminated, insolvent (within the meaning of Section 4245 of ERISA), or in endangered or in, or reasonably expected to be in, critical status (within the meaning of Section 305 of ERISA); and (vi) none of the Loan Parties, any of their Subsidiaries or, to the knowledge of Parent or the Borrower, any ERISA Affiliate has incurred, and none of the Loan Parties nor any other Subsidiary is reasonably expected to incur, any withdrawal liability to any Multiemployer Plan.

(b) Each of Parent and each of its Subsidiaries is in compliance with (i) all applicable provisions of law and all applicable regulations and published interpretations thereunder with respect to any employee pension benefit plan or other employee benefit plan governed by the laws of a jurisdiction other than the United States and (ii) the terms of any such plan, except, in each case, for such noncompliance that would not reasonably be expected to have a Material Adverse Effects.

(c) Within the last five years, no Plans of the Parent or any of its Subsidiaries that is an employee pension benefit plan within the meaning of Section 3(2) of ERISA, and, to the knowledge of the Borrower, no Pension Plan of the ERISA Affiliates has been terminated, whether or not in a "standard termination" (as such term is used in Section 404(b)(1) of ERISA), which termination would reasonably be expected to result in liability to the Loan Parties, or any of their Subsidiaries or the ERISA Affiliates (as the case may be) in excess of $1,000,000, and no Pension Plan of Parent or any of its Subsidiaries or, to the knowledge of the Loan Parties, the ERISA Affiliates (determined at any time within the past five years) with an Unfunded Pension Liability been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of the Loan Parties, any of their Subsidiaries or the ERISA Affiliates that has or would reasonably be expected to have a Material Adverse Effect.

(d) Except as could not reasonably be expected to have a Material Adverse Effect, there are no pending, or to the knowledge of the Borrower, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any person as fiduciary or sponsor of any Plan that could result in liability to the Parent or any of its Subsidiaries.

5.16 Environmental Matters. Except as to matters that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (a) the Loan Parties and each of their Subsidiaries is in compliance with all Environmental Laws (including having obtained all permits, licenses and other approvals required under any Environmental Law for the operation of its business and being in compliance with the terms of such permits, licenses and other approvals), (b) none of the Loan Parties nor any of their Subsidiaries has received notice of or is subject to any pending, or to Borrower's knowledge, threatened action, suit or proceeding alleging a violation of, or liability under, any Environmental Law that remains outstanding or unresolved, (c) to the Borrower's knowledge, no Hazardous Material is located at, on or under any property currently or formerly owned, operated or leased by any Loan Party or any of their Subsidiaries and no Hazardous Material has been generated, owned, treated, stored, handled or controlled by any Loan Party or any of their Subsidiaries and

transported to or Released at any location which, in each case described in this clause (c), would reasonably be expected to result in liability to any Loan Party or any of their Subsidiaries and (d) there are no agreements in which any Loan Party or any of their Subsidiaries has expressly assumed or undertaken responsibility for any known or reasonably likely liability or obligation of any other person arising under or relating to Environmental Laws or Hazardous Materials.

5.17 Security Documents.

(a) The Security Agreement creates in favor of the Agent, for the benefit of the Credit Parties, a legal, valid, continuing and enforceable security interest in the Collateral (as defined in the Security Agreement), the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law. The financing statements, releases and other filings are in appropriate form and have been or will be filed in the offices specified in Schedule II of the Security Agreement. Upon such filings and/or the obtaining of "control," (as defined in the UCC) the Agent will have a perfected Lien on, and security interest in, to and under all right, title and interest of the grantors thereunder in all Collateral that may be perfected by filing, recording or registering a financing statement or analogous document (including without limitation the proceeds of such Collateral subject to the limitations relating to such proceeds in the UCC) or by obtaining control, under the UCC (in effect on the date this representation is made) in each case prior and superior in right to any other Person (except for Permitted Encumbrances referenced in Sections 7.02(d) or (q) solely to the extent such Liens have priority under applicable Law and, if applicable, the Revolver Agent to the extent subject to the Intercreditor Agreement).

(b) When the Security Agreement (or a short form thereof) is filed in the United States Patent and Trademark Office and the United States Copyright Office and when financing statements, releases and other filings in appropriate form are filed in the offices specified in Schedule II of the Security Agreement, the Agent shall each have a fully perfected Lien on, and security interest in, all right, title and interest of the applicable Loan Parties in the Intellectual Property (as defined in the Security Agreement) in which a security interest may be perfected by filing, recording or registering a security agreement, financing statement or analogous document in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, in each case prior and superior in right to any other Person except for Permitted Encumbrances referenced in Sections 7.02(d) or (q) solely to the extent such Liens have priority under applicable Law and, if applicable, the Revolver Agent to the extent subject to the Intercreditor Agreement (it being understood that subsequent recordings in the United States Patent and Trademark Office and the United States Copyright Office may be necessary to perfect a Lien on registered trademarks, trademark applications and copyrights acquired by the Loan Parties after the Closing Date).

5.18 Location of Real Estate and Leased Premises.

(a) Schedule 5.18(a) correctly identifies, in all material respects, as of the Closing Date, all Real Estate owned by the Loan Parties. As of the Closing Date, the Loan Parties own in fee all the Real Estate set forth as being owned by them on Schedule 5.18(a).

(b) Schedule 5.18(b) lists correctly, in all material respects, as of the Closing Date, all Real Estate leased by any Loan Party and the addresses thereof. As of the Closing Date, the Loan Parties have valid leases in all the material Real Estate set forth as being leased by them on Schedule 5.18(b).

5.19 Solvency. On the Closing Date, after giving effect to the application of the proceeds of all Indebtedness being incurred in connection with the transactions contemplated herein, the Loan Parties, on a consolidated basis, are Solvent.

5.20 No Material Adverse Effect. Since December 31, 2011, there has been no change in the financial condition, business, operations, assets or liabilities of Parent or any Loan Party that has had, or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.21 Insurance. The properties of the Loan Parties and their Subsidiaries are insured with financially sound and reputable insurance companies which are not Affiliates of the Loan Parties, in such amounts, with such deductibles and covering such risks (including, without limitation, workmen's compensation, public liability, business interruption and property damage insurance) as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Loan Parties or the applicable Subsidiary operates. Schedule 5.21 sets forth a true, complete and correct description of all material insurance maintained by or on behalf of the Loan Parties or any of their Subsidiaries. Each insurance policy listed on Schedule 5.21 is in full force and effect and all premiums in respect thereof that are due and payable have been paid.

5.22 USA PATRIOT Act; OFAC.

(a) To the extent applicable, each of Parent and each of the Loan Parties is in compliance with the USA PATRIOT Act.

(b) Neither Parent nor any Loan Party nor any of their Subsidiaries is any of the following:

(i) a person that is listed in the annex to, or it otherwise subject to the provisions of the Executive Order;

(ii) a person owned or Controlled by, or acting for or on behalf of, any person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any laws with respect to terrorism or money laundering;

(iv) a person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a person that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control ("OFAC") at its official website or any replacement website or other replacement official publication of such list and none of the proceeds of the Loans will be, directly or indirectly, offered, lent, contributed or otherwise made available to any Subsidiary, joint venture partner or other person for the purpose of financing the activities of any person currently the subject of sanctions administered by OFAC.

5.23 Intellectual Property; Licenses, Etc. (a) The Loan Parties own, or possess the right to use, all of the patents, patent rights, trademarks, service marks, trade names, copyrights or mask works, domain names, applications and registrations for any of the foregoing (collectively, "Intellectual Property Rights") that are reasonably necessary for the operation of their respective businesses in all material

respects as currently conducted, without conflict with the rights of any other person in any material respect, (b) to the knowledge of the Borrower, neither the Loan Parties nor any of their Subsidiaries nor any intellectual property right, proprietary right, product, process, method, substance, part or other material now employed, sold or offered by or contemplated to be employed, sold or offered by the Loan Parties or their Subsidiaries is interfering with, infringing upon, misappropriating or otherwise violating Intellectual Property Rights of any person, except as and to the extent set forth on Schedule 5.23, and (c) no claim or litigation regarding any of the foregoing is pending or, to the knowledge of the Borrower, threatened which, if adversely decided, could reasonably be expected to have a Material Adverse Effect.

5.24 Deposit Accounts; Credit Card Arrangements.

(a) Annexed hereto as Schedule 5.24(a) is a list of all DDAs maintained by the Loan Parties as of the Closing Date, which Schedule includes, with

respect to each DDA (i) the name and address of the depository; (ii) the account number(s) maintained with such depository; (iii) a contact person at such depository, and (iv) the identification of each Blocked Account Bank.

(b) Annexed hereto as Schedule 5.24(b) is a list describing all arrangements as of the Closing Date to which any Loan Party is a party with respect to the processing and/or payment to such Loan Party of the proceeds of any credit card charges and debit card charges for sales made by such Loan Party.

5.25 No Default. Neither Parent nor any Loan Party or any of their Subsidiaries is in default under any Material Indebtedness. No Default or Event of Default has occurred and is continuing or would result from the consummation of the transactions contemplated by this Agreement or any other Loan Document.

5.26 Labor Matters. There are no strikes, lockouts, slowdowns or other material labor disputes against any Loan Party or any of their Subsidiaries thereof pending or, to the knowledge of any Loan Party, threatened. Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, (i) the hours worked by and payments made to employees of the Loan Parties comply with the Fair Labor Standards Act and any other applicable federal, state, local or foreign Law dealing with such matters, (ii) no Loan Party or any of its Subsidiaries has incurred any liability or obligation under the Worker Adjustment and Retraining Act or similar state Law, (iii) all payments due from any Loan Party and its Subsidiaries, or for which any claim may be made against any Loan Party or any of its Subsidiaries, on account of wages and employee health and welfare insurance and other benefits, have been paid or properly accrued in accordance with GAAP as a liability on the books of such Loan Party, (iv) no Loan Party or any Subsidiary is a party to or bound by any collective bargaining agreement, (v) there are no representation proceedings pending or, to any Loan Party's knowledge, threatened to be filed with the National Labor Relations Board, and no labor organization or group of employees of any Loan Party or any Subsidiary has made a pending demand for recognition, (vi) there are no complaints, unfair labor practice charges, grievances, arbitrations, unfair employment practices charges or any other claims or complaints against any Loan Party or any Subsidiary pending or, to the knowledge of any Loan Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment of any employee of any Loan Party or any of its Subsidiaries, and (vii) the consummation of the transactions contemplated by the Loan Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which any Loan Party or any of its Subsidiaries is bound.

ARTICLE VI
AFFIRMATIVE COVENANTS

Each of the Loan Parties covenants and agrees with Agent and each Lender that so long as this Agreement shall remain in effect and until the Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) shall have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Loan Parties will, and will cause each of their Subsidiaries (other than Unrestricted Subsidiaries) to:

6.01 Existence; Business and Properties.

(a) Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, except as otherwise expressly permitted under Section 7.05 and except, in the case of an Immaterial Subsidiary, an Unrestricted Subsidiary or a Foreign Subsidiary, where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and

(b) (i) Except where the failure to do so could not reasonably be expected to have a Material Adverse Effect, do or cause to be done all things necessary to lawfully obtain, preserve, renew, extend and keep in full force and effect the permits, franchises, authorizations, licenses and rights with respect thereto necessary to the normal conduct of its business required by Governmental Authorities and necessary to the ownership, occupation or use of its properties or the conduct of its business, and (ii) at all times maintain and preserve all property necessary to the normal conduct of its business and keep such property in good repair, working order and condition and from time to time make, or cause to be made, all necessary and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith, if any, may be properly conducted at all times (in each case except as expressly permitted by this Agreement).

6.02 Insurance.

(a) Maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by similarly situated companies engaged in the same or similar businesses operating in the same or similar locations and cause the Agent to be listed as a lenders' loss payee on property and casualty policies and as an additional insured on liability policies.

(b) In connection with the covenants set forth in this Section 6.02, it is understood and agreed that:

(i) neither the Agent or the Lenders, nor their respective agents or employees shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 6.02, it being understood that (A) the Loan Parties and their Subsidiaries shall look solely to their insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage and (B) such insurance companies shall have no rights of subrogation against the Agent, the Lenders or their agents or employees. If, however, the insurance policies, as a matter of the internal policy of such insurer, do not provide waiver of subrogation rights against such parties, as required above, then the Loan Parties hereby agree, to the extent permitted by law, to waive, and further agrees to cause each of their Subsidiaries, to the extent permitted by law, to waive, its right of recovery, if any, against the Agent, the Lenders and their agents and employees;

(ii) the designation of any form, type or amount of insurance coverage by the Agent under this Section 6.02 shall in no event be deemed a representation, warranty or advice by the Agent or the Lenders that such insurance is adequate for the purposes of the business of the Loan Parties or the protection of their properties; and

(c) (A) fire and extended coverage policies maintained with respect to any Collateral shall be endorsed or otherwise amended to include (1) a lenders' loss payable clause (regarding personal property), in form and substance reasonably satisfactory to the Agent, which endorsements or amendments shall provide that the insurer shall pay all proceeds in respect of personal property otherwise payable to the Loan Parties and its Subsidiaries under the policies directly to the Agent, and (2) a provision to the effect that none of the Loan Parties, the Agent, the Lenders or any other person shall be a co-insurer; (B) commercial general liability policies shall be endorsed to name the Agent as an additional insured; and (C) business interruption policies shall name the Agent as a loss payee and shall be endorsed or amended to include (1) a provision that, from and after the Closing Date, the insurer shall pay all proceeds otherwise payable to the Loan Parties under the policies directly to the Agent, and (2) a provision to the effect that none of the Loan Parties, the Agent, the Lenders or any other party shall be a co-insurer. Each such policy referred to in this Section 6.02(c) shall also provide that it shall not be canceled, modified or not renewed (x) by reason of nonpayment of premium except upon not less than ten (10) days' prior written notice thereof by the insurer to the Agent (giving the Agent the right to cure defaults in the payment of premiums) or (y) for any other reason except upon not less than thirty (30) days' prior written notice thereof by the insurer to the Agent. The Borrower shall deliver to the Agent, prior to the cancellation, modification or nonrenewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Agent, including an insurance binder) together with evidence reasonably satisfactory to the Agent of payment of the premium therefor. Notwithstanding the foregoing, it is understood and agreed that no Loan Party shall be

required to maintain flood insurance unless any Real Estate is required to be so insured pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Act of 1968, and the regulations promulgated thereunder because such Real Estate is located in an area which has been identified by the Secretary of Housing and Urban Development as a "special flood hazard area".

(d) Maintain for themselves and their Subsidiaries, a Directors and Officers insurance policy, and a "Blanket Crime" policy (whether as a separate policy or as part of the Directors and Officers policy) including employee dishonesty, forgery or alteration, theft, disappearance and destruction, robbery and safe burglary, property, and computer fraud coverage with responsible companies in such amounts as are customarily carried by business entities engaged in similar businesses similarly situated, and will upon request by the Agent furnish the Agent certificates evidencing renewal of each such policy.

(e) Deliver to the Agent, prior to the cancellation, modification or non-renewal of any such policy of insurance, a copy of a renewal or replacement policy (or other evidence of renewal of a policy previously delivered to the Agent, including an insurance binder) together with evidence satisfactory to the Agent of payment of the premium therefor.

6.03 Taxes. Pay and discharge promptly when due all federal and material foreign, state and local Taxes imposed upon it or its income or profits or in respect of its property, before the same shall become delinquent or in default, as well as all lawful claims which, if unpaid, could reasonably be expected to give rise to a Lien (other than a Permitted Encumbrance permitted under Section 7.02(d)) upon such properties or any part thereof; provided that such payment and discharge shall not be required with respect to any Tax, assessment, charge, levy or claim so long as (a) the validity or amount thereof shall be contested in good faith by appropriate proceedings and (b) any affected Loan Party, shall have set

aside on its books reserves in accordance with GAAP with respect thereto and (c) such contest effectively suspends collection or the enforcement of any Lien or the failure to make payment pending such contest could not reasonably be expected to have a Material Adverse Effect..

6.04 Financial Statements, Reports, etc. Furnish to the Agent:

(a) As soon as available, but in all events within one hundred twenty (120) days after the end of each Fiscal Year (or by May 15, 2013 with respect to the 2012 Fiscal Year), a consolidated balance sheet and related statements of operations, cash flows and owners' equity showing the financial position of, so long as Parent does not own any Subsidiaries other than Borrower Holdco, Parent and its Subsidiaries, and if Parent does own any Subsidiaries other than Borrower Holdco, the Loan Parties, as of the close of such Fiscal Year and the consolidated results of its operations during such Fiscal Year, setting forth in comparative form the corresponding figures for the prior Fiscal Year, and in comparative form the corresponding figures in the budget delivered under Section 6.04(f) for such Fiscal Year (or, with respect to the 2012 and 2013 Fiscal Year, a comparison to the corresponding figures in the budget approved by the Governing Body of Parent for such Fiscal Year (the "2012/2013 Budget") which consolidated balance sheet and related statements of operations, cash flows and owners' equity shall be audited by a Registered Public Accounting Firm and accompanied by an opinion of such accountants (which shall not be qualified as to scope of audit or as to the status of any Loan Party as a going concern other than any such qualification or exception that is solely with respect to, or resulting solely from, an upcoming maturity date under this Agreement or the Revolving Credit Agreement occurring within one year from the time such report is delivered) to the effect that such consolidated financial statements fairly present, in all material respects, the financial position and results of operations of the Loan Parties on a consolidated basis in accordance with GAAP (it being understood that after a Specified IPO the delivery of annual reports on Form 10-K of Parent and its Subsidiaries or the Loan Parties, as required hereunder, shall satisfy the requirements of this Section 6.04(a) to the extent such annual reports include the information specified herein) (the applicable financial statements delivered pursuant to this clause (a) being the "Annual Financial Statements");

(b) within thirty (30) days following the end of each fiscal month of each Fiscal Year, a consolidated balance sheet and related statements of operations and cash flows showing the financial position of, so long as Parent does not own any Subsidiaries other than Borrower Holdco, Parent and its Subsidiaries, and, if Parent does own any Subsidiaries other than Borrower Holdco, the Loan Parties, as of the close of such fiscal month and the consolidated results of its operations during such fiscal month, and, in each case, the then-elapsed portion of the Fiscal Year and setting forth in comparative form the corresponding figures for the corresponding periods of the prior Fiscal Year and compared to the budget delivered under Section 6.04(f) for such Fiscal Year (or, with respect to any Fiscal Month ending in the 2013 Fiscal Year, the corresponding figures in the 2012/2013 Budget), and (ii) management's discussion and analysis of significant operational and financial developments during such monthly period (provided that following a Specified IPO, such management's discussion and analysis shall be due within such timeframes and be substantially the same as is delivered to the Governing Body), all of which shall be in reasonable detail and which consolidated balance sheet and related statements of operations and cash flows shall be certified by either the chief financial officer or controller in such person's capacity as a Responsible Officer of Borrower as fairly presenting, in all material respects, the financial position and results of operations of the Parent and its Subsidiaries or Loan Parties, as required hereunder, on a consolidated basis in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes) (the applicable financial statements delivered pursuant to this clause (b) being the "Monthly Financial Statements", and, together with the Annual Financial Statements and Monthly Financial Statements, the 'Required Financial Statements);

(c) together with the delivery of Monthly Financial Statements delivered for the last month of each Fiscal Quarter, a report providing (i) a comparison of same store sales to sales from the corresponding period in the prior Fiscal Year and (ii) detailed performance information for stores open and operating for less than one year as of the end of such Fiscal Quarter;

(d) together with the delivery of the Required Financial Statements, a properly completed certificate of a Responsible Officer of the Borrower substantially in the form of Exhibit D (each, a "Compliance Certificate");

(e) promptly after the same become publicly available, copies of all periodic and other publicly available reports, proxy statements and, to the extent requested by the Agent, other materials filed by Parent, any Loan Party with the SEC, or after a Specified IPO, distributed to its stockholders generally, as applicable; provided that such reports, proxy statements, filings and other materials required to be delivered pursuant to this clause (e) shall be deemed delivered for purposes of this Agreement when posted to the website of the Borrower;

(f) within forty-five (45) days after the beginning of each Fiscal Year, a reasonably detailed draft consolidated annual budget for such Fiscal Year, and, within sixty (60) days after the beginning of each Fiscal Year, a reasonably detailed final consolidated annual budget for such Fiscal Year (including a projected consolidated balance sheet of Parent and its Subsidiaries as of the end of each Fiscal Month for the following Fiscal Year, and annual consolidated statements of projected cash flow and projected income and projected Availability on a monthly basis), including a description of underlying assumptions with respect thereto and describing any changes from such preliminary budget delivered to Agent (collectively, the "Budget"), which Budget shall in each case be accompanied by the statement of a Responsible Officer of the Borrower to the effect that the Budget is based on assumptions believed by such Responsible Officer to be reasonable as of the date of delivery thereof;

(g) upon the reasonable request of the Agent (which request shall be made at least fifteen (15) days prior to the date Annual Financial Statements are required to be delivered), concurrently with any delivery of the Annual Financial Statements under paragraph (a) of this Section 6.04, an updated Perfection Certificate (or, to the extent such request relates to specified information contained in the Perfection Certificate, such information) reflecting all changes since the date of the information most recently received pursuant to this paragraph (g) or Section 6.10(d);

(h) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Parent or any Loan Parties

and their Subsidiaries, or compliance with the terms of any Loan Document, in each case, as the Agent may reasonably request (for itself or on behalf of any Lender);

(i) concurrently with such delivery made pursuant to the requirements of the Revolving Credit Agreement, a copy of the most recent Borrowing Base Certificate;

(j) promptly upon request by the Agent (so long as the following are obtainable using commercially reasonable measures), copies of (i) each Schedule SB (Single-Employer Defined Benefit Plan Actuarial Information) to the most recent annual report (Form 5500 Series) filed with the Internal Revenue Service with respect to a Plan, (ii) the most recent actuarial valuation report for any Pension Plan, and (iii) all notices received from a Multiemployer Plan sponsor, a plan administrator or any governmental agency, or provided to any Multiemployer Plan by the Loan Parties or any ERISA Affiliate, concerning an ERISA Event; and

(k) promptly following any request therefor by the Agent (so long as the following are obtainable using commercially reasonable measures), copies of (i) any documents described in Section 101(k)(1) of ERISA that Parent, the Loan Parties or any ERISA Affiliate may request with respect to any Multiemployer Plan and (ii) any notices described in Section 101(l)(1) of ERISA that Parent, the Loan Parties or any ERISA Affiliate may request with respect to any Multiemployer Plan; provided that if Parent, any of the Loan Parties or any ERISA Affiliate has not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, Parent, the Lead Borrower, such other Subsidiary or such ERISA Affiliate shall promptly make a request for such documents or notices from the such administrator or sponsor and shall provide copies of such documents and notices promptly after receipt thereof;

provided that in the event that Parent or a Loan Party is not engaged in any business or activity, and does not own any assets or have other liabilities, other than those incidental to its ownership directly or indirectly of the Equity Interests of the Borrower and the other Subsidiaries, such consolidated reporting at a Person's level in a manner consistent with that described in paragraphs (a) and (b) of this Section 6.04 for Borrower Holdco will satisfy the requirements of such paragraphs.

The Loan Parties hereby acknowledge that (a) the Agent will make available to the Lenders materials and/or information provided by or on behalf of the Loan Parties hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Loan Parties or their securities) (each, a "Public Lender"). The Loan Parties hereby agree that so long as any Loan Party is the issuer of any outstanding debt or equity securities that are registered or issued pursuant to a private offering or is actively contemplating issuing any such securities they will use commercially reasonable efforts to identify that portion of the Borrower Materials that may be distributed to the Public Lenders and that (w) all such Borrower Materials shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Loan Parties shall be deemed to have authorized the Agent and the Lenders to treat such Borrower Materials as not containing any material non-public information (although it may be sensitive and proprietary) with respect to the Loan Parties or their securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Confidential Information, they shall be treated as set forth in Section 11.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor"; and (z) the Agent shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

6.05 Litigation and Other Notices.

(a) Furnish to the Agent written notice of (or copies of, in the case of any documents referenced below) the following promptly, and in any event within five (5) Business Days, after any Responsible Officer of the Borrower obtains actual knowledge thereof or receipt of such document or notice, as applicable:

(i) any Default or Event of Default, specifying the nature and extent thereof and the corrective action (if any) proposed to be taken with respect thereto;

(ii) the filing or commencement of, or any written threat or notice of intention of any person to file or commence, any action, suit or proceeding, whether at law or in

equity or by or before any Governmental Authority or in arbitration, against Parent, any Loan Party or any of their Subsidiaries as to which an adverse determination is reasonably probable and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect or result in liabilities to the Loan Parties and their Subsidiaries in excess of $2,500,000;

(iii) any other development specific to Parent or any Loan Party that is not a matter of general public knowledge and that has had, or would reasonably be expected to have, a Material Adverse Effect;

(iv) the development of any ERISA Event that, together with all other ERISA Events that have developed or occurred, would reasonably be expected to have a Material Adverse Effect;

(v) any material change in accounting policies or financial reporting practices by any Loan Party;

(vi) any change in any Loan Party's chief executive officer, chief financial officer, or controller;

(vii) copies of all amendments, consent letters, waivers or modifications under or with respect to any Revolving Credit Documents; and

(viii) notice of any claim or action by any Person pending, or to the knowledge of any Loan Party, threatened, against any Loan Party or any of its Subsidiaries with respect to any Intellectual Property that seeks damages in excess of $2,500,000 not otherwise covered by insurance.

(b) Furnish to the Agent and the Term Loan Agent written notice of the following within seven (7) days after any of the chief financial officer, vice president of finance, controller, treasurer, or assistant treasurer obtains actual knowledge thereof:

(i) any default or event of default with respect to Material Indebtedness of any Loan Party;

(ii) the filing of any lien for unpaid Taxes against Parent or any Loan Party in excess of $500,000;

(iii) any casualty or other insured damage to any material portion of the collateral or the commencement of any action or proceeding for the taking of any interest in a material portion of the Collateral under power of imminent domain or by condemnation or similar proceeding;

(iv) if any material portion of Collateral is damaged or destroyed;

(v) the filing or asserting of any Lien by customs or revenue authority against any Loan Party in excess of $500,000; and

(vi) the failure by any Loan Party to pay rent under any Real Estate Lease.

6.06 Compliance with Laws. Comply in all material respects with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property that are material to the conduct

of the Loan Parties' business, except in such instances in each case, any material non-compliance (a) is being contested in good faith by appropriate proceedings, (b) such Loan Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP (c) no Lien has been filed with respect thereto (except to the extent expressly permitted as a Permitted Encumbrance), and (d) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect; provided, however, that this Section 6.06 shall not apply to Environmental Laws, which are the subject of Section 6.09, or Taxes, which are the subject of Section 6.03.

6.07 Maintaining Records; Access to Properties. Maintain all financial records in accordance with GAAP and permit any persons designated by the Agent (including, without limitation, the Agent or any representatives or independent contractors thereof) or, upon the occurrence and during the continuance of an Event of Default, any Lender, to visit and inspect the financial records (including, without limitation, the corporate, financial and operating records) and the properties of the Borrower or any of their Subsidiaries at reasonable times, upon reasonable prior notice to the Borrower, and as often as reasonably requested, to make extracts from and copies of such financial records, and to discuss its affairs, finances and accounts with its Registered Public Accounting Firm, and permit the Agent and the Term Loan Agent or professionals (including investment bankers, consultants, accountants, and lawyers) retained by the Agent to conduct evaluations of the Loan Parties' business plan, forecasts and cash flows, all at the expense of the Loan Parties and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Lead Borrower; provided, that, so long as no Default or Event of Default shall have occurred and be continuing, the shall be limited to two (2) such visits at the Loan Parties' expense in any Fiscal Year; provided, further, that when a Default or Event of Default exists the Agent (or any of their representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

6.08 Use of Proceeds. Borrower shall utilize the proceeds of the Loan solely for financing the Closing Date Dividend, refinancing certain obligations of Parent and Borrower on the Closing Date, payment of fees, costs and expenses in connection with this Agreement and the Closing Date Dividend and the funding of Borrower's working capital and for other general corporate purposes. Borrower's use of proceeds of the Loans funded on the Closing Date are set forth with more specificity on the funds flow memorandum delivered to Agent on or prior to the Closing Date.

6.09 Compliance with Environmental Laws. (a) Comply, and make reasonable efforts to cause all lessees and other persons occupying its fee-owned Real Estate to comply, with all Environmental Laws applicable to its operations and properties, and obtain and renew all material authorizations and permits required pursuant to Environmental Law for its operations and properties, in each case in accordance with Environmental Laws, except, in each case, to the extent the failure to do so would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and (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 respects with all lawful orders and directives of all applicable Governmental Authorities regarding Environmental Laws, except to the extent that the same are being contested in accordance with Section 6.06, or the failure to comply herewith could not reasonably be expected to have a Material Adverse Effect.

6.10 Further Assurances; Additional Security

(a) Execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents and recordings of Liens in stock registries), that may be required under any

applicable law, or that the Agent may reasonably request, all at the expense of the Loan Parties, and provide to the Agent , from time to time upon reasonable request, evidence reasonably satisfactory to the Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

(b) If any Loan Party directly or indirectly acquires fee-owned Real Estate after the Closing Date that, combined with all other fee-owned Real Estate has an aggregate fair market value of $5,000,000 or more, (i) notify the Agent thereof, (ii) cause all such fee-owned Real Estate to be subjected to a mortgage or deed of trust securing the Obligations, in form and substance reasonably acceptable to the Agent, (iii) obtain fully paid American Land Title Association Lender's Extended Coverage title insurance policies in form and substance, with endorsements (including zoning endorsements where available) and in amounts reasonably acceptable to the Agent (the "Mortgage Policies"), (iv) to the extent necessary to issue the Mortgage Policies, obtain American Land Title Association/American Congress on Surveying and Mapping form surveys, dated no more than 30 days before the date of their delivery to the Agent, certified to the Agent and the issuer of the Mortgage Policies in a manner reasonably satisfactory to the Agent, (v) provide (1) "Life of Loan" Federal Emergency Management Agency Standard Flood Hazard determinations, (2) notices, in the form required under the flood insurance Laws, about special flood hazard area status and flood disaster assistance duly executed by each Loan Party, and, (3) if any improved real property encumbered by any Mortgage is located in a special flood hazard area, a policy of flood insurance that (A) covers such improved real property, (B) is written in an amount not less than the outstanding principal amount of the Indebtedness secured by such Mortgage reasonably allocable to such real property or the maximum limit of coverage made available with respect to the particular type of property under the flood insurance Laws, whichever is less, (C) naming the Agent as loss payee and additional insured with such responsible and reputable insurance companies or associations, and in such amounts and covering such risks, as are reasonably satisfactory to the Agent, and (D) is otherwise on terms satisfactory to the Agent, and (vi) obtain customary mortgage or deed of trust enforceability opinions of local counsel for the Loan Parties in the states in which such fee-owned Real Estate are located and (vii) take, and cause the applicable Subsidiary to take, such actions as shall be necessary or reasonably requested by the Agent to perfect such Liens, including actions described in paragraph (a) of this Section 6.10, in each case, at the expense of the Loan Parties.

(c) If any additional Subsidiary of a Loan Party is formed or acquired after the Closing Date (or if an Immaterial Subsidiary or Unrestricted Subsidiary ceases to qualify as such), within five Business Days after the date such Subsidiary is formed or acquired or such entity ceases to qualify as an Immaterial Subsidiary or an Unrestricted Subsidiary, notify the Agent thereof and, within 20 Business Days after the date such Subsidiary is formed or acquired or such entity ceases to qualify as an Immaterial Subsidiary or an Unrestricted Subsidiary (or such longer period as the Agent shall agree), to the extent such Person does not constitute a CFC or qualify as an Immaterial Subsidiary or Unrestricted Subsidiary, cause the Collateral and Guaranty Requirements to be satisfied with respect to such Subsidiary and with respect to any Equity Interest in or Indebtedness of such Subsidiary owned by or on behalf of a Loan Party as and to the extent required under the Security Documents.

(d) (i) In each case furnish the Agent five (5) Business Days prior written notice of any change in any Loan Party's (A) corporate or organization name, (B) organizational structure or (C) organizational identification number (or equivalent); provided that the Borrower shall not effect or permit any such change unless all filings have been made, or will have been made within any statutory period, under the Uniform Commercial Code or otherwise that are required in order for the Agent to continue at all times following such change to have a valid, legal and perfected security interest in all Collateral for the benefit of the applicable Secured Parties.

6.11 Cash Management.

(a) On or prior to the Closing Date (or such later date as may be permitted pursuant to Section 6.16):

(i) at the request of the Agent, deliver to the Agent copies of notifications (each, a "Credit Card Notification") substantially in the form attached hereto as Exhibit G which have been executed on behalf of such Loan Party and delivered to such Loan Party's Credit Card Issuers and Credit Card Processors listed on Schedule 5.24(b); and

(ii) enter into a Blocked Account Agreement with each Blocked Account Bank (collectively, the "Blocked Accounts"); and

(iii) at the request of the Agent, deliver to the Agent copies of notifications (each, a "DDA Notification") substantially in the form attached hereto as Exhibit H which have been executed on behalf of such Loan Party and delivered to each depository institution listed on Schedule 5.24(a).

Notwithstanding anything herein to the contrary, the provisions of this Section 6.11(a) shall not apply to any deposit account that is acquired by a Loan Party in connection with a Permitted Business Acquisition permitted under this Agreement prior to the date that is forty-five (45) days (or such later date as may be consented to by the Agent, such consent not to be unreasonably withheld, conditioned or delayed) following the date of such Permitted Business Acquisition.

(b) From and after the Closing Date (or such later date as may be permitted pursuant to Section 6.16), the Loan Parties shall ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) to a Blocked Account all of the following:

(i) all amounts on deposit in each DDA other than accounts created pursuant to clause (e) below (net of any minimum balance, not to exceed $2,500, as may be required to be kept in the subject DDA by the depository institution at which such DDA is maintained);

(ii) all payments due from Credit Card Processors and Credit Card Issuers and proceeds of all credit card charges;

(iii) all cash receipts from the Disposition of Inventory and other assets (whether or not constituting Collateral, but subject to clause (e) below in the case of Term Priority Collateral);

(iv) all proceeds of Accounts; and

(v) subject, in each case, to compliance with the terms of the Intercreditor Agreement and clause (e) below, all Net Proceeds, and all other cash payments received by a Loan Party from any Person or from any source or on account of any Disposition or other transaction or event.

(c) Each Blocked Account Agreement shall require upon notice from the Agent which notice shall be delivered only after the occurrence and during the continuance of an Event of Default the ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) to an account maintained by the Agent, or, prior to the Discharge of

ABL Obligations (as defined in the Intercreditor Agreement), the Revolving Agents, (the "Concentration Account"), of all cash receipts and collections received by each Loan Party from all sources (the "Receipts and Collections"), including, without limitation, the following:

(i) the then entire ledger balance of each Blocked Account (net of any minimum balance, not to exceed $2,500, as may be required to be kept in the subject Blocked Account by the Blocked Account Bank);

(ii) all amounts required to be deposited into the Blocked Accounts pursuant to clause (b) above; and

(iii) subject, in each case, to compliance with the terms of the Intercreditor Agreement, any other cash amounts received by any Loan Party from any other source, on account of any type of transaction or event;

provided, however, that the Agent may, in its sole discretion, permit the Loan Parties to have one or more "intermediate" Blocked Account Agreements, whereby such agreements would provide, upon notice from the Agent, the ACH or wire transfer no less frequently than once per Business Day (and whether or not there are then any outstanding Obligations) all Receipts and Collections to another Blocked Account, as opposed to the Concentration Account;

provided, further, that Agent's receipt of any proceeds of ABL Priority Collateral shall be subject to the terms of the Intercreditor Agreement, if applicable.

(d) The Concentration Account shall at all times be under the sole dominion and control of the Agent. The Agent shall cause all funds on deposit in the Concentration Account to be applied to the Obligations, which amounts shall be applied to the Obligations in the order proscribed in either Section 2.05(e) or Section 9.04 of this Agreement, as applicable. The Loan Parties hereby acknowledge and agree that (i) the Loan Parties have no right of withdrawal from the Concentration Account, and (ii) the funds on deposit in the Concentration Account shall at all times be collateral security for all of the Obligations. In the event that, notwithstanding the provisions of this Section 6.11, any Loan Party receives or otherwise has dominion and control of any such cash receipts or collections, such receipts and collections shall be held in trust by such Loan Party for the Agent, shall not be commingled with any of such Loan Party's other funds or deposited in any account of such Loan Party and shall, not later than the Business Day after receipt thereof, be deposited into the Concentration Account or dealt with in such other fashion as such Loan Party may be instructed by the Agent.

(e) The Loan Parties and their Subsidiaries shall, upon the written request of Agent, establish and thereafter maintain one or more deposit accounts, and enter into Blocked Account Agreements with respect thereto, for the deposit of identifiable proceeds of Term Priority Collateral, and, from and after the establishment of such deposit accounts, cause all identifiable proceeds of Term Priority Collateral to be deposit solely in such accounts promptly upon receipt of such proceeds. Upon the request of the Agent, after the occurrence and during the continuance of an Event of Default, the Loan Parties shall cause bank statements and/or other reports to be delivered to the Agent not less often than monthly, accurately setting forth all amounts deposited in each Blocked Account to ensure the proper transfer of funds as set forth above.

(f) If the Agent does not require DDA Notifications to be delivered on the Closing Date in accordance with Section 6.11(a) above, then the Loan Parties shall, upon the request of the Agent at any time after the Closing Date, deliver to the Agent copies of DDA Notifications, which have been

executed on behalf of the applicable Loan Party and delivered to each depository institution listed on Schedule 5.23(a).

6.12 Accounting. At all times retain a Registered Public Accounting Firm which is reasonably satisfactory to the Agent, and shall instruct such Registered Public Accounting Firm to cooperate with, and be available to, the Agent or their representatives to discuss the Loan Parties' financial performance, financial condition, operating results, controls, and such other matters, within the scope of the retention of such Registered Public Accounting Firm, as may be raised by the Agent; provided that a

representative of Lead Borrower shall have received a reasonable opportunity to participate in any such discussions with such Registered Public Accounting Firm.

6.13 Lender Calls. Following receipt by the Borrower of a request by the Agent, use commercially reasonable efforts to hold an update call (which call shall take place on or prior to the date that is ten Business Days following the receipt of such notice) with a Financial Officer of the Borrower and such other members of senior management of the Borrower as the Borrower deems appropriate (with such other details to be reasonably agreed between the Borrower, the Agent) and the Lenders and their respective representatives and advisors to discuss the state of the Borrower's business, including, but not limited to, recent performance, cash and liquidity management, operational activities, current business and market conditions and material performance changes; provided that in no event shall more than one such call be requested in any Fiscal Year.

6.14 Deposit Accounts; Credit Card Processors. Prior to any Loan Party opening a new DDA, such Loan Party shall have delivered to the Agent appropriate DDA Notifications (to the extent requested by Agent pursuant to the provisions of Section 6.11 hereof) and any Blocked Account Agreements consistent with the provisions of Section 6.11, as applicable. The Loan Parties shall only maintain bank accounts and enter into any agreements with any Credit Card Issuers or Credit Card Processors to the extent expressly contemplated herein or in Section 6.11.

6.15 Collateral Reports. Deliver or cause to be delivered the following:

(a) To Agent, at the time of delivery of each of the Required Financial Statements for the last month of any Fiscal Quarter delivered pursuant to Section 6.04(b), a list of any applications for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency which any Loan Party thereof has filed in the prior Fiscal Quarter;

(b) To Agent, such other reports, statements and reconciliations with respect to the Collateral of any or all Loan Parties as Agent shall from time to time reasonably request, including, without limitation, any such reports, statements and reconciliations prepared for the lenders under the Revolving Credit Agreement.

6.16 Post-Closing Obligations. In consideration for Agent and Lenders agreeing to fund the Loans hereunder even though the following items required as conditions precedent under Section 4.01 were not satisfied on the Closing Date, the Loans Parties shall deliver, or cause to be delivered, to Agent, or otherwise complete to Agent's reasonable satisfaction, the items within the time periods designated on Schedule 6.16 (unless such time periods are extended by Administrative Agent pursuant to its written consent).

ARTICLE VII
NEGATIVE COVENANTS

Each of the Loan Parties covenants and agrees with Agent and each Lender that, so long as this Agreement shall remain in effect and until the Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) have been paid in full, unless the Required Lenders shall otherwise consent in writing, the Loan Parties will not, nor will they permit any of their Subsidiaries (other than an Unrestricted Subsidiary) to:

7.01 Indebtedness. Incur, create, assume or permit to exist any Indebtedness, except the following (collectively, "Permitted Indebtedness"):

(a) **[Reserved]**;

(b) Indebtedness created hereunder or under the other Loan Documents;

(c) Indebtedness pursuant to Swap Contracts, which Swap Contracts are with a Lender or Affiliate thereof, provided that such agreements are entered into in the ordinary course of business for the purpose of mitigating risks associated with fluctuations in interest rates and not for purposes of speculation or taking a "market view" and which agreements are approved by the Agent in its reasonable discretion;

(d) Indebtedness owed to (including obligations in respect of letters of credit or bank guarantees or similar instruments for the benefit of) any Person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance to a Loan Party pursuant to reimbursement or indemnification obligations to such Person, in each case, in the ordinary course of business; provided that upon the incurrence of Indebtedness with respect to reimbursement obligations regarding workers' compensation claims, such obligations shall be reimbursed not later than thirty (30) days following such incurrence;

(e) intercompany Indebtedness between or among the Borrower and any Subsidiary of the Borrower to the extent permitted under Section 7.04(b); provided that in the case of Indebtedness owing by the Borrower or any Subsidiary of the Borrower that is a Loan Party to any Subsidiary of the Borrower that is not a Loan Party, such Indebtedness shall be subordinated to the Obligations pursuant to subordination provisions reasonably acceptable to the Agent;

(f) Indebtedness in respect of performance bonds, bid bonds, appeal bonds, surety bonds and completion guarantees and similar obligations, in each case provided in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of business;

(g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, so long as such Indebtedness (other than credit or purchase cards) is extinguished within three (3) Business Days after notification is received by the Borrower of its incurrence;

(h) Indebtedness comprised of: (i) Capital Lease Obligations and purchase money indebtedness, in each case assumed in connection with Permitted Business Acquisitions but only if not incurred in anticipation of such Permitted Business Acquisition and to the extent otherwise permitted under Section 7.01(i); (ii) industrial revenue bonds or other tax advantaged financings issued through a

Governmental Authority assumed in any Permitted Business Acquisition; (iii) earnout obligations incurred under any Permitted Business Acquisition, provided that payments with respect to all earnout obligations shall not exceed $3,500,000 in the aggregate in any Fiscal Year, and (iv) unsecured Indebtedness in favor of sellers under Permitted Business Acquisitions, provided that, with respect to any such Indebtedness for which any payments of principal or interest are required to be paid prior to the Maturity Date, (A) the aggregate principal amount of such Indebtedness shall not exceed $10,000,000 outstanding at any time and (B) the rate of interest required to be paid in cash on such Indebtedness shall not exceed ten percent (10%) per annum;

(i) Capital Lease Obligations and purchase money Indebtedness in an aggregate principal amount not to exceed $5,000,000 at any time outstanding;

(j) Indebtedness of Foreign Subsidiaries owing to third parties not including the Loan Parties or any of their Domestic Subsidiaries not exceeding $5,000,000 in the aggregate at any time outstanding;

(k) other unsecured Indebtedness not specified herein which is subordinate to the Obligations on terms acceptable to the Agent; provided that the aggregate principal amount of Indebtedness incurred pursuant to this clause (k) shall not to exceed $10,000,000 at any time outstanding;

(l) Indebtedness consisting of Revolving Loan Obligations and any Permitted Refinancing thereof in an aggregate principal amount at any time outstanding not to exceed the Maximum ABL Obligations (as defined in the Intercreditor Agreement) then in effect;

(m) Guarantees (i) of the Indebtedness of the Borrower described in clause (l) of this Section 7.01 so long as any Liens securing the Guarantee of the Revolving Loan Obligations or Permitted Refinancing thereof, in respect thereof are subject to the Intercreditor Agreement, (ii) of any Indebtedness of the Borrower or its Subsidiaries that are Loan Parties permitted to be incurred under this Agreement, (iii) of Indebtedness otherwise permitted hereunder of the Borrower or any Subsidiary of the Borrower that is not a Loan Party to the extent permitted by Section 7.04(b), and (iv) by any Subsidiary of the Borrower that is not a Loan Party of Indebtedness of another Subsidiary of the Borrower that is not a Loan Party; provided that Guarantees by the Borrower or its Subsidiaries that are Loan Parties under this clause (m) of any Indebtedness of a Person that is subordinated to other Indebtedness of such Person (including the Obligations) shall be expressly subordinated to the Obligations to at least the same extent as such underlying Indebtedness is subordinated;

(n) Indebtedness arising from agreements of a Loan Party providing for indemnification, adjustment of purchase or acquisition price or similar obligations, in each case, incurred or assumed in connection with any Permitted Business Acquisition or the disposition of any business, assets or Subsidiaries not prohibited by this Agreement;

(o) Indebtedness consisting of (i) the financing of insurance premiums or (ii) take or pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(p) unsecured Indebtedness in respect of obligations to pay the deferred purchase price of goods or services or progress payments in connection with such goods and services so long as such obligations are incurred in connection with open accounts extended by suppliers on customary trade terms (which require that all such payments be made within 60 days after the incurrence of the related obligations) in the ordinary course of business and not in connection with the borrowing of money or any Swap Contracts;

(q) unsecured Indebtedness consisting of obligations under deferred compensation or other similar arrangements in connection with Permitted Business Acquisitions or any other Investment permitted hereunder;

(r) other unsecured Indebtedness of the Loan Parties and their Subsidiaries of the type not specifically addressed in the other subsections of this 7.01 and not exceeding $5,000,000 in the aggregate at any time outstanding;

(s) Indebtedness incurred on behalf of, or representing Guarantees of Indebtedness of, joint ventures in an aggregate amount, together with (i) the amount of Investments then outstanding pursuant to Section 7.04(y) and (ii) all amounts then outstanding pursuant to Section 7.04(b)(y), not to exceed $5,000,000 at any time outstanding; and

(t) all premium (if any, including tender premiums), defeasance costs, interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (a) through (s) of this Section 7.01.

7.02 Liens. Create, incur, assume or permit to exist any Lien on any of its property or assets (including Equity Interests or other securities of any person) at the time owned by it or on any income or revenues or rights in respect of any thereof, except the following (collectively, "Permitted Encumbrances"):

(a) Liens existing on the Closing Date or created following the Closing Date pursuant to agreements in existence on the Closing Date requiring the creation of such Liens and, in each case, set forth on Schedule 7.02(a); provided that such Liens shall secure only those obligations that they secure on the Closing Date and shall not subsequently apply to any other property or assets of a Loan Party other than (i) after-acquired property that is affixed to or incorporated into the property covered by such Lien and (ii) proceeds and products thereof;

(b) Liens created under the Loan Documents;

(c) **[Reserved]**;

(d) (i) Liens for Taxes that have priority over the Obligations up to $250,000 in the aggregate at any time outstanding, (ii) Liens for Taxes that do not have priority over the Obligations, (iii) assessments or other governmental charges or levies for amounts not yet due (or, solely with respect to real estate and personal property taxes, not yet delinquent), and (iv) Liens that are being contested in compliance with Section 6.03;

(e) Liens imposed by law, including landlord's, carriers', warehousemen's, mechanics', materialmen's, repairmen's, construction or other like Liens arising in the ordinary course of business securing obligations that are not overdue by more than thirty (30) days or that are being contested in good faith by appropriate proceedings and in respect of which, if applicable, the affected Loan Party shall have set aside on its books reserves in accordance with GAAP;

(f) (i) pledges, deposits and other Liens made in the ordinary course of business in compliance with the Federal Employers Liability Act or any other workers' compensation, unemployment insurance and other social security laws or regulations and deposits made in the ordinary course of business securing liability to insurance carriers under insurance or self-insurance arrangements in respect of such obligations and (ii) pledges, deposits and other Liens made in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of

letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Borrower Holdco or any of its Subsidiaries;

(g) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance and return of money bonds, bids, leases, government contracts, trade contracts, agreements with utilities, and other obligations of a like nature (including letters of credit in lieu of any such bonds or to support the issuance thereof) incurred by Borrower Holdco or any of its Subsidiaries in the ordinary course of business, including those incurred to secure health, safety and environmental obligations in the ordinary course of the business of Borrower Holdco or any of its Subsidiaries;

(h) survey exceptions and such matters as an accurate survey would disclose, easements, trackage rights, leases (other than Capital Lease Obligations), licenses, special assessments, rights of way covenants, conditions, restrictions and declarations on or with respect to the use of Real Estate, servicing agreements, development agreements, site plan agreements and other similar encumbrances incurred in the ordinary course of business and title defects or irregularities that are of a minor

nature and that, in the aggregate, do not interfere in any material respect with the ordinary conduct of business;

(i) Liens securing Indebtedness permitted by Section 7.01(i) (limited to the assets subject to such Indebtedness);

(j) **[Reserved]**;

(k) Liens securing judgments that do not constitute an Event of Default under Section 9.01(j);

(l) Liens reasonably acceptable to the Agent that are disclosed by the title insurance policies delivered on or subsequent to the Closing Date pursuant to Section 6.10 and any replacement, extension or renewal of any such Lien (so long as the Indebtedness and other obligations secured by such replacement, extension or renewal Lien are permitted by this Agreement); provided that such replacement, extension or renewal Lien shall not cover any property other than the property that was subject to such Lien prior to such replacement, extension or renewal;

(m) any interest or title of a lessor or sublessor under any leases or subleases entered into by Borrower Holdco or any of its Subsidiaries in the ordinary course of business;

(n) Liens that are contractual rights of set-off (i) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of Borrower Holdco or any of its Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Borrower Holdco or any of its Subsidiaries, or (iii) relating to purchase orders and other agreements entered into with customers of Borrower Holdco or any of its Subsidiaries in the ordinary course of business;

(o) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights;

(p) leases or subleases, non-exclusive licenses or non-exclusive sublicenses (including with respect to intellectual property and software) granted to others in the ordinary course of business that do not interfere in any material respect with the business of Borrower Holdco and any of its Subsidiaries, taken as a whole;

(q) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(r) Liens solely on any cash earnest money deposits made by Borrower Holdco or any of its Subsidiaries in connection with any letter of intent or purchase agreement in respect of any Investment permitted hereunder;

(s) Liens with respect to property or assets of any Subsidiary of the Borrower that is not a Loan Party securing Indebtedness of any Subsidiary of the Borrower that is not a Loan Party permitted under Section 7.01;

(t) Liens securing Indebtedness of a Target existing at the time the Target is acquired pursuant to a Permitted Business Acquisition or Indebtedness assumed by a Loan Party or one of its Subsidiaries in respect of assets acquired by such Person pursuant to a Permitted Business Acquisition; provided that such Indebtedness is permitted under Section 7.01(h), such Liens attach solely to the assets of such Target of such Permitted Business Acquisition or the assets acquired in such Permitted Business Acquisition and are otherwise in compliance with the terms of Section 7.01(h) and such Liens and Indebtedness were not created in contemplation of such Permitted Business Acquisition;

(u) Liens on consigned goods in favor of consignors with respect to consignment agreements entered into in the ordinary course of business;

(v) Liens arising from precautionary Uniform Commercial Code financing statements;

(w) Liens on Equity Interests of any joint venture (i) securing obligations of such joint venture or (ii) pursuant to the relevant joint venture agreement or arrangement;

(x) Liens securing insurance premium financing arrangements so long as such Liens are limited to the applicable unearned insurance premiums;

(y) Liens securing obligations permitted under Section 7.01(l) (including, without limitation, Liens in respect of (i) Bank Products (as defined in the Revolving Credit Agreement) and (ii) obligations under Cash Management Services (as defined in the Revolving Credit Agreement), to the extent such Liens are subject to the Intercreditor Agreement or another intercreditor agreement substantially consistent with and no less favorable to the Agent and Lenders in any material respect than the Intercreditor Agreement; and

(z) other Liens not described above securing obligations other than Indebtedness, provided the aggregate outstanding amount of the obligations secured thereby does not exceed $2,500,000.

7.03 [Reserved].

7.04 Investments, Loans and Advances. Purchase, hold or acquire (including pursuant to any merger, consolidation or amalgamation with a Person that is not a wholly owned Subsidiary immediately prior to such merger, consolidation or amalgamation) any Equity Interests, evidences of Indebtedness or other securities of, make or permit to exist any loans or advances to or Guarantees of the obligations of, or make or permit to exist any investment or any other interest in (each, an "Investment"), any other Person, except the following (collectively, "Permitted Investments"):

(a) **[Reserved]**;

(b) (i) Investments in the Equity Interests of Borrower or any Subsidiary thereof, (ii) intercompany loans between or among the Borrower and any Subsidiary of the Borrower and (iii) Guarantees of Indebtedness of the Borrower and its Subsidiaries expressly permitted hereunder made in compliance with Section 7.01(m); provided that, in the case of an Investment in a Subsidiary that is not a Loan Party, at the time such Investment is made, no Event of Default shall have occurred and be continuing; provided further, that the sum of (A) Investments (valued at the time of the making thereof and without giving effect to any write downs or write offs thereof) made after the Closing Date in Subsidiaries that are not Loan Parties pursuant to clause (i) plus (B) intercompany loans made after the Closing Date to Subsidiaries that are not Loan Parties pursuant to clause (ii) plus (C) Guarantees of Indebtedness after the Closing Date of Subsidiaries that are not Loan Parties pursuant to clause (iii) shall not exceed an aggregate net amount equal to (x) in the case where such Subsidiaries that are not Loan Parties are Canadian Subsidiaries, $5,000,000, and (y) in the case of all other such Subsidiaries that are not Loan Parties, $5,000,000;

(c) Cash and Permitted Cash Equivalent Investments and Investments that were Permitted Investments when made;

(d) Investments arising out of the receipt of non-cash consideration for the sale of assets permitted under Section 7.05 and Dispositions permitted under Section 7.05(c);

(e) loans and advances to officers, directors or employees of any Loan Party or any Subsidiary of a Loan Party (i) not to exceed $2,000,000 in the aggregate at any time outstanding (calculated without regard to write downs or write offs thereof), (ii) in respect of payroll payments and expenses in the ordinary course of business (solely with respect to services performed for the benefit of the Borrower Holdco and its Subsidiaries) or (iii) in connection with the purchase of Equity Interests of Parent or any direct or indirect holding company of Parent, as applicable, solely to the extent that such loans are non-cash and the amount of such loans and advances shall be substantially concurrently contributed to Borrower Holdco (and immediately contributed to Borrower) in cash as common equity;

(f) any assets or securities received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss and any prepayments and other credits to suppliers made in the ordinary course of business;

(g) Swap Contracts permitted under Section 7.01(c);

(h) Investments existing on, or contractually committed as of, the Closing Date and set forth on Schedule 7.04;

(i) Investments resulting from pledges and deposits under Section 7.02(a), (f), (g), (k), (q), (r), (t) and (z);

(j) other Investments of the type not specifically addressed in the other subsections of this Section 7.04 in an aggregate amount (valued at the time of the making thereof, and without giving effect to any write downs or write offs thereof) not to exceed $2,500,000 in the aggregate; provided that if any Investment pursuant to this clause (j) is made in any Person that is not a Subsidiary at the date of the making of such Investment and such Person thereafter becomes a Subsidiary pursuant to another Investment, the amount of which, when taken together with the amount of the prior Investment, would be permitted under another provision of this Section 7.04, then any Investment in such Person outstanding under this clause (j) shall thereafter be deemed to have been made pursuant to such other provision and

shall cease to have been made pursuant to this clause (j) for so long as such Person continues to be a Subsidiary;

(k) Investments constituting Permitted Business Acquisitions;

(l) intercompany loans among Foreign Subsidiaries and Guarantees by Foreign Subsidiaries permitted by Section 7.01(l);

(m) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with or judgments against, customers and suppliers, in each case in the ordinary course of business and Investments acquired as a result of a foreclosure by Borrower Holdco or any of its Subsidiaries with respect to any secured Investments or other transfer of title with respect to any secured Investment in default;

(n) Investments of a Domestic Subsidiary of Borrower Holdco acquired after the Closing Date or of an entity merged into, or consolidated or amalgamated with, Borrower Holdco or the Borrower or merged into or consolidated or amalgamated with any Domestic Subsidiary of Borrower Holdco after the Closing Date, in each case, (i) to the extent permitted under this Section 7.04, (ii) in the case of any acquisition, merger, consolidation or amalgamation, in accordance with Section 7.05, and (iii) to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger, consolidation or amalgamation;

(o) Investments made to one or more officers or other employees of Borrower Holdco or any Subsidiary of Borrower Holdco in connection with such officer's or employee's acquisition of Equity Interests of Parent or any direct or indirect parent holding company of Parent, so long as no cash is actually advanced by Borrower Holdco or its Subsidiaries to such officers or employees in connection with the acquisition of any such Equity Interests;

(p) Guarantees of operating leases (for the avoidance of doubt, excluding Capital Lease Obligations) or of other obligations that do not constitute Indebtedness incurred by the Loan Parties and their Subsidiaries, in each case entered into in the ordinary course of business; provided that such Guarantees by a Loan Party of such obligations of a Person that is not a Loan Party shall not exceed $1,000,000 in the aggregate at any time outstanding;

(q) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business consistent with past practices;

(r) additional Investments to the extent that payment for such Investments is made solely with Equity Interests of Parent, so long as (i) no Event of Default then exists, nor would any Default or Event of Default arise as a result of such Investment, and (ii) such Investment (1) would not otherwise be prohibited under clause (c) of this Section, and (2) to the extent an Acquisition, would otherwise comply with the requirements in clauses (c) (other than the requirement set forth in clause (c)(3)) and (e) of the definition of Permitted Business Acquisition;

(s) Investments consisting of the redemption, purchase, repurchase or retirement of any Equity Interests permitted under Section 7.06;

(t) Investments in the ordinary course of business consisting of Uniform Commercial Code Article 3 endorsements for collection or deposit and Uniform Commercial Code Article 4 customary trade arrangements with customers consistent with past practices;

(u) Guarantees permitted under Section 7.01 (except to the extent such Guarantee is expressly subject to Section 7.04);

(v) advances in the form of a prepayment of expenses, so long as such expenses are being paid in accordance with customary trade terms of Borrower Holdco or any of its Subsidiaries;

(w) Investments consisting of non-exclusive licensing of intellectual property pursuant to joint marketing arrangements with other persons;

(x) purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property in each case in the ordinary course of business for the purpose of speculating therewith, to the extent such purchases and acquisitions constitute Investments; and

(y) Investments in joint ventures, in the aggregate at any time outstanding, together with the (i) amount of Indebtedness then outstanding pursuant to Section 7.01(s) and (ii) all amounts then outstanding pursuant to this Section 7.04(b)(y), not to exceed $5,000,000.

7.05 Mergers, Consolidations, Sales of Assets and Acquisitions. Merge into, or consolidate or amalgamate with, any other person, or permit any other person

to merge into or consolidate with it, or sell, transfer or otherwise dispose of (in one transaction or in a series of transactions) all or any part of its assets (whether now owned or hereafter acquired), or issue, sell, transfer or otherwise dispose of any Equity Interests of any Subsidiary, or purchase, lease or otherwise acquire (in one transaction or a series of transactions) all or any substantial part of the assets of any other person or any division, unit or business of any other person, except that this Section 7.05 shall not prohibit the following (collectively, "Permitted Dispositions"):

(a) (i) the purchase and sale of inventory in the ordinary course of business, (ii) the acquisition or lease (pursuant to an operating lease) of any other asset in the ordinary course of business, (iii) the sale of surplus, obsolete, damaged or worn out equipment or other property in the ordinary course of business or (iv) the Disposition of Permitted Investments;

(b) if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing or would result therefrom, (i) the merger, consolidation or amalgamation of any Subsidiary of the Borrower into (or with) the Borrower in a transaction in which the Borrower is the survivor, (ii) the merger, consolidation or amalgamation of any Subsidiary of the Borrower into or with any other Subsidiary of the Borrower that is a Loan Party in a transaction in which the surviving or resulting entity is a Subsidiary of the Borrower that is a Loan Party and, in the case of each of clauses (i) and (ii), no Person other than the Loan Parties receives any consideration, (iii) the merger, consolidation or amalgamation of any Subsidiary of the Borrower that is not a Loan Party into or with any other Subsidiary of the Borrower that is not a Loan Party, (iv) the liquidation or dissolution or change in form of entity of any Subsidiary if the Borrower determines in good faith that such liquidation, dissolution or change in form is in the best interests of the Loan Parties and is not materially disadvantageous to the Lenders or (v) the merger, consolidation or amalgamation of any Subsidiary with or into any other Person in order to effect an Investment permitted under Section 7.04 so long as the continuing or surviving person shall be a Loan Party if the merging, consolidating or amalgamating

Subsidiary was a Loan Party and which, together with each of its Subsidiaries, shall have complied with the requirements of Section 6.10;

(c) sales, transfers, leases or other Dispositions to Borrower or any of its Subsidiaries (upon voluntary liquidation or otherwise); provided that any sales, transfers, leases or other dispositions by a Loan Party to a Subsidiary that is not a Loan Party (including, without limitation, a Foreign Subsidiary) in reliance on this clause (c) shall be made in compliance with Section 7.07 and the aggregate gross proceeds (including non-cash proceeds) of any and all assets sold, leased, transferred or leased shall not in the aggregate exceed, together with the aggregate gross proceeds of any or all assets sold, transferred or disposed of in reliance on clause (g) of this Section 7.05, in any Fiscal Year, $2,500,000;

(d) **[Reserved]**;

(e) Investments permitted by Section 7.04, Permitted Encumbrances and Restricted Payments permitted by Section 7.06;

(f) the sale of defaulted receivables in the ordinary course of business and not as part of an accounts receivables financing transaction;

(g) sales, transfers or other Dispositions of assets not otherwise permitted by this Section 7.05 (or required to be included in this clause (g) pursuant to Section 7.05(c)) (other than bulk sales or other Dispositions of the Inventory of the Loan Parties not in the ordinary course of business in connection with Store closures); provided that (i) the aggregate gross proceeds (including non-cash proceeds) of any or all assets sold, transferred or otherwise disposed of in reliance upon this clause (g) in any Fiscal Year, together with the aggregate gross proceeds of any and all assets sold, transferred or disposed of, to Subsidiaries that are not Loan Parties in reliance on clause (c) of this Section 7.05, shall not exceed $2,000,000, and no Event of Default shall have occurred and be continuing or would result therefrom;

(h) Permitted Business Acquisitions;

(i) leases, non-exclusive licenses, or non-exclusive subleases or sublicenses of any real or personal property in the ordinary course of business;

(j) trade-ins and exchanges of Equipment with third parties conducted in the ordinary course of business to the extent substantially comparable (or better) Equipment useful in the operation of the business of any Loan Party is obtained in exchange therefor;

(k) bulk sales or other Dispositions of the Inventory of a Loan Party not in the ordinary course of business in connection with Store closings, at arm's length; provided, that such Store closures and related Inventory Dispositions shall not exceed (i) in any Fiscal Year, 5% of the number of the Loan Parties' Stores as of the beginning of such Fiscal Year (net of new Store openings) and (ii) in the aggregate from and after the Closing Date, 10% of the number of the Loan Parties' Stores in existence as of the Closing Date (net of new Store openings); provided, further that all sales of Inventory in connection with Store closings shall be in accordance with liquidation agreements and with professional liquidators reasonably acceptable to the Agent.

7.06 Restricted Payments. Declare, pay, or otherwise make any Restricted Payments, directly or indirectly, except the following:

(a) Restricted Payments to Borrower or any of its Subsidiaries (or, in the case of non-wholly owned Subsidiaries, to Borrower and to each other owner of Equity Interests of such Subsidiary on a *pro rata* basis (or more favorable basis from the perspective of Borrower or such Subsidiary) based on their relative ownership interests so long as any repurchase of its Equity Interests from a Person that is not Borrower or a Subsidiary of Borrower is permitted under Section 7.04);

(b) Restricted Payments to permit Parent, directly or indirectly, to (i) pay operating, overhead, legal, accounting and other professional fees and expenses (including directors' fees and expenses and administrative, legal, accounting, filings and similar expenses), (ii) pay fees and expenses related to any public offering or private placement of debt or equity securities of Parent whether or not consummated or any Investment permitted hereunder, (iii) pay franchise taxes and other fees, taxes and expenses in connection with Parent's ownership of any Subsidiary or the maintenance of its legal existence, or (iv) make payments permitted by Section 7.07 (other than Section 7.07(g)), or (v) pay customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, full time employees of Parent, in each case, in order to permit such Parent to make such payments up to $500,000 during the term of this Agreement;

(c) Restricted Payments to Parent if it files a consolidated U.S. federal or combined unitary or similar state or local tax return that includes Borrower Holdco and its Subsidiaries (or the taxable income thereof), in each case, in an amount not to exceed the amount that Borrower Holdco and its Subsidiaries would have been required to pay in respect of federal, state or local taxes (as the case may be) in respect of such Fiscal Year if Borrower Holdco and its Subsidiaries paid such taxes directly as a stand-alone taxpayer (or stand-alone group);

(d) Restricted Payments to Parent, the proceeds of which are used, directly or indirectly, to purchase or redeem, the Equity Interests of Parent (including related stock appreciation rights or similar securities) held by then present or former directors, officers or employees of Parent or any of its Domestic Subsidiaries or by any Plan or any shareholders' agreement then in effect upon such person's death, disability, retirement or termination of employment or under the terms of any such Plan or any other agreement under which such shares of stock or related rights were issued; provided that the aggregate amount of such purchases or redemptions under this clause (d) shall not exceed (i) $2,500,000 in any Fiscal Year (with any unused amounts in any Fiscal Year being carried over to the immediately succeeding Fiscal Year) plus (ii) the amount of Net Proceeds contributed to Borrower Holdco or the Borrower that were received by any Parent during such Fiscal Year from sales of Equity Interests of Parent to

directors, officers or employees of Parent or any of its Subsidiaries in connection with permitted employee compensation and incentive arrangements; plus (iii) the amount of net proceeds of any key man life insurance policies received in cash by the Lead Borrower during such Fiscal Year, provided, further, that cancellation of Indebtedness owing to Borrower Holdco, the Borrower or any of its Subsidiaries from members of management of Parent or any of its Domestic Subsidiaries in connection with a repurchase of Equity Interests of the Parent will not be deemed to constitute a Restricted Payment for purposes of this Section 7.06;

(e) non-cash repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(f) **[Reserved]**;

(g) the Closing Date Dividend;

(h) Restricted Payments in an aggregate amount not to exceed $250,000 during any Fiscal Year to allow Parent to make payments in cash, in lieu of the issuance of fractional shares, upon the exercise of warrants or upon the conversion or exchange of Equity Interests of any such person;

(i) [Reserved]; and

(j) so long as no Event of Default has occurred and is continuing, Restricted Payments not to exceed $750,000 in the aggregate for all such payments in in any Fiscal Year to pay (i) monitoring, consulting, management, transaction, advisory, termination or similar fees payable to any Permitted Holder or any of their respective Affiliates (it being understood that any amounts that are not paid due to the existence of an Event of Default shall accrue and may be paid when the applicable Event of Default ceases to exist or is otherwise waived but only to the extent no Event of Default would occur on a pro forma basis after giving effect to such payment; provided that such accrued amounts shall be subordinated in respect of the Obligations on terms reasonably satisfactory to the Agent and (ii) indemnities, reimbursements and reasonable and documented out of pocket fees and expenses of Permitted Holders or any of their respective Affiliates in connection therewith.

7.07 Transactions with Affiliates. Sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transaction with, any of its Affiliates, unless such transaction is (i) not otherwise prohibited under this Agreement or any other Loan Document and (ii) upon terms no less favorable to Borrower Holdco, the Borrower or their respective Subsidiaries, as applicable, than would be obtained in a comparable arm's length transaction with a person that is not an Affiliate, except that this Section 7.07 shall not prohibit:

(a) any issuance of securities, or other payments, awards or grants which do not require or provide a cash payment therewith, securities or otherwise pursuant to, or the funding of, employment arrangements, equity purchase agreements, stock options and stock ownership plans approved by the board of directors (or the compensation committee thereof) of Parent;

(b) loans or advances to employees of the Borrower or any of its Domestic Subsidiaries in accordance withSection 7.04(e);

(c) transactions between or among the Borrower and any other Loan Party or any entity that becomes a Loan Party as a result of such transaction (including via merger, consolidation or amalgamation in which a Loan Party is the surviving entity) so long as such transaction is not prohibited by any other term of this Agreement;

(d) the payment of fees, reasonable out-of-pocket costs and indemnities to directors or officers of Parent or any of its Domestic Subsidiaries in the ordinary course of business (limited, in the case of Parent, to the portion of such fees and expenses that are allocable to Borrower Holdco and its Subsidiaries (which shall be 100% for so long as Parent owns no assets other than the Equity Interests in the Subsidiaries and assets incidental to the ownership of Borrower Holdco and its Subsidiaries));

(e) **[Reserved]**;

(f) Restricted Payments permitted under Section 7.06, including payments to any direct or indirect parent holding company of Parent;

(g) any purchase of the Equity Interests of any wholly owned Subsidiary; provided that any Equity Interests of any wholly owned Subsidiary purchased by any Loan Party shall be pledged to the Agent on behalf of the Lenders pursuant to the Security Documents;

(h) **[Reserved]**;

(i) **[Reserved]**;

(j) transactions with wholly-owned Domestic Subsidiaries for the purchase or sale of goods, products, parts and services entered into in the ordinary course of business in a manner consistent with past practice;

(k) **[Reserved]**;

(l) transactions with wholly-owned Foreign Subsidiaries for the purchase or sale of goods, products, parts and services entered into in the ordinary course of business on market, arms-length terms;

(m) the issuance, sale or transfer of Equity Interests of Borrower Holdco or the Borrower to Parent and capital contributions by Parent to Borrower Holdco or the Borrower;

(n) **[Reserved]**;

(o) payments pursuant to tax sharing agreements among Borrower Holdco and any of its Domestic Subsidiaries on customary terms that require each party to make payments when such taxes are due or refunds received of amounts equal to the income tax liabilities and refunds generated by each such party calculated on a separate return basis and payments to the party generating tax benefits and credits of amounts equal to the value of such tax benefits and credits made available to the group by such party;

(p) payments or loans (or cancellation of loans) to employees or transactions with employees, officers, or directors otherwise permitted under this Agreement but prohibited solely due to this Section 7.07 that are (i) approved by a majority of the Disinterested Directors of Parent, Borrower Holdco or the Borrower in good faith, (ii) made in compliance with applicable law and (iii) otherwise permitted under this Agreement; and

(q) transactions permitted by, and complying with, the provisions of Section 7.04(b) and Section 7.05(b).

7.08 Business of Borrower Holdco and its Subsidiaries. Notwithstanding any other provisions hereof, engage at any time in any business or business activity other than any business or business activity conducted by any Loan Party on the Closing Date and any similar, corollary, related, incidental or complementary business or business activities or a reasonable extension, development or expansion thereof or ancillary thereto.

7.09 Limitation on Payments and Modifications of Indebtedness; Modifications of Certificate of Incorporation, By Laws and Certain Other Agreements; etc.

(a) (i) Amend or modify in any manner materially adverse to the Lenders or the Agent, or grant any waiver or release under or terminate in any manner (if such granting or termination shall be materially adverse to the Lenders), the Organization Documents of the Parent or any of its Subsidiaries or (ii) amend or modify the Revolving Credit Documents in any manner prohibited by the Intercreditor Agreement.

(b) Make, or agree or offer in writing to pay or make, directly or indirectly, (i) any payment or other distribution in cash in respect of any Junior Indebtedness or (ii) any payment or other distribution (whether in cash, securities or other property) in respect of any Revolving Loan Obligations, including any sinking fund or similar deposit on account of the purchase, redemption, retirement, acquisition, cancellation or termination in respect of any Revolving Loan Obligations, except for (A) any Permitted Refinancing in respect thereof, (B) payment with respect to the Existing Indebtedness on or about the Closing Date; (C) to the extent made in compliance with the subordination terms applicable thereto, payments of regularly scheduled principal and interest, mandatory offers to repay, mandatory prepayments of principal, premium and interest and payments of fees, expenses and indemnification obligations with respect to any Junior Indebtedness (or any Permitted Refinancing in respect thereof), (D) payments or distributions in respect of all or any portion of any Junior Indebtedness (or any Permitted Refinancing in respect thereof) with the proceeds contributed directly or indirectly to Borrower Holdco or the Borrower by Parent from the issuance, sale or exchange by Parent of Equity Interests made within 6 months prior thereto, (E) the conversion of any Junior Indebtedness (or any Permitted Refinancing in respect thereof) to Equity Interests of Parent, (F) so long as no Event of Default has occurred and is continuing, any payment that is intended to prevent any Junior Indebtedness (or any Permitted Refinancing thereof) from being treated as an "applicable high yield discount obligation" within the meaning of Section 163(i)(1) of the Code, (G) regularly scheduled payments required by the terms of the Revolving Credit Documents (including pursuant to Section 2.07(c) thereof) as in effect on the date hereof and mandatory prepayments required pursuant to Section 2.05(c) and 2.05(d) of the Revolving Credit Agreement as in effect on the date hereof or, to the extent made with the proceeds of a capital contribution in Borrower Holdco, payments on account of a "Cure Right" exercised under the Revolving Credit Agreement as in effect on the date hereof, and (H) voluntary prepayments of the Revolving Loan Obligations so long as same are not made with the proceeds of Term Priority Collateral that are required to be used to make a mandatory prepayment of the Obligations.

(c) (i) Upon the occurrence and during the continuance of an Event of Default, incur additional term loans, or increase the amount of revolving loan commitments, under the Revolving Credit Agreement, whether pursuant to an exercise of rights under Section 2.15 thereof or otherwise or (ii) otherwise incur additional term loans or increase the amount of revolving loan commitments under the Revolving Credit Agreement, unless any such incurrence or increase is consummated in compliance with the terms of the Revolving Credit Agreement (including, without limitation, Section 2.15 thereof) as in effect on the date hereof.

(d) Enter into any amendment or modification of the Revolving Credit Agreement if the effect thereof would be to increase the advance rates applicable to any of the relevant borrowing base provisions of the Revolving Credit Agreement.

(e) Permit any Subsidiary to enter into any agreement or instrument that by its terms restricts (i) the payment of dividends or distributions or the making of cash advances to Borrower Holdco or any of its Subsidiaries that is a direct or indirect parent of such Subsidiary or (ii) the granting of Liens by Borrower Holdco or such Subsidiary pursuant to the Security Documents, in each case other than those arising under any Loan Document, except, in each case, restrictions existing by reason of:

(i) restrictions imposed by applicable law;

(ii) contractual encumbrances or restrictions under (x) the Revolving Credit Documents, (y) any Indebtedness permitted under Section 7.01(b) or (z) Indebtedness secured by a Lien permitted under Section 7.02(t) or 7.02(z);

(iii) any restriction on a Subsidiary imposed pursuant to an agreement entered into for the sale or Disposition of the Equity Interests or assets of a Subsidiary pending the closing of such sale or Disposition;

(iv) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business;

(v) any restrictions imposed by any agreement relating to secured Indebtedness permitted by this Agreement to the extent that such restrictions apply only to the property or assets securing such Indebtedness;

(vi) any restrictions imposed by any agreement relating to Indebtedness incurred pursuant to Section 7.01(h), (i), (k), (m), (q) or (m) to the extent such restrictions are not more restrictive, taken as a whole, than the restrictions contained herein;

(vii) customary provisions contained in leases or licenses of intellectual property and other similar agreements entered into in the ordinary course of business;

(viii) customary provisions restricting subletting or assignment of any lease governing a leasehold interest;

(ix) customary provisions restricting assignment of any agreement entered into in the ordinary course of business;

(x) customary restrictions and conditions contained in any agreement relating to the sale, transfer or other Disposition of any asset permitted under Section 6.05 pending the consummation of such sale, transfer or other Disposition;

(xi) customary restrictions and conditions contained in the document relating to any Lien, so long as (1) such Lien is a Permitted Encumbrance and such restrictions or conditions relate only to the specific asset subject to such Lien and (2) such restrictions and conditions are not created for the purpose of avoiding the restrictions imposed by this Section 7.09;

(xii) customary net worth provisions contained in Real Estate leases entered into by Subsidiaries, so long as the Borrower has determined in good faith that such net worth provisions would not reasonably be expected to impair the ability of the Borrower and the other Subsidiaries to meet their ongoing obligations;

(xiii) any agreement in effect at the time any person becomes a Subsidiary, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary;

(xiv) restrictions in agreements representing Indebtedness permitted under Section 7.01 of a Subsidiary of Borrower Holdco that is not a Loan Party;

(xv) customary restrictions on leases, subleases, licenses or Equity Interests or asset sale agreements otherwise permitted hereby as long as such restrictions relate to the Equity Interests and assets subject thereto;

(xvi) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; or

(xvii) any encumbrances or restrictions of the type referred to in Sections 7.09(e) imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xvi) above so long as such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Borrower, no more restrictive with respect to or such Lien, dividend and other payment restrictions than those contained in the Lien, dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

7.10 Financial Performance Covenant. The Loan Parties and their Subsidiaries shall have on a Consolidated basis as of the end of each Fiscal Quarter, a Total Net Leverage Ratio (calculated in accordance with GAAP consistently applied) for the four Fiscal Quarters then ended, of not more than the following with respect to the Fiscal Quarter set forth opposite each such ratio below:

Fiscal Quarter	Maximum Ratio
Fiscal Quarter ending December 26, 2013	5.00 to 1.00
Fiscal Quarter ending March 27, 2014	5.00 to 1.00
Fiscal Quarter ending June 26, 2014	4.75 to 1.00
Fiscal Quarter ending September 25, 2014	4.50 to 1.00
Fiscal Quarter ending December 25, 2014	4.25 to 1.00
Fiscal Quarter ending March 26, 2015and each Fiscal Quarter thereafter	4.00 to 1.00

Notwithstanding anything to the contrary contained herein, this Section 7.10 shall cease to have any force or effect on and after the date, if any, that a Specified IPO has been consummated if a Responsible Officer of the Borrower has certified in writing to Agent (and provided the supporting calculations in connection therewith) that the Total Net Leverage Ratio, calculated on a pro forma basis immediately after giving effect to such Specified IPO and the use of the proceeds thereof and any related transactions (using Consolidated Total Net Debt calculated as of the date of consummation of such Specified IPO and after giving effect thereto and the use of the proceeds thereof and any related transactions, and using Adjusted EBITDA calculated for the twelve (12) month period ending on the last day of the most recent Fiscal Month for which Borrower has delivered to Agent and Lenders Financial Statements pursuant to Section 6.04(c)), does not exceed 3.00 to 1.00.

7.11 Fiscal Year. Change the Fiscal Year of any Loan Party, or the accounting policies or reporting practices of the Loan Parties, except as required by GAAP.

ARTICLE VIII
BORROWER HOLDCO COVENANT

Borrower Holdco covenants and agrees with each Lender that, so long as this Agreement shall remain in effect and until all Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable for which no claim has been asserted)

have been paid in full, unless the Required Lenders shall otherwise consent in writing, (a) Borrower Holdco will not create, incur, assume or permit to exist any Lien (other than Liens of a type described in Sections 7.02(d), (e) or (k)) on any of the Equity Interests issued by Borrower Holdco other than the Liens created under the Loan Documents, the Revolving Loan Documents and any Permitted Refinancing thereof, (b) Borrower Holdco shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence; provided that so long as no Event of Default exists or would result therefrom, Borrower Holdco may merge with any other person so long as after giving effect thereto, the surviving entity will be an entity organized under the laws of any state of the United States of America or the District of Columbia, shall become a Guarantor of the Obligations, will pledge 100% of the Equity Interests of Borrower to Agent and will otherwise assume all obligations of Borrower Holdco under the Loan Documents (and in connection therewith, Agent may request the documents described in Section 6.10 if such new entity was a Subsidiary Guarantor), (c) Borrower Holdco will otherwise maintain its passive holding company status; provided that notwithstanding the foregoing, but subject to the terms of Article VII hereof, Borrower Holdco shall be permitted to be a borrower or issuer of any Indebtedness permitted under this Agreement, a Loan Party of any Indebtedness permitted under this Agreement, grant liens in connection with the foregoing except as prevented by clause (a) above, and take all other actions permitted or required under the Loan Documents, the Revolving Loan Documents (or documents evidencing any Permitted Refinancing thereof), the making of Restricted Payments to the extent such Restricted Payments are permitted to be made to it under Section 7.06, and other activities incidental to compliance with applicable laws and legal, tax and accounting matters related thereto and activities relating to employees; provided, further, that notwithstanding the foregoing or any other restriction in this Agreement, Borrower Holdco may liquidate, wind up or dissolve itself, in connection with a restructuring whereby a newly formed wholly owned Domestic Subsidiary of Parent will directly own 100% of the Equity Interests of the Borrower, will become a Guarantor of the Obligations, will pledge 100% of the Equity Interests of Borrower to Agent and will otherwise assume all obligations of Borrower Holdco under the Loan Documents (and in connection therewith, Agent may request the documents described in Section 6.10 if such new entity was a Subsidiary Guarantor).

ARTICLE IX
EVENTS OF DEFAULT

9.01 Events of Default. Each of the following shall constitute an "Event of Default":

(a) any representation or warranty made or deemed made by the Borrower or any other Loan Party herein or in any other Loan Document or any certificate or document delivered pursuant hereto or thereto shall prove to have been false or misleading in any material respect when so made or deemed made;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof, at a date fixed for prepayment thereof, by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or in the payment of any fee or any other amount (other than an amount referred to in clause (b) of this Section 9.01) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of three Business Days;

(d) default shall be made in the due observance or performance by any Loan Party of any covenant, condition or agreement contained in (i) Section 6.01(a) (solely with respect to the Borrower), 6.07, 6.08, 6.11 or in Article VII or Article VIII or (ii) Section 6.02, 6.04(a), 6.04(b) or

6.04(d) (to the extent relating to the Compliance Certificate) or 6.05(a) and such default shall continue unremedied for a period of ten days following notice thereof from the Agent to the Borrower;

(e) default shall be made in the due observance or performance by Parent, the Borrower or any other Loan Party of any covenant, condition or agreement contained in any Loan Document (other than those specified in clauses (b), (c) and (d) of this Section 9.01) (in each case solely to the extent applicable to such Person) and such default shall continue unremedied for a period of thirty (30) days to duly observe or perform any such covenant, condition or agreement) after notice thereof from the Agent to the Borrower;

(f) (i) any event or condition shall occur that (A) results in any Material Indebtedness becoming due prior to its scheduled maturity or (B) enables or permits (with all applicable grace periods having expired) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity or (ii) the Borrower or any of its Subsidiaries shall fail to pay the principal of any Material Indebtedness at the stated final maturity thereof; provided that this clause (f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness; provided, further, that any waiver of defaults or events of default under the Revolving Credit Documents by the lenders thereunder shall constitute a waiver of the Event of Default under this Agreement with respect to the Event of Default arising hereunder solely as a result of the cross default under this Section 9.01(f);

(g) a Change in Control shall have occurred;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of Parent, any Loan Party or any of their Subsidiaries, or of a substantial part of the property or assets of Parent, any Loan Party or any of their Subsidiaries, under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, any Loan Party or any of their Subsidiaries or for a substantial part of the property or assets of Parent, the Borrower, any Loan Party or any other Subsidiary or (iii) the winding up or liquidation of Parent, any Loan Party or any Subsidiary (except, in the case of any Subsidiary, in a transaction permitted by Section 6.05); and such proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) Parent, any Loan Party or any of their Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in clause (h) of this Section 8.01, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for Parent, any Loan Party or any of their Subsidiaries or for a substantial part of the property or assets of Parent, any Loan Party or any of their Subsidiaries, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) become unable or admit in writing its inability or fail generally to pay its debts as they become due;

(j) any one or more money judgments, writs or warrants of attachment, executions or similar processes involving an aggregate amount (to the extent not paid or fully bonded or covered by insurance (other than the applicable customary deductibles or copayments) as to which the surety or insurer, as the case may be, has the financial ability to perform and has not contested payment in writing) in excess of $2,500,000 shall be entered or filed against the Borrower or any other Loan Party or any Subsidiary of a Loan Party or any of their respective properties and the same shall not be paid, dismissed, bonded, vacated, stayed or discharged within a period of ninety (90) days or in any event later than five (5) days prior to the date of any proposed sale of such property thereunder;

(k) (i) a trustee shall be appointed by a United States district court to administer any Pension Plan, (ii) an ERISA Event or ERISA Events shall have occurred with respect to any Pension Plan or Multiemployer Plan, (iii) the PBGC shall institute proceedings (including giving notice of intent thereof) to terminate any Pension Plan or Multiemployer Plan, (iv) Parent or any of the Loan Parties or any of their Subsidiaries or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization (within the meaning of Section 4242 of ERISA), is being terminated, is insolvent (within the meaning of Section 4245 of ERISA) or is in endangered or critical status (within the meaning of Section 305 of ERISA) or (v) Parent or any of the Loan Parties or any of their Subsidiaries shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Pension Plan (other than any "prohibited transaction" for which a statutory or administrative exemption is available) and, in each case, with respect to clauses (i) through (v) above, such event or condition, together with all other such events or conditions, if any, would reasonably be expected to have a Material Adverse Effect or result in liabilities to the Loan Parties and their Subsidiaries in excess of $5,000,000;

(l) (i) any material provision of any Loan Document shall cease to be, or be asserted in writing by Parent or any Loan Party or any of their Subsidiaries not to be, for any reason, to be a legal, valid and binding obligation of any party thereto, (ii) any security interest purported to be created by any Security Document and to extend to assets that are not immaterial to the Loan Parties or any of their Subsidiaries on a consolidated basis shall cease to be, or shall be asserted in writing by any Loan Party not to be, a valid and perfected security interest (perfected as or having the priority required by this Agreement or the relevant Security Document and subject to such limitations and restrictions as are set forth herein and therein) in the securities, assets or properties covered thereby, or from the failure of the Agent to maintain possession of certificates actually delivered to it representing securities pledged under a Security Document or to file Uniform Commercial Code continuation statements or take the actions described on Section 5.04 and except to the extent that such loss is covered by a lender's title insurance policy and th3 Agent shall be reasonably satisfied with the credit of such insurer, or (iii) the Guarantees pursuant to the Security Documents by any Loan Party of any of the Obligations shall cease to be in full force and effect (other than in accordance with the terms thereof), or shall be asserted in writing by Parent or any Loan Party not to be in effect or not to be legal, valid and binding obligations;

(m) except as otherwise expressly permitted hereunder, any Loan Party shall take any action to suspend the operation of its business in the ordinary course, liquidate all or a material portion of its assets or Store locations, or employ an agent or other third party to conduct a program of closings, liquidations or "Going-Out-Of-Business" sales of any material portion of its business;

(n) (i) the subordination provisions of the documents evidencing or governing any Subordinated Indebtedness (the "Subordinated Provisions") shall, in whole or in part, terminate, cease to be effective or cease to be legally valid, binding and enforceable against any holder of the applicable Subordinated Indebtedness; or (ii) the Borrower or any other Loan Party shall, directly or indirectly, disavow or contest in any manner (A) the effectiveness, validity or enforceability of any of the

Subordination Provisions, (B) that the Subordination Provisions exist for the benefit of the Credit Parties, or (C) that all payments of principal of or premium and interest on the applicable Subordinated Indebtedness, or realized from the liquidation of any property of any Loan Party, shall be subject to any of the Subordination Provisions; or

(o) there shall occur (i) any uninsured damage to, theft or destruction of, any Collateral or other assets or properties of the Loan Parties having an aggregate fair market value in excess of $7,500,000 unless at such time, Availability (as defined in the Revolving Credit Agreement) *minus* the aggregate fair market value of the Collateral subject to such damage, theft or destruction is greater than fifteen (15%) of the Loan Cap (as defined in the Revolving Credit Agreement), or (ii) damage, theft or destruction of any Collateral or other assets or properties of the Loan Parties that has had or could reasonably be expected to have a Material Adverse Effect;

then, (i) in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Section 9.01), and at any time thereafter during the continuance of such event, the Agent, at the request of the Required Lenders, shall, by notice to the Borrower, take any or all of the following actions, at the same or different times: (A) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Loan Parties, anything contained herein or in any other Loan Document to the contrary notwithstanding, and (B) exercise all rights and remedies granted to it under any Loan Document and all of its rights under any other applicable law or in equity and (ii) in any event with respect to the Borrower described in clause (h) or (i) of this Section 9.01, the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Loan Parties accrued hereunder and under any other Loan Document, shall automatically become due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Loan Parties, anything contained herein or in any other Loan Document to the contrary notwithstanding.

Solely for the purposes of determining whether an Event of Default has occurred under Section 9.01(h), or (i) any reference in any such Section to any Subsidiary shall be deemed not to include any Immaterial Subsidiary, and, for purposes of determining whether an Event of Default has occurred under Section 9.01(k), an Unrestricted Subsidiary will be deemed to be a Subsidiary.

9.02 Right to Cure.

In the event that the Loan Parties fail to comply with any financial covenant contained in Section 7.10 (a "Financial Covenant Default"), Borrower shall have the right to cure such Event of Default on the following terms and conditions (the "Equity Cure"):

(a) In the event Borrower desires to cure a Financial Covenant Default, Borrower shall deliver to the Agent irrevocable written notice of its intent to cure (a "Cure Notice") at any time during the period commencing on the date that the Monthly Financial Statements and corresponding Compliance Certificate as of and for the period ending on the last day of the Fiscal Quarter as of which such Financial Covenant Default occurred (the "Testing Dates") are delivered to Agent and Lenders and ending on the fifth (5^{th}) Business Day after Agent's and Lenders' receipt of such Monthly Financial Statements and Compliance Certificate. The Cure Notice shall set forth the calculation of the applicable Financial Covenant Cure Amount (as hereinafter defined).

(b) In the event Borrower delivers a Cure Notice, a capital contribution shall be made to Borrower Holdco in an amount equal to the Financial Covenant Cure Amount at any time during the period commencing on the date of Agent's receipt of such Cure Notice and ending on the tenth (10^{th}) Business Day following the date on which the relevant Monthly Financial Statements and Compliance Certificate were required to be delivered to Agent and the Lenders (such tenth (10^{th}) Business Day, the "Required Contribution Date"). The proceeds of such capital contribution equal to the Financial Covenant Cure Amount shall be immediately contributed by Borrower Holdco to the capital of Borrower and used by Borrower to make a mandatory prepayment of the Loans and other Obligations in the amount of such proceeds (applied to the Loans and other Obligations in accordance with the mandatory prepayment waterfall set forth in Section 2.05(c)); provided that if the Borrower is simultaneously exercising its "Cure Right" under the Revolving Credit Agreement as in effect on the date hereof, the proceeds of such capital contribution in an amount equal to the "Cure Amount" (as defined in the Revolving Credit Agreement as in effect on the date hereof) may first be used by the Borrower to prepay the Revolving Loan Obligations as required pursuant to Section 8.02 of the Revolving Credit Agreement as in effect on the date hereof and such payment shall not affect the effectiveness of the Equity Cure hereunder. The "Financial Covenant Cure Amount" shall be the amount which if added to the amount of Adjusted EBITDA as of the applicable Testing Date, would result in the Loan Parties being in pro forma compliance with Section 7.10 as of such Testing Date.

(c) The Equity Cure may not be exercised (i) more than twice in any four (4) consecutive Fiscal Quarter period or (ii) more than five (5) times prior to the Termination Date.

(d) Upon timely receipt by Borrower in cash of the appropriate Financial Covenant Cure Amount, if and to the extent after giving effect to the following clause (e) the applicable Financial Covenant Default would no longer exist on a pro forma basis, the applicable Financial Covenant Default shall be deemed cured.

(e) The Equity Cure and the effects thereof on Adjusted EBITDA and the Total Net Leverage Ratio will be disregarded for all other purposes under the Loan Documents, including, without limitation, for purposes of calculating Total Net Leverage Ratio as a threshold for permitted exceptions to various affirmative and negative covenants and for purposes of determining the applicable step-downs in the Excess Cash Flow prepayment percentage pursuant to Section 2.05(b)(iii); provided that for purposes of determining compliance with Section 7.10, (i) the Financial Covenant Cure Amount shall be deemed added to Adjusted EBITDA for the Fiscal Quarter ending as of the applicable Testing Date and any subsequent measurement period that includes such Fiscal Quarter and (ii) the reduction in the outstanding principal balance of Loans due to the application of the proceeds of an Equity Cure pursuant to Section 2.05(c) shall not be taken into account for purposes of determining compliance with Section 7.10 for the measurement period ending on the applicable Testing Date and the next three (3) measurement periods.

So long as the Borrower is entitled to exercise an Equity Cure pursuant to the foregoing terms and provisions of this Section 9.02, from the effective date of delivery of a Cure Notice until the earlier to occur of the Required Contribution Date and the date on which Agent is notified that the required contribution will not be made, neither Agent nor any Lender shall impose default interest, accelerate the Obligations or exercise any enforcement remedy against any Loan Party or any of its Subsidiaries or any of their respective properties solely on the basis of the applicable Financial Covenant Default in respect of which the Cure Notice was delivered; provided until timely receipt of the Financial Covenant Cure Amount, an Event of Default shall be deemed to exist for all other purposes of this Agreement, including, without limitation, Article VII hereof and any term or provision of any Loan Document which prohibits any action to be taken by a Loan Party or any of its Subsidiaries during the existence of an Event of

Default; provided, further, that notwithstanding the foregoing, upon a deemed cure pursuant to Section 9.02(d), the requirements of the applicable financial covenant shall be deemed to have been satisfied as of the applicable Testing Date with the same effect as though there had been no Financial Covenant Default at such date or thereafter.

9.03 Remedies Upon Events of Default.

(a) If any Event of Default shall have occurred and be continuing, Agent may, and at the written request of the Required Lenders shall, with or without notice, (i) declare all or any portion of the Obligations, including all or any portion of the Loan, to be forthwith due and payable (together with any applicable premium to the extent required to be paid under Section 2.05(e) and LIBO Rate funding breakage costs as required under the terms of this Agreement), all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Loan Party; and (ii) exercise any rights and remedies provided to Agent under any Loan Document and/or pursuant to any applicable Laws or in equity, including all remedies provided under the UC; provided, however, that upon the occurrence of an Event of Default specified in Section 9.01(h) or Section 7.01(h), all of the Obligations shall become immediately due and payable without declaration, notice or demand by any Person. Subject to any express cure rights provided for in Section 9.02, once an Event of Default occurs, such Event of Default shall remain in existence and be continuing unless waived in writing by the applicable Lenders in accordance with Section 11.01. No remedy herein is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of Law.

(b) Each Loan Party and each Lender hereby irrevocable authorizes Agent, based upon the written instruction of the Required Lenders, to bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale thereof conducted (i) by Agent under the provisions of the UCC, including pursuant to Sections 9-610 or 9-620 of the UCC, (ii) under the provisions of the Bankruptcy Code of the United States, including Sections 363, 365 and/or 1129 thereof, or (iii) conducted by Agent (whether by judicial action or otherwise, including a foreclosure sale) in accordance with applicable Law (clauses (i), (ii) and (iii), a "Collateral Sale"); and in connection with any Collateral Sale, Agent my accept non-cash consideration, including debt and equity securities issued by such acquisition vehicle under the direction or control of Agent and Agent may offset all or any portion of the Obligations against the purchase price of such Collateral.

9.04 Application of Funds.

(a) Notwithstanding anything to the contrary contained in this Agreement, if an Event of Default has occurred and is continuing Borrower hereby irrevocably waives the right to direct the application of payments received from or on behalf of Borrower, and Borrower hereby irrevocably agrees, as between Borrower on the one hand and Agent and Lenders on the other, that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records. The parties hereto hereby agree that Agent shall have the right to direct or re-direct payments as required to comply with or otherwise be consistent with the terms of the Intercreditor Agreement.

(b) Following the occurrence and during the continuance of an Event of Default, but absent the occurrence and continuance of an Acceleration Event, Agent shall apply any and all payments received by Agent in respect of the Obligations, and any and all proceeds of Collateral received by Agent, in such order as Agent may from time to time elect. In the absence of any specific election made by

Agent pursuant to this clause (b), or if directed in writing by Required Lenders, payments and proceeds received by Agent pursuant to this clause (b) shall be applied in the following order: first, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to Agent with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest on Protective Advances; third, to Protective Advances; fourth, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to any Lender with respect to this Agreement, the other Loan Documents or the Collateral; fifth, to accrued and unpaid interest on all other Obligations; sixth, to the principal amount of all other Obligations then due and owing; seventh, to all other outstanding Obligations (other than those described in clause eighth below); and eighth, to provide cash collateral to secure any contingent Obligations.

(c) Notwithstanding anything to the contrary contained in this Agreement, if an Acceleration Event shall have occurred, and so long as it continues, Agent shall apply any and all payments received by Agent in respect of the Obligations, and any and all proceeds of Collateral received by Agent, in the following order: first, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to Agent with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest on Protective Advances; third, to Protective Advances; fourth, to all fees, costs, indemnities, liabilities, obligations and expenses incurred by or owing to any Lender with respect to this Agreement, the other Loan Documents or the Collateral; fifth, to accrued and unpaid interest on all other Obligations (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts); sixth, ratably to the principal amount of all other Obligations outstanding; and seventh, to all other outstanding Obligations and contingent Obligations.

(d) Any balance remaining after giving effect to the applications set forth in thisSection 9.04 shall be delivered to Borrower or to whoever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out any of the applications set forth in this Section 9.04, (i) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category and (ii) each of the Persons entitled to receive a payment or cash collateral in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category.

ARTICLE X
THE AGENT

10.01 Appointment of Agent. GC Cap is hereby appointed to act on behalf of the Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 10.01 are solely for the benefit of the Agent and Lenders and no Loan Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement, Agent does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Loan Party or any other Person. Agent shall not have any duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents, together with such powers as are reasonably related thereto. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Neither Agent nor any of its Affiliates nor any of its officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

If Agent shall request instructions from Required Lenders or all affected Lenders, as the case may be, with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until it shall have received instructions from Required Lenders or all affected Lenders, as the case may be, and Agent shall incur no liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document for any reason. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent's acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Required Lenders or all affected Lenders, as applicable.

10.02 Rights as a Lender. With respect to its Term Commitments and its Loan hereunder, Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Agent in its individual capacity (to the extent it holds any Obligations owing to the Lenders or Term Commitments hereunder). Agent and each of its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Loan Party, any of their Affiliates and any Person who may do business with or own securities of any Loan Party or any such Affiliate, all as if Agent was not Agent and without any duty to account therefor to Lenders. Agent and its Affiliates

may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

10.03 Exculpatory Provisions. Neither Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limitation of the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until it receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Agent; (b) may consult with legal counsel, independent chartered accountants and other experts and consultants selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, experts or consultants; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Loan Party or to inspect the Collateral (including the books and records) of any Loan Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by email, telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

10.04 No Liability to Fund; Return of Payments.

(a) Nothing in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its commitments hereunder or to prejudice any rights that Borrower may have against any Lender as a result of any default by such Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Lender and is not reimbursed therefor on the same Business Day as such advance is

made, Agent shall be entitled to retain for its account all interest accrued on such advance until reimbursed by the applicable Lender.

(b) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received thereby, then Agent will be entitled to recover such amount from such Lender on demand without set-off, counterclaim or deduction of any kind. If Agent determines at any time that any amount received thereby under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency Law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without set-off, counterclaim or deduction of any kind.

10.05 Delegation of Duties. The Agent may perform any and all of their respective duties and exercise their respective rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Agent. The Agent , and any such sub-agent may perform any and all of their respective duties and exercise their respective rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article X shall apply to any such sub-agent and to the Related Parties of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as the Agent.

10.06 Resignation of Agent. Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the Agent's giving notice of resignation, then the Agent may, on behalf of Lenders, appoint a successor Agent, which shall be (x) a Lender, if a Lender is willing to accept such appointment, or (y) otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution has combined capital of at least $300,000,000, and in the case of clause (y), which successor Agent shall (unless an Event of Default shall have occurred and be continuing) be subject to the approval by the Borrower (which approval shall not be unreasonably withheld or delayed). If no successor Agent has been appointed pursuant to the foregoing, by the 30th day after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Required Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Required Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Required Lenders or Agent hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided that such approval shall not be required if an Event of Default shall have occurred and be continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor gent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity, expense reimbursement or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

10.07 Non-Reliance on Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit and financial analysis of the Loan Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

10.08 No Other Duties, Etc. Anything herein to the contrary notwithstanding, the Bookrunner, Arrangers and Syndication Agent listed on the cover page hereof shall not have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity as the Agent or a Lender.

10.09 Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Agent shall have made any demand on the Loan Parties) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Agent and the other Credit Parties (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, the Agent and the other Credit Parties and their respective agents and counsel and all other amounts due the Lenders, the Agent and such Credit Parties under Section 2.09 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Agent and, if the Agent shall consent to the making of such payments directly to the Lenders, to pay to the Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent and its respective agents and counsel, and any other amounts due the Agent under Sections 2.09 and 11.04.

Nothing contained herein shall be deemed to authorize the Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Agent to vote in respect of the claim of any Lender in any such proceeding.

10.10 Collateral and Guaranty Matters. The Credit Parties irrevocably authorize the Agent, at its option and in its discretion,

(a) to release any Lien on any property granted to or held by the Agent under any Loan Document (i) upon payment in full of all Obligations, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) if approved, authorized or ratified in writing by the Applicable Lenders in accordance with Section 11.01;

(b) to subordinate any Lien on any property granted to or held by the Agent under any Loan Document to the holder of any Lien on such property that is permitted by Section 7.01(h) or (i); and

(c) to release any Guarantor from its obligations under the Security Documents if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Agent at any time, the Applicable Lenders will confirm in writing the Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Guarantor from its obligations under the Security Documents pursuant to this Section 10.10. In each case as specified in this Section 10.10, the Agent will, at the Loan Parties' expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Security Documents or to subordinate its interest in such item, or to release such Guarantor from its obligations under the Security Documents, in each case in accordance with the terms of the Loan Documents and this Section 10.10.

10.11 Notice of Transfer. The Agent may deem and treat a Lender party to this Agreement as the owner of such Lender's portion of the Obligations for all purposes, unless and until, and except to the extent, an Assignment and Assumption shall have become effective as set forth in Section 11.06.

10.12 Reports and Financial Statements. By signing this Agreement, each Lender:

(a) **[Reserved]**;

(b) is deemed to have requested that the Agent furnish such Lender, promptly after they become available, copies of all financial statements required to be delivered by the Borrower hereunder and all commercial finance examinations and appraisals of the Collateral received by the Agent (collectively, the "Reports");

(c) expressly agrees and acknowledges that the Agent makes no representation or warranty as to the accuracy of the Reports, and shall not be liable for any information contained in any Report;

(d) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or any other party performing any audit or examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel;

(e) agrees to keep all Reports confidential in accordance with the provisions ofSection 11.07 hereof; and

(f) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any Loan that the indemnifying Lender has made or may make to the Borrower, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a Loan or Loans; and (ii) to pay and protect, and indemnify, defend, and hold the Agent and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including attorney costs) incurred by the Agent and any such other

Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

10.13 Agency for Perfection. Each Lender hereby appoints each other Lender as agent for the purpose of perfecting Liens for the benefit of the Agent and the Lenders, in assets which, in accordance with Article 9 of the UCC or any other applicable Law of the United States can be perfected only by possession. Should any Lender (other than the Agent) obtain possession of any such Collateral such Lender shall notify the Agent thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent or otherwise deal with such Collateral in accordance with the Agent's instructions.

10.14 Indemnification of Agent. Without limiting the obligations of the Loan Parties hereunder, the Lenders agree to indemnify Agent (to the extent not reimbursed by Loan Parties and without limiting the obligations of Loan Parties hereunder), ratably according to their respective Applicable Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by Agent in connection therewith; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by the Loan Parties.

10.15 Relation among Lenders. The Lenders are not partners or co-venturers, and no Lender shall be liable for the acts or omissions of, or (except as otherwise set forth herein in case of the Agent) authorized to act for, any other Lender.

10.16 Defaulting Lenders.

(a) If for any reason any Lender shall become a Defaulting Lender and such failure is not cured within three (3) Business Day after receipt from the Agent of written notice thereof, then, in addition to the rights and remedies that may be available to the other Credit Parties, the Loan Parties, or any other party at law or in equity (and not at limitation thereof): (i) any such Defaulting Lender's right to participate in the administration of, or decision-making rights related to, the Obligations, this Agreement or the other Loan Documents shall be suspended during the pendency of such failure or refusal, and (ii) any such Defaulting Lender shall be deemed to have assigned any and all payments due to it from the Loan Parties, whether on account of outstanding Loans, interest, fees or otherwise, to the remaining non-Defaulting Lenders for application to, and reduction of, their proportionate shares of all outstanding Obligations. Such Defaulting Lender's decision-making and participation rights and rights to

payments as set forth in clauses (i) and (ii) hereinabove shall be restored only upon the payment by the Defaulting Lender of its Applicable Percentage of any Obligations, any participation obligation, or expenses as to which it is delinquent, together with interest thereon at the rate set forth in Section 2.08(b) hereof from the date when originally due until the date upon which any such amounts are actually paid, or otherwise cure such default or other cause of such Lender becoming a Defaulting Lender.

(b) Each Defaulting Lender shall indemnify the Agent and each non-Defaulting Lender from and against any and all loss, damage or expenses, including but not limited to reasonable attorneys' fees and funds advanced by the Agent or by any non-Defaulting Lender, on account of a Defaulting Lender's failure to timely fund its Applicable Percentage of a Loan or to otherwise perform its obligations under the Loan Documents.

ARTICLE XI
MISCELLANEOUS

11.01 Complete Agreement; Modification of Agreement; Amendments and Waivers.

(a) The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Sections 11.01(b) and (c) below. Any letter of interest, commitment letter, fee letter (other than the Fee Letter) and/or confidentiality agreement between any Loan Party and Agent or any Lender or any of their respective affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

(b) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Loan Party therefrom (any of the foregoing, a "Loan Modification"), shall in any event be effective unless the same shall be in writing and signed by Borrower and by Required Lenders, or all directly affected Lenders, as applicable; provided, however, that notwithstanding anything to the contrary contained herein or in any other Loan Document, the Fee Letter shall be amended or otherwise modified solely by the parties thereto and no consent of any other Person shall be required in connection therewith. Except as set forth in clause (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Required Lenders.

(c) No Loan Modification shall, unless in writing and signed by Required Lenders and each Lender directly affected thereby, do any of the following: (i) increase the principal amount of any Lender's Term Commitment (which action shall be deemed to directly affect only those Lenders whose Term Commitments are increased); (ii) reduce the principal of, rate of interest on (other than reducing or waiving Default Interest) or fees payable with respect to the Loan of any directly affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of the Loan of any directly affected Lender (it being agreed that payments pursuant to Section 2.05 are not "scheduled"); (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any directly affected Lender; (v) release all or substantially all of the value of the guarantees of the Obligations provided by the Guarantors or, except as otherwise permitted herein or in the other Loan Documents, release (or permit the Loan Parties to sell or otherwise dispose of) all or substantially all of the Collateral (which actions described in this clause (v) shall be deemed to directly affect all Lenders); (vi) change the percentage of the Term Commitments or of the aggregate unpaid principal amount of the Loans which shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this Section 11.01 or the definition of the term "Required Lenders" insofar as such definition affects the substance of this Section 11.01 (which actions described in this clause (vii) shall be deemed to directly affect all Lenders). Furthermore, no Loan Modification affecting the rights or duties of Agent under this Agreement or any other Loan Document shall be effective unless in writing and signed by Agent, in addition to Lenders required hereinabove to take such action. Notwithstanding the foregoing provisions of this Section 11.01, any Loan Modification to cure any ambiguity, omission, defect or inconsistency in any Loan Document shall only require the consent of Agent and Borrower. Each Loan

Modification shall be effective only in the specific instance and for the specific purpose for which it was given. No Loan Modification shall be required for Agent to take additional Collateral pursuant to any Loan Document. No notice to or demand on any Loan Party in any case shall entitle such Loan Party or any other Loan Party to any other or further notice or demand in similar or other circumstances. Any Loan Modification effected in accordance with this Section 11.01 shall be binding upon each current and future Lender.

If any Lender does not consent (a "Non-Consenting Lender") to a proposed amendment, waiver, consent or release with respect to any Loan Document that requires the consent of each Lender and that has been approved by the Required Lenders, the Borrower may replace such Non-Consenting Lender in accordance with Section 11.13; provided, that such amendment, waiver, consent or release can be effected as a result of the assignment contemplated by such Section (together with all other such assignments required by the Borrower to be made pursuant to this paragraph).

11.02 Notices; Effectiveness; Electronic Communications.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Loan Parties to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 11.02, and if to Agent, to the address set forth on its signature page to this Agreement; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire;

provided (i) in the case of the Agent, with a copy sent via email to **loan_admin@golubcapital.com** and **portfoliomanager@golubcapital.com**, and (ii) all such notices, demands, requests, consents, approvals, declarations or other communications to be delivered to a Loan Party shall be delivered to Borrower in compliance with the foregoing procedures. Additionally, a copy of all financial reporting deliveries required pursuant to Article VI hereof shall be sent via email to **portfoliomanager@golubcapital.com** to the extent possible).

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received and notices sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Loan Parties and the Lenders hereunder may be delivered or furnished by electronic communication (including e mail and Internet or intranet websites) pursuant to procedures reasonably satisfactory to the Agent; provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Agent that it is incapable of receiving notices under such Article by electronic communication. The Agent may, in its discretion, agree to accept notices and other communications to it

hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement); provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Loan Party, any Lender or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Loan Parties' or the Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to any Loan Party, any Lender or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each of the Loan Parties and the Agent may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrower and the Agent. In addition, each Lender agrees to notify the Agent from time to time to ensure that the Agent each has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender.

(e) Reliance by Agent and Lenders. The Agent and the Lenders shall be entitled to rely and act upon any notices purportedly given by or on behalf of the Loan Parties even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties shall indemnify the Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Loan Parties. All telephonic notices to and other telephonic communications with the Agent may be recorded by the Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies. No failure by any Credit Party to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any other Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided herein and in the other Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether any Credit Party may have had notice or knowledge of such Default or Event of Default at the time.

11.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay all Credit Party Expenses.

(b) Indemnification by the Loan Parties. The Loan Parties shall indemnify the Agent (and any sub-agents thereof), each other Credit Party, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless (on an after tax basis) from, any and all losses, claims, causes of action, damages, liabilities, settlement payments, costs, and related expenses (including the reasonable and documented out-of-pocket fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, or, in the case of the Agent (and any sub-agents thereof) and their Related Parties only, the administration of this Agreement and the other Loan Documents, (ii) any actual or alleged presence or release of Hazardous Materials on or from any property or any Environmental Liability for which any Loan Party or any of its Subsidiaries could reasonably be expected to be subject to liability under any Environmental Laws, (iii) any claims of, or amounts paid by any Credit Party to, a Blocked Account Bank or other Person which has entered into a control agreement with any Credit Party hereunder, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party or any of the Loan Parties' directors, shareholders or creditors, and regardless of whether any Indemnitee is a party thereto, in all cases, whether or not caused by or arising, in whole or in part, out of the comparative, contributory or sole negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by a Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction; provided that such Credit Parties shall be entitled to reimbursement for no more than one counsel (plus any local counsel) representing the Agent and one counsel representing all other Credit Parties (absent a conflict of interest in which case the Credit Parties may engage and be reimbursed for additional counsel).

(c) Reimbursement by Lenders. Without limiting their obligations under Section 10.14 hereof, to the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by it, each Lender severally agrees to pay to the Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's

Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent (or any such sub-agent) or against any Related Party of any of the foregoing acting for the Agent (or any such sub-agent) in connection with such capacity; provided that such Credit Parties shall be entitled to reimbursement for no more than one counsel (plus any local counsel) representing all such Credit Parties (absent a conflict of interest in which case the Credit Parties may engage and be reimbursed for additional counsel).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable Law, the Loan Parties shall not assert, and hereby waive, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable on demand therefor.

(f) Survival. The agreements in this Section shall survive the resignation of the Agent, the assignment of any Loan by any Lender, the replacement of any Lender, the satisfaction or discharge of all the other Obligations.

11.05 Payments Set Aside. To the extent that any payment by or on behalf of the Loan Parties is made to any Credit Party, or any Credit Party exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Credit Party in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred and (b) each Lender severally agrees to pay to the Agent upon demand its Applicable Percentage (without duplication) of any amount relating to the Loan so recovered from or repaid by the Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.06 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Document without the prior written consent of the Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder

except (i) to an Eligible Assignee in accordance with the provisions of Section (b), (ii) by way of participation in accordance with the provisions of subsection Section 11.06(d), or (iii) by way of pledge or assignment of a security interest subject to the restrictions of Section 11.06(f) (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Credit Parties) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than $1,000,000 (or $5,000,000 to the extent such assignment is to a Disqualified Institution after a Designated Event of Default) with respect to any assignments of the Loan (or any portion thereof), unless the Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); provided, however, that concurrent assignments to members of an Assignee Group and concurrent assignments from members of an Assignee Group to a single Eligible Assignee (or to an Eligible Assignee and members of its Assignee Group) will be treated as a single assignment for purposes of determining whether such minimum amount has been met;

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans assigned;

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by subsection (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed and, in any event, such consent shall be deemed given if Borrower does not notify Agent of its objection thereto within ten (10) days of Borrower's receipt of such proposed assignment) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund, or (3) such assignment is being made in connection with the sale of a Lender's portfolio of loans; and

(B) the consent of the Agent (such consent not to be unreasonably

withheld or delayed) shall be required for all assignments if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500, provided, however, that the Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it shall not be a Lender, shall deliver to the Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Section 3.01, 3.04, 3.05, and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 11.06(d).

(c) Register. The Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Agent's Office in the United States a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Loan Parties, the Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Loan Parties or the Agent, sell participations to any Person (other than a natural person or the Loan Parties or any of the Loan Parties' Affiliates or Subsidiaries (including, for the avoidance of doubt, Unrestricted Subsidiaries), except for participations sold to an Affiliated Lender in accordance with Section 11.06(h)) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Loan Parties, the Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any Participant shall agree in writing to comply with all confidentiality obligations set forth in Section 11.07 as if such Participant was a Lender hereunder. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (e) of this Section, the Loan Parties agree that each Participant shall be

entitled to the benefits of Section 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.06(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.13 as though it were a Lender. Each Lender, acting for this purpose as an agent of the Loan Parties, shall maintain at its offices a record of each agreement or instrument effecting any participation and a register for the recordation of the names and addresses of its Participants and their rights with respect to principal amounts and other Obligations from time to time (each a "Participation Register"). The entries in each Participation Register shall be conclusive absent manifest error and the Loan Parties, the Agent and the Lenders shall treat each Person whose name is recorded in a Participant Register as the owner of such Participant for all purposes of this Agreement (including, for the avoidance of doubt, for purposes of entitlement to benefits under Section 3.01, Section 3.04, Section 3.05 and Section 11.08). No Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's Interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Section 3.01 or 3.04 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.01 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Loan Parties, to comply with Section 3.01(e) as though it were a Lender.

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) Affiliated Lenders.

(i) In addition to the other rights provided in this Section 11.06, each Lender may assign all or a portion of any one or more of its Loans (or grant a participation in a Loan) to any Person who, after giving effect to such assignment or participation, would be an Affiliated Lender or an Affiliated Lender Participant, as applicable (without the consent of any Person but subject to acknowledgment by Agent (which acknowledgment shall be provided promptly after request therefor)); provided that:

(A) all Lenders shall be offered an opportunity to assign or participate, as applicable, a pro rata portion (based on their Applicable Percentages) of the amount to be assigned or sold as a participation to such Affiliated Lender in accordance with customary procedures reasonably acceptable to the Agent;

(B) except as previously disclosed in writing to Agent, such Affiliated Lender represents and warrants as of the date of any assignment or participation to such Affiliated Lender pursuant to this Section 11.06, that such Affiliated Lender has no material non-public information ("MNPI") that both (1) has not been disclosed to any assigning or participating Lender (other than because such assigning or participating Lender does not wish to receive MNPI with respect to any Loan Party or any of their respective securities) prior to such date and (2) could reasonably be expected to have a material effect upon a Lender's decision to assign Loans to such Affiliated Lender;

(C) any assigning Lender and the Affiliated Lender purchasing such Lender's Loans shall execute and deliver to Agent an assignment agreement substantially in the form of Exhibit H hereto (an "Affiliated Lender Assignment and Assumption"), which among other things shall provide for a power of attorney in favor of Agent to vote the claims in respect of Loans held by such Affiliated Lender in an insolvency proceeding as provided in clause (iv) of this

Section 11.06(h); and

(D) at the time of such assignment (or any participation under Section 11.06(d)) and after giving effect to such assignment (or participation), (1) the aggregate principal amount of all Loans held by all Affiliated Lenders (or in which Affiliated Lender Participants have a participation) shall not exceed twenty percent (20%) of all Loans outstanding under this Agreement, and (2) there shall be more than two (2) Affiliated Lenders and Affiliated Lender Participants in the aggregate.

(ii) Notwithstanding anything to the contrary in this Agreement, no Affiliated Lender shall have any right to (A) attend (including by telephone) any meeting or discussions (or portion thereof) among Agent or any Lender to which representatives of the Loan Parties are not invited or (B) receive any information or material prepared by Agent or any Lender or any communication by or among Agent and/or one or more Lenders, except to the extent such information or materials have been made available to any Loan Party or any representative of any Loan Party.

(iii) Notwithstanding anything in Section 11.01 or the definition of "Required Lenders" to the contrary, for purposes of determining whether the Required Lenders, all affected Lenders or all Lenders have (A) consented (or not consented) to any amendment, modification, waiver, consent or other action with respect to any of the terms of any Loan Document or any departure by any Loan Party therefrom, (B) otherwise acted on any matter related to any Loan Document or (C) directed or required Agent or any Lender to undertake any action (or refrain from taking any action) with respect to or under any Loan Document, an Affiliated Lender shall be deemed to have voted its interest as a Lender without discretion in the same proportion as the allocation of voting with respect to such matter by Lenders who are not Affiliated Lenders; provided that, without the consent of an Affiliated Lender, no such amendment, modification, waiver consent or other action shall (1) extend the due date for any scheduled installment of principal of any Loan held by such Affiliated Lender, (2) extend the due date for interest under the Loan Documents owed to such Affiliated Lender or (3) reduce any amount owing to such

Affiliated Lender under any Loan Document, in each case except as provided in clause (iv) of this Section 11.06(h).

(iv) Each Affiliated Lender, solely in its capacity as a holder of any Loans, hereby agrees, and each Affiliated Lender Assignment and Assumption shall provide a confirmation that, if any Loan Party shall be subject to any insolvency proceeding, with respect to any matter requiring the vote of holders of any Loans during the pendency of any such insolvency proceeding (including voting on any plan of reorganization pursuant to 11 U.S.C. §1126), Loans held by such Affiliated Lender (and any claim with respect thereto) shall be deemed assigned for all purposes to Agent, which shall cast such vote in accordance with clause (iii) above of this Section 11.06(h) (without regard to clauses (2) and (3) of the proviso to such clause (iii)). If for any reason the foregoing assignment is deemed ineffective to vote the claims of the Affiliated Lenders with respect of the Loans, the Affiliated Lenders agree that their claims with respect of the Loans shall be voted, and the Affiliated Lenders shall take all such actions to ensure that their claims with respect to the Loans are voted, in accordance with clause (iii) above of this Section 11.06(h) (without regard to clauses (2) and (3) of the proviso to such clause (iii)). For the avoidance of doubt, the Lenders and each Affiliated Lender agree and acknowledge that the provisions set forth in this clause (iv), and the related provisions set forth in each Affiliated Lender Assignment and Assumption, constitute a "subordination agreement" as such term is contemplated by, and utilized in, Section 510(a) of the Bankruptcy Code of the United States, and, as such, would be enforceable for all purposes in any case where a Loan Party has filed for protection under the Bankruptcy Code of the United States.

11.07 Treatment of Certain Information; Confidentiality. Each of the Credit Parties agrees to maintain the confidentiality of the Confidential Information (as defined below), except that Confidential Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, funding sources, attorneys, advisors, investors, lenders and representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners) and to any nationally recognized rating agency, (c) to the extent required by applicable Laws or regulations or by any subpoena or similar legal process (including, without limitation, in connection with filings, submissions and any other similar documentation required or customary to comply with SEC filing requirements), (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Loan Party and its obligations, (g) with the consent of the Borrower or (h) to the extent such Confidential Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to any Credit Party or any of their respective Affiliates on a non-confidential basis from a source other than the Loan Parties.

For purposes of this Section, "Confidential Information" means all information received from the Loan Parties or any Subsidiary thereof relating to the Loan Parties or any Subsidiary thereof or their respective businesses, other than any such information that is available to any Credit Party on a non-confidential basis prior to disclosure by the Loan Parties or any Subsidiary thereof, provided that, in the case of information received from any Loan Party or any Subsidiary after the Closing Date, such

information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Confidential Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information.

Each of the Credit Parties acknowledges that (a) the Confidential Information may include material non-public information concerning the Loan Parties or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including Federal and state securities Laws.

11.08 Right of Setoff. If an Event of Default shall have occurred and be continuing or if any Lender shall have been served with a trustee process or similar attachment relating to property of a Loan Party, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, after obtaining the prior written consent of the Agent or the Required Lenders, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the Obligations now or hereafter existing under this Agreement or any other Loan Document to such Lender, regardless of the adequacy of the Collateral, and irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower and the Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.09 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent

permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.10 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed

counterpart of a signature page of this Agreement by facsimile, pdf., or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

11.11 Survival. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Credit Parties, regardless of any investigation made by any Credit Party or on their behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or Event of Default at the time of the initial Loan, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied. Further, the provisions of Section 3.01, 3.04, 3.05 and 11.04 and Article X shall survive and remain in full force and effect regardless of the repayment of the Obligations or the termination of this Agreement or any provision hereof. In connection with the termination of this Agreement and the release and termination of the security interests in the Collateral, the Agent may require such indemnities and collateral security as they shall reasonably deem necessary or appropriate to protect the Credit Parties against (x) loss on account of credits previously applied to the Obligations that may subsequently be reversed or revoked and (y) any Obligations that may thereafter arise under Section 11.04.

11.12 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.13 Replacement of Lenders. If any Lender requests compensation under Section 3.04, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01, or if any Lender is a Defaulting Lender or a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06, all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(a) the Borrower shall have paid to the Agent the assignment fee specified in Section 11.06(b);

(b) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(c) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation or payments thereafter; and

(d) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

11.14 Governing Law; Jurisdiction; Etc.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

(b) SUBMISSION TO JURISDICTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE LOAN PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE LOAN PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY CREDIT PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE LOAN PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 11.02. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS

IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) ACTIONS COMMENCED BY LOAN PARTIES. EACH LOAN PARTY AGREES THAT ANY ACTION COMMENCED BY ANY LOAN PARTY ASSERTING ANY CLAIM ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT SOLELY IN A COURT OF THE STATE OF NEW YORK

SITTING IN NEW YORK COUNTY OR ANY FEDERAL COURT SITTING THEREIN AS THE AGENT MAY ELECT IN ITS SOLE DISCRETION AND CONSENTS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS WITH RESPECT TO ANY SUCH ACTION AND ANY COUNTERCLAIM BROUGHT BY ANY LOAN PARTY SHALL BE IN THE SAME COURT AS THE INITIAL CLAIM WAS BROUGHT.

11.15 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

11.16 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby, the Loan Parties each acknowledge and agree that: (i) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between the Loan Parties, on the one hand, and the Credit Parties, on the other hand, and each of the Loan Parties is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (ii) in connection with the process leading to such transaction, the each Credit Party is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for the Loan Parties or any of their respective Affiliates, stockholders, creditors or employees or any other Person; (iii) none of the Credit Parties has assumed or will assume an advisory, agency or fiduciary responsibility in favor of the Loan Parties with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any amendment, waiver or other modification hereof or of any other Loan Document (irrespective of whether any of the Credit Parties has advised or is currently advising any Loan Party or any of its Affiliates on other matters) and none of the Credit Parties has any obligation to any Loan Party or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (iv) the Credit Parties and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Loan Parties and their respective Affiliates, and none of the Credit Parties has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (v) the Credit Parties have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and each of the Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate. Each of the Loan Parties hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against each of the Credit Parties with respect to any breach or alleged breach of agency or fiduciary duty.

11.17 USA PATRIOT Act Notice. Each Lender that is subject to the Act (as hereinafter defined) and the Agent (in each case, for itself and not on behalf of any Lender) hereby notifies the Loan

Parties that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Agent, as applicable, to identify each Loan Party in accordance with the Act. Each Loan Party is in compliance, in all material respects, with the Patriot Act. No part of the proceeds of the Loans will be used by the Loan Parties, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

11.18 Foreign Asset Control Regulations. Neither of the advance of the Loans nor the use of the proceeds of any thereof will violate the Trading With the Enemy Act (50 U.S.C. § 1 et seq., as amended) (the "Trading With the Enemy Act") or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) (the "Foreign Assets Control Regulations") or any enabling legislation or executive order relating thereto (which for the avoidance of doubt shall include, but shall not be limited to (a) Executive Order 13224 of September 21, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) (the "Executive Order") and (b) the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Public Law 107-56)). Furthermore, none of the Borrower or its Affiliates (a) is or will become a "blocked person" as described in the Executive Order, the Trading With the Enemy Act or the Foreign Assets Control Regulations or (b) engages or will engage in any dealings or transactions, or be otherwise associated, with any such "blocked person" or in any manner violative of any such order.

11.19 Time of the Essence. Time is of the essence of the Loan Documents.

11.20 Press Releases.

(a) Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of the Agent or its Affiliates or referring to this Agreement or the other Loan Documents without at least two Business Days' prior notice to the Agent and without the prior written consent of the Agent unless (and only to the extent that) such Credit Party or Affiliate is required to do so under applicable Law and then, in any event, such Credit Party or Affiliate will consult with the Agent before issuing such press release or other public disclosure.

(b) Each Loan Party consents to the publication by the Agent or any Lender of advertising material, including any "tombstone" or comparable advertising, on its website or in other marketing materials of Agent, relating to the financing transactions contemplated by this Agreement using any Loan Party's name, product photographs, logo, trademark or other insignia. The Agent or such Lender shall provide a draft reasonably in advance of any advertising material to the Borrower for review and comment prior to the publication thereof. The Agent reserves the right to provide to industry trade organizations and loan syndication and pricing reporting services information necessary and customary for inclusion in league table measurements.

11.21 Certain Waivers.

(a) The Obligations are the obligation of the Borrower. To the fullest extent permitted by applicable Law, the obligations of the Borrower shall not be affected by any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, this Agreement or any other Loan Document, or the failure to perfect any security interest in, or the release of, any of the Collateral or other security held by or on behalf of the Agent.

(b) The obligations of the Borrower shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of the Borrower hereunder shall not be discharged or impaired or otherwise affected by the failure of the Agent to assert any claim or demand or to enforce any remedy under this Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, any default, failure or delay, willful or otherwise, in the performance of any of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of the Borrower or that would otherwise operate as a discharge of the Borrower as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

11.22 Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.23 Attachments. The Appendices are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such Appendices and the provisions of this Agreement, the provisions of this Agreement shall prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

FLOOR AND DECOR OUTLETS OF AMERICA, INC.

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

AGENT:

GCI CAPITAL MARKETS LLC,
as Agent

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address for Legal:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Matthew Fulk
Facsimile No.: 212-660-7282
E-Mail: mfulk@golubcapital.com

Katten Muchin Rosenman LLP
525 W. Monroe Street
Chicago, Illinois 60661-3693
Attn: John Krol
Facsimile No.: (312) 902-1061
E-Mail: john.krol@kattenlaw.com

Notice for all Financial Reporting Deliveries:

Golub Capital Incorporated (address above)

and

Attn: Portfolio Manager — Floor and Decor
E-Mail:portfoliomanager@golubcapital.com

Notice of Advance and Notices of LIBO Rate Continuation/Conversions:

Attn: Loan Administrator - Floor and Decor
E-Mail:loan_administrator@golubcapital.com

LENDERS:

Golub Capital Finance Funding LLC,
as a Lender
By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $20,525,000.00

Golub Capital BDC 2010-1 LLC,
as a Lender
By: GC Advisors LLC, its Collateral Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $10,500,000.00

Golub Capital BDC Holdings LLC,
as a Lender
By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $886,000.00

Golub Capital PEARLS Direct Lending Program, L.P.,
as a Lender By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $1,768,000.00

PEARLS VIII, LLC,
as a Lender
By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $1,131,000.00

PEARLS IX, LLC,
as a Lender
By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $628,000.00

PEARLS X, L.P.,
as a Lender
By: GC Advisors LLC, its Manager

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $2,263,000.00

GCI CAPITAL MARKETS LLC,
as a Lender

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

Notice Address:

Golub Capital Incorporated
666 Fifth Avenue, 18th Floor
New York, New York 10103
Attn: Portfolio Administrator
Facsimile No.: (312) 201-9167
E-Mail: loan_admin@golubcapital.com

Such Lender's Commitment: $2,299,000.00

KKR Lending Partners Funding II LLC,
as a Lender

By: /s/ Nicole J. Macarchuk
Name: Nicole J. Macarchuk
Title: Authorized Signatory

Notice Address:

555 California Street, 50th Floor
San Francisco, California 94104

Such Lender's Commitment: $2,289,133.00

KKR Lending Partners Funding LLC,
as a Lender

By: /s/ Nicole J. Macarchuk
Name: Nicole J. Macarchuk
Title: Authorized Signatory

Notice Address:

555 California Street, 50th Floor
San Francisco, California 94104

Such Lender's Commitment: $30,000,000.00

KKR VRS Credit Partners L.P.,
as a Lender

By: /s/ Nicole J. Macarchuk
Name: Nicole J. Macarchuk
Title: Authorized Signatory

Notice Address:

555 California Street, 50th Floor
San Francisco, California 94104

Such Lender's Commitment: $7,710,867.00

TERM LOAN SECURITY AGREEMENT

by

FLOOR AND DECOR OUTLETS OF AMERICA, INC.,
as Borrower,

THE OTHER LOAN PARTIES PARTY HERETO
FROM TIME TO TIME

and

GCI CAPITAL MARKETS LLC,

as Agent

Dated as of May 1, 2013

TABLE OF CONTENTS

	Page
PREAMBLE	1
RECITALS	1
AGREEMENT	2
ARTICLE I DEFINITIONS AND INTERPRETATION	3
ARTICLE II GRANT OF SECURITY AND SECURED OBLIGATIONS	7
ARTICLE III PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF COLLATERAL	9
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS	13
ARTICLE V CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL	16
ARTICLE VI CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL	18
ARTICLE VII CERTAIN PROVISIONS CONCERNING ACCOUNTS	21
ARTICLE VIII REMEDIES	22
ARTICLE IX MISCELLANEOUS	25
SIGNATURES	

EXHIBIT 1	Form of Securities Pledge Amendment
SCHEDULE I	Intercompany Notes
SCHEDULE II	Filings, Registrations and Recordings
SCHEDULE III	Pledged Interests

TERM LOAN SECURITY AGREEMENT

TERM LOAN SECURITY AGREEMENT, dated as of May 1, 2013 (as amended, restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Security Agreement"), among (i) FLOOR AND DECOR OUTLETS OF AMERICA, INC., a Delaware corporation having an office at 2233 Lake Park Drive, Suite 400, Smyrna, Georgia 30080, as Borrower (the "Borrower"), and (ii) THE GUARANTORS LISTED ON THE SIGNATURE PAGES HERETO (the "Original Guarantors") AND THE OTHER GUARANTORS FROM TIME TO TIME PARTY HERETO BY EXECUTION OF A JOINDER AGREEMENT (together with the Original Guarantors, the "Guarantors"), as pledgors, assignors and debtors (the Borrower, together with the Guarantors, in such capacities and together with any successors in such capacities, the "Grantors" and, each, a "Grantor"), and (iv) GCI CAPITAL MARKETS LLC, having an office at 666 Fifth Avenue, 18th Floor, New York, New York 10103, in its capacity as administrative agent for the Credit Parties (as defined in the Credit Agreement defined below), as secured party (in such capacity and together with any successors in such capacities, the "Agent").

R E C I T A L S:

A. The Borrower, the Agent, and the Lenders party thereto have, in connection with the execution and delivery of this Security Agreement, entered into that certain Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

B. The Guarantors have, pursuant to that certain Guaranty dated as of the date hereof (as amended, restated, supplemented or otherwise modified

from time to time, the "Guaranty"), among other things, unconditionally guaranteed the Guaranteed Obligations (as defined in the Guaranty).

C. The Borrower and the Guarantors will receive substantial benefits from the execution, delivery and performance of the Obligations and the Guaranteed Obligations and each is, therefore, willing to enter into this Security Agreement.

D. This Security Agreement is given by each Grantor in favor of the Agent for the benefit of the Credit Parties to secure the payment and performance of all of the Secured Obligations (as hereinafter defined).

E. It is a condition to the obligations of the Lenders to make the Loans under the Credit Agreement that each Grantor execute and deliver the applicable Loan Documents, including this Security Agreement.

AGREEMENT:

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor and the Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions.

(a) Unless otherwise defined herein or in the Credit Agreement, capitalized terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC.

(b) Capitalized terms used but not otherwise defined herein that are defined in the Credit Agreement shall have the meanings given to them in the Credit Agreement.

(c) The following terms shall have the following meanings:

"Agent" shall have the meaning assigned to such term in the Preamble hereof.

"Borrower" shall have the meaning assigned to such term in the Preamble hereof.

"Borrowing Base" shall have the meaning assigned to such term in the Revolving Credit Agreement.

"Claims" shall mean any and all property taxes and other taxes, assessments and special assessments, levies, fees and all governmental charges imposed upon or assessed against, and all claims (including, without limitation, landlords', carriers', mechanics', workmen's, repairmen's, laborers', materialmen's, suppliers' and warehousemen's Liens and other claims arising by operation of law) against, all or any portion of the Collateral.

"Collateral" shall have the meaning assigned to such term in SECTION 2.1 hereof.

"Contracts" shall mean, collectively, with respect to each Grantor, all sale, service, performance, equipment or property lease contracts, agreements and grants and all other contracts, agreements or grants (in each case, whether written or oral, or third party or intercompany), between such Grantor and any other party, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof.

"Control" shall mean (a) in the case of each DDA, "control," as such term is defined in Section 9-104 of the UCC, and (b) in the case of any security entitlement, "control," as such term is defined in Section 8-106 of the UCC.

"Control Agreements" shall mean, collectively, the Blocked Account Agreements and the Securities Account Control Agreements.

"Copyrights" shall mean, collectively, with respect to each Grantor, all copyrights (whether statutory or common Law, whether established or registered in the United States or any other country or any political subdivision thereof whether registered or unregistered and whether published or unpublished), whether as author, assignee, transferee or otherwise, and all copyright registrations and applications made by such Grantor, in each case, whether now owned or hereafter created or acquired by or assigned to such Grantor, including, without limitation, the registrations and applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of such copyrights, (ii) reissues, renewals,

continuations and extensions thereof, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including, without limitation, damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Credit Agreement" shall have the meaning assigned to such term in Recital A hereof.

"Distributions" shall mean, collectively, with respect to each Grantor, all Restricted Payments from time to time received, receivable or otherwise distributed to such Grantor in respect of or in exchange for any or all of the Pledged Securities or Intercompany Notes.

"Excluded Equity Interest" shall mean (a) any directors' qualifying shares, nominee shares or similar shares, which are required by Law to be held by persons other than the Grantors, (b) any Equity Interests of any person (other than a wholly-owned Subsidiary that is directly owned by a Grantor), to the extent restricted or not permitted by the terms of such person's organizational documents or other agreements with holders of such Equity Interests (so long as such prohibition did not arise as part of the acquisition or formation of such person or in anticipation of the Credit Agreement and other than to the extent that any such prohibition would be rendered ineffective pursuant to the UCC or any other applicable Law), (c) any Equity Interests if, to the extent and for so long as the pledge of such Equity Interests hereunder is prohibited or restricted by any applicable Law, including any requirement to obtain consent of any Governmental Authority (other than to the extent such prohibition would be rendered ineffective under the UCC or any other applicable Law), (d) any margin stock to the extent the pledge thereof is prohibited by or would violate Regulation U and (e) any Equity Interests in an Unrestricted Subsidiary.

"Excluded Property" shall mean the following:

(a) any license, permit, or agreement held by any Grantor (i) that validly prohibits the creation by such Grantor of a security interest therein or thereon, (ii) to the extent that applicable Law prohibits the creation of a security interest therein or thereon, or (iii) to the extent that the creation of a security interest therein or thereon would result in a breach of the terms of, or constitute a default under, such license, permit or agreement, which, in each case, would result in the abandonment, invalidation or unenforceability of or create a right of termination in favor of or require the consent of any other party thereto (other than a Grantor);

(b) any Intellectual Property Collateral consisting of intent-to-use trademark applications or intent-to-use service mark applications, for which the creation by a Grantor of a security interest therein would impair the validity or enforceability of, or render void or voidable or result in the cancellation of the applicable Grantor's right, title or interest therein, or is prohibited without the consent of third party or by applicable Law; and

(c) any Excluded Equity Interests.

provided, however, that in each case described in clauses (a), (b), and (c) of this definition, such property shall constitute "Excluded Property" only to the extent and for so long as such license, permit, agreement, or applicable Law validly prohibits the creation of a Lien on such property in favor of the Agent and, upon the termination of such prohibition (howsoever occurring), such property shall cease to constitute "Excluded Property"; provided further, that "Excluded Property" shall not include (i) any assets that are of the type that may be eligible for inclusion in the Borrowing Base, or (ii) the right to receive any proceeds arising therefrom or any other rights referred to in Sections 9-406(f), 9-407(a) or 9-408(a) of the UCC or any Proceeds, substitutions

or replacements of any Excluded Property (unless such Proceeds, substitutions or replacements would otherwise constitute Excluded Property).

"Goodwill" shall mean, collectively, with respect to each Grantor, the goodwill connected with such Grantor's business including, without limitation, (i) all goodwill connected with the use of and symbolized by any of the Intellectual Property Collateral in which such Grantor has any interest, (ii) all know-how, trade secrets, customer and supplier lists, proprietary information, inventions, methods, procedures, formulae, descriptions, compositions, technical data, drawings, specifications, name plates, catalogs, confidential information and the right to limit the use or disclosure thereof by any Person, pricing and cost information, business and marketing plans and proposals, consulting agreements, engineering contracts and such other assets which relate to such goodwill and (iii) all product lines of such Grantor's business.

"Grantor" shall have the meaning assigned to such term in the Preamble hereof.

"Guarantors" shall have the meaning assigned to such term in the Preamble hereof.

"Guaranty" shall have the meaning assigned to such term in Recital B hereof.

"Intellectual Property Collateral" shall mean, collectively, the Patents, Trademarks, Copyrights, Licenses and Goodwill.

"Intercompany Notes" shall mean, with respect to each Grantor, all intercompany notes described onSchedule I hereto and each intercompany note hereafter acquired by such Grantor and all certificates, instruments or agreements evidencing such intercompany notes, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

"Letters of Credit" unless the context otherwise requires, shall have the meaning given to such term in the UCC.

"Licenses" shall mean, collectively, with respect to each Grantor, all license and distribution agreements with any other Person with respect to any Patent, Trademark or Copyright, whether such Grantor is a licensor or licensee, distributor or distributee under any such license or distribution agreement, together with any and all (i) renewals, extensions, supplements and continuations thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements or violations thereof, (iii) rights to sue for past, present and future infringements or violations thereof and (iv) other rights to use, exploit or practice any or all of the Patents, Trademarks or Copyrights or any other patent, trademark or copyright.

"Patents" shall mean, collectively, with respect to each Grantor, all patents issued or assigned to and all patent applications made by such Grantor (whether established or registered or recorded in the United States or any other country or any political subdivision thereof), including, without limitation, those patents and patent applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of any patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including, without limitation, damages and payments for past, present or future infringements thereof,

(v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Perfection Certificate" shall mean that certain perfection certificate dated as of the date hereof, executed and delivered by each Grantor in favor of the Agent for the benefit of the Credit Parties, and each other Perfection Certificate (which shall be in form and substance reasonably acceptable to the Agent) executed and delivered by the applicable Borrower or Guarantor in favor of the Agent for the benefit of the Credit Parties contemporaneously with the execution and delivery of a joinder agreement executed in accordance with SECTION 3.6 hereof, in each case, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time in accordance with the Credit Agreement.

"Pledged Interests" shall mean, collectively, with respect to each Grantor, all Equity Interest in any issuer now existing or hereafter acquired or formed, including, without limitation, all Equity Interests of such issuer described in Schedule III hereof, together with all rights, privileges, authority and powers of such Grantor relating to such Equity Interests issued by any such issuer under the Organization Documents of any such issuer, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, from time to time acquired by such Grantor in any manner, and all other Investment Property owned by such Grantor; provided, however, that to the extent applicable, Pledged Interests shall not include any interest possessing more than 65% of the voting power or control of all classes of interests entitled to vote of any Foreign Subsidiary that is a CFC to the extent such pledge would result in an adverse tax consequence to the Grantor.

"Pledged Securities" shall mean, collectively, the Pledged Interests and the Successor Interests.

"Secured Obligations" shall mean the Obligations (as defined in the Credit Agreement) and the Guaranteed Obligations.

"Securities Account Control Agreement" shall mean an agreement in form and substance satisfactory to the Agent with respect to any Securities Account of a Grantor.

"Securities Act" means the Securities Exchange Act of 1934, as amended, and the applicable regulations promulgated by the Securities and Exchange Commission pursuant to such Act.

"Securities Collateral" shall mean, collectively, the Pledged Securities, the Intercompany Notes and the Distributions.

"Security Agreement" shall have the meaning assigned to such in the Preamble hereof.

"Successor Interests" shall mean, collectively, with respect to each Grantor, all shares of each class of the capital stock of the successor corporation or interests or certificates of the successor limited liability company, partnership or other entity owned by such Grantor (unless such successor is such Grantor itself) formed by or resulting from any consolidation or merger in which any Person listed in Section I of the Perfection Certificate is not the surviving entity; provided, however, that Successor Interests shall not include shares or interests constituting more than 65% of the voting power or control of all classes of capital stock or interests entitled to vote of any Foreign Subsidiaries to the extent such pledge would result in an adverse tax consequence to such Grantor.

"Trademarks" shall mean, collectively, with respect to each Grantor, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locations (URLs), domain names, corporate names and trade names, whether registered or unregistered, owned by or assigned to such Grantor and all registrations and applications for the foregoing (whether statutory or common Law and whether established or registered in the United States or any other country or any political subdivision thereof), including, without limitation, the registrations and applications listed in Section III of the Perfection Certificate, together with any and all (i) rights and privileges arising under applicable Law with respect to such Grantor's use of any trademarks, (ii) reissues, continuations, extensions and renewals thereof, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including, without limitation, damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

"UCC" or "Uniform Commercial Code" means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, that if a term is defined in Article 9 of the Uniform Commercial Code differently than in another Article thereof, the term shall have the meaning set forth in Article 9; provided, further, that, if by reason of mandatory provisions of law, perfection, or the effect of perfection or non-perfection, of a security interest in any Collateral or the availability of any remedy hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "Uniform Commercial Code" means the Uniform Commercial Code as in effect in such other jurisdiction for purposes of the provisions hereof relating to such perfection or effect of perfection or non-perfection or availability of such remedy, as the case may be.

SECTION 1.2 Interpretation. The rules of interpretation specified in Article I of the Credit Agreement shall be applicable to this Security Agreement.

SECTION 1.3 Perfection Certificate. The Agent and each Grantor agree that the Perfection Certificate, and all schedules, amendments and supplements thereto are and shall at all times remain a part of this Security Agreement.

ARTICLE II

GRANT OF SECURITY AND SECURED OBLIGATIONS

SECTION 2.1 Pledge; Grant of Security Interest. As collateral security for the payment and performance in full of all the Secured Obligations, each Grantor hereby pledges and grants to the Agent for its benefit and for the benefit of the other Credit Parties, a lien on and security interest in and to all of the right, title and interest of such Grantor in, to and under all personal property and interests in such personal property, wherever located, and whether now existing or hereafter arising or acquired from time to time (collectively, the "Collateral"), including, without limitation:

(a) all Accounts;

(b) all Goods, including Equipment, Inventory and Fixtures;

(c) all Documents, Instruments and Chattel Paper;

(d) all Letters of Credit and Letter-of-Credit Rights;

(e) all Securities Collateral;

(f) all Investment Property;

(g) all Intellectual Property Collateral;

(h) all Commercial Tort Claims, including, without limitation, those described in Section IV of the Perfection Certificate;

(i) all General Intangibles;

(j) all Deposit Accounts;

(k) all Supporting Obligations;

(l) all books and records relating to the Collateral; and

(m) to the extent not covered by clauses (a) through (l) of this sentence, all other personal property of such Grantor, whether tangible or intangible and all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, any and all proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

Notwithstanding anything to the contrary contained in clauses (a) through (m) above, the security interest created by this Security Agreement shall not extend to, and the term "Collateral" shall not include, any Excluded Property and the Grantors shall from time to time at the request of the Agent give written notice to the Agent identifying in reasonable detail the Excluded Property and shall provide to the Agent such other information regarding the Excluded Property as the Agent may reasonably request; provided, however, that if and when any property shall cease to be Excluded Property, a Lien on a security in such property shall be deemed granted

therein.

SECTION 2.2 Secured Obligations. This Security Agreement secures, and the Collateral is collateral security for, the payment and performance in full when due of the Secured Obligations.

SECTION 2.3 Security Interest.

(a) Each Grantor hereby irrevocably authorizes the Agent at any time and from time to time to authenticate and file in any relevant jurisdiction any financing statements (including fixture filings) and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including, without limitation, (i) whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor, (ii) a description of the Collateral as "all assets of the Grantor, wherever located, whether now owned or hereafter acquired or arising" or words of similar effect, and (iii) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Collateral relates. Each Grantor agrees to provide all information described in the immediately preceding sentence to the Agent promptly upon reasonable request.

(b) Each Grantor hereby further authorizes the Agent to file filings with the United States Patent and Trademark Office and United States Copyright Office (or any successor office or, from and after the occurrence of an Event of Default, any similar office in any other country) or other necessary documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by such Grantor hereunder in any Intellectual Property Collateral, without the signature of such Grantor, and naming such Grantor, as debtor, and the Agent, as secured party.

ARTICLE III

PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF COLLATERAL

SECTION 3.1 Delivery of Certificated Securities Collateral. Each Grantor represents and warrants that all certificates, agreements or instruments representing or evidencing the Securities Collateral in existence on the date hereof have been delivered to the Agent in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank and that the Agent has a perfected security interest therein. Each Grantor hereby agrees that all certificates, agreements or instruments representing or evidencing Securities Collateral acquired by such Grantor after the date hereof, shall promptly (and in any event within ten (10) Business Days) after receipt thereof by such Grantor, be delivered to Agent pursuant hereto. All certificated Securities Collateral shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Agent. The Agent shall have the right, at any time upon the occurrence and during the continuance of any Event of Default, to endorse, assign or otherwise transfer to or to register in the name of the Agent or any of its nominees or endorse for negotiation any or all of the Securities Collateral, without any indication that such Securities Collateral is subject to the security interest hereunder. In addition, the Agent shall have the right with written notice to exchange certificates representing or evidencing Securities Collateral for certificates of smaller or larger denominations, accompanied by instruments of transfer or assignment and letters of direction duly executed in blank.

SECTION 3.2 Perfection of Uncertificated Securities Collateral. Each Grantor represents and warrants that the Agent has a perfected security interest in all uncertificated Pledged Securities pledged by it hereunder that are in existence on the date hereof and that the applicable Organization Documents do not require the consent of the other shareholders, members, partners or other Persons to permit the Agent or its designee to be substituted for the applicable Grantor as a shareholder, member, partner or other equity owner, as applicable, thereto. Each Grantor hereby agrees that if any of the Pledged Securities are at any time not evidenced by certificates of ownership, then each applicable Grantor shall, to the extent permitted by applicable Law and upon the reasonable request of the Agent, cause such pledge to be recorded on the equityholder register or the books of the issuer, execute customary pledge forms or other documents necessary or reasonably requested to complete the pledge and give the Agent the right to transfer such Pledged Securities under the terms hereof and, to the extent reasonably requested by the Agent, provide to the Agent an opinion of counsel, in form and substance reasonably satisfactory to the Agent, confirming such pledge and perfection thereof.

SECTION 3.3 Financing Statements and Other Filings; Maintenance of Perfected Security Interest. Each Grantor represents and warrants that the only filings, registrations and recordings necessary and appropriate to create, preserve, protect, publish notice of and perfect the security interest granted by each Grantor to the Agent (for the benefit of the Credit Parties) pursuant to this Security

Agreement in respect of the Collateral are listed on Schedule II hereto. Each Grantor represents and warrants that all such filings, registrations and recordings have been delivered to the Agent in completed and, to the extent necessary or appropriate, duly executed form for filing in each governmental, municipal or other office specified in Schedule II. Each Grantor agrees that at the sole cost and expense of the Grantors, (i) such Grantor will maintain the security interest created by this Security Agreement in the Collateral as a perfected first priority security interest (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement) and shall defend such security interest against the claims and demands of all Persons (other than with respect to Permitted Encumbrances), (ii) such Grantor shall, within the time period for delivery of the Annual Financial Statements under Section 6.04(a) of the Credit Agreement, furnish to the Agent a supplement to the Perfection Certificate setting forth any additions or changes thereto since the later of the Closing Date and delivery of the previous supplement pursuant to this clause (ii) and (iii) at any time and from time to time, upon the reasonable written request of the Agent, such Grantor shall promptly and duly execute and deliver, and, if applicable, file and have recorded, such further instruments and documents and take such further action as the Agent may reasonably request, including the filing of any financing statements, continuation statements and other documents (including this Security Agreement) under the UCC (or other applicable Laws) in effect in any jurisdiction with respect to the security interest created hereby and the execution and delivery of Control Agreements, all in form reasonably satisfactory to the Agent and in such offices (including, without limitation, the United States Patent and Trademark Office and the United States Copyright Office) wherever required by applicable Law in each case to perfect, continue and maintain a valid, enforceable, first priority security interest (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement) in the Collateral as provided herein and to preserve the other rights and interests granted to the Agent hereunder, as against the Grantors and third parties (other than with respect to Permitted Encumbrances), with respect to the Collateral.

SECTION 3.4 Other Actions. In order to further evidence the attachment, perfection and priority of, and the ability of the Agent to enforce the Agent's security interest in the Collateral, each Grantor represents, warrants and agrees, in each case at such Grantor's own expense, with respect to the following Collateral, that:

(a) Instruments and Tangible Chattel Paper. As of the date hereof (i) no amount payable under or in connection with any of the Collateral is evidenced by any Instrument or Tangible Chattel Paper other than such Instruments and Tangible Chattel Paper listed in Section II. D. of the Perfection Certificate and (ii) each Instrument and each item of Tangible Chattel Paper listed in Section II. D. of the Perfection Certificate having a value in excess of $250,000, individually or in the aggregate, to the extent reasonably requested by the Agent, has been properly endorsed, assigned and delivered to the Agent, accompanied by instruments of transfer or assignment and letters of direction duly executed in blank. If any amount payable under or in connection with any of the Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, the Grantor acquiring such Instrument or Tangible Chattel Paper shall forthwith endorse, assign and deliver the same to the Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Agent may reasonably request from time to time.

(b) Investment Property.

(i) As of the date hereof (1) it has no Securities Accounts other than those listed in Section II.B. of the Perfection Certificate and (2) it does not hold, own or have any interest in any certificated securities or uncertificated securities other than those constituting Pledged Securities with respect to which the Agent has a perfected first

priority security interest in such Pledged Securities, and (3) it has entered into a duly authorized, executed and delivered Securities Account Control Agreement with respect to each Securities Account listed in Section II.B. of the Perfection Certificate with respect to which the Agent has a perfected first priority security interest in such Securities Accounts by Control (subject in priority only to those Permitted Encumbrances having priority under applicable Law or otherwise permitted to have priority pursuant to the terms of the Credit Agreement).

(ii) If any Grantor shall at any time hold or acquire any certificated securities constituting Collateral, such Grantor shall promptly (a) notify the Agent thereof and endorse, assign and deliver the same to the Agent, accompanied by such instruments of transfer or assignment duly executed in blank, all in form and substance reasonably satisfactory to the Agent or (b) deliver such securities into a Securities Account with respect to which a Securities Account Control Agreement is in effect in favor of the Agent. If any securities constituting Collateral now or hereafter acquired by any Grantor are uncertificated, such Grantor shall promptly notify the Agent thereof and pursuant to an agreement in form and substance reasonably satisfactory to the Agent, either (a) grant Control to the Agent and cause the issuer to agree to comply with instructions from the Agent as to such securities, without further consent of any Grantor or such nominee, (b) cause a security entitlement with respect to such uncertificated security to be held in a Securities Account with respect to which the Agent has Control or (c) arrange for the Agent to become the registered owner of the securities. Grantor shall not hereafter establish and maintain any Securities Account with any Securities Intermediary unless (1) the applicable Grantor shall have given the Agent ten (10) Business Days' prior written notice of its intention to establish such new Securities Account with such Securities Intermediary, (2) such Securities Intermediary shall be reasonably acceptable to the Agent and (3) such Securities Intermediary and such Grantor shall have duly executed and delivered a Control Agreement with respect to such Securities Account. Each Grantor shall accept any cash and Investment Property which are proceeds of the Pledged Interests in trust for the benefit of the Agent and promptly upon receipt thereof, deposit any cash received by it into an account in which the Agent has Control, or with respect to any Investment Properties or additional securities, take such actions as required above with respect to such securities. The Agent agrees with each Grantor that the Agent shall not give any entitlement orders or instructions or directions to any issuer of uncertificated securities or Securities Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Grantor, unless a Cash Dominion Event has occurred and is continuing. No Grantor shall grant control over any Pledged Securities to any Person other than the Agent, any Revolving Agent (or the ABL Agent (as defined in the Intercreditor Agreement)) in accordance with the Intercreditor Agreement, or, to the extent applicable, any other Persons permitted to have control over such Pledged Securities in accordance with the terms of the Credit Agreement.

(iii) As between the Agent and the Grantors, the Grantors shall bear the investment risk with respect to the Investment Property and Pledged Securities, and the risk of loss of, damage to, or the destruction of the Investment Property and Pledged Securities, whether in the possession of, or maintained as a security entitlement or deposit by, or subject to the control of, the Agent, a Securities Intermediary, any Grantor or any other Person; provided, however, that nothing contained in this SECTION 3.4(b) shall release or relieve any Securities Intermediary of its duties and obligations to the Grantors or any other Person under any Control Agreement or under applicable Law. Each Grantor shall promptly pay all Claims and fees of whatever kind or nature with respect to

the Pledged Securities pledged by it under this Security Agreement. In the event any Grantor shall fail to make such payment contemplated in the immediately preceding sentence, the Agent may do so for the account of such Grantor and the Grantors shall promptly reimburse and indemnify the Agent for all costs and expenses incurred by the Agent under this SECTION 3.4(b) and under SECTION 9.3 hereof.

(c) Electronic Chattel Paper and Transferable Records. As of the date hereof no amount payable under or in connection with any of the Collateral is evidenced by any Electronic Chattel Paper or any "transferable record" (as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction). If any amount payable under or in connection with any of the Collateral shall be evidenced by any Electronic Chattel Paper or any transferable record having a value in excess of $250,000, individually or in the aggregate, the Grantor acquiring such Electronic Chattel Paper or transferable record shall promptly notify the Agent thereof and shall take such action as the Agent may reasonably request to vest in the Agent control under UCC Section 9-105 of such Electronic Chattel Paper or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. The Agent agrees with such Grantor that the Agent will arrange, pursuant to procedures reasonably satisfactory to the Agent and so long as such procedures will not result in the Agent's loss of control, for the Grantor to make alterations to the Electronic Chattel Paper or transferable record permitted under UCC Section 9-105 or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Grantor with respect to such Electronic Chattel Paper or transferable record.

(d) Letter-of-Credit Rights. If such Grantor is at any time a beneficiary under a Letter of Credit having a value in excess of $250,000, individually or in the aggregate, now or hereafter issued in favor of such Grantor (which, for the avoidance of doubt, shall not include any Letter of Credit issued pursuant to the Revolving Credit Agreement), such Grantor shall promptly notify the Agent thereof and such Grantor shall, at the reasonable request of the Agent, pursuant to an agreement in form and substance reasonably satisfactory to the Agent, either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Agent of, and to pay to the Agent, the proceeds of, any drawing under the Letter of Credit or (ii) arrange for the Agent to become the beneficiary of such Letter of Credit, with the Agent agreeing, in each case, that the proceeds of any drawing under the Letter of Credit are to be applied as provided in the Credit Agreement.

(e) Commercial Tort Claims. As of the date hereof it holds no Commercial Tort Claims other than those listed in Section IV of the Perfection Certificate. If any Grantor shall at any time hold or acquire a Commercial Tort Claim having a value in excess of $250,000, individually or in the aggregate, such Grantor shall promptly notify the Agent in writing signed by such Grantor of the brief details thereof and grant to the Agent in such writing a security interest therein and in the Proceeds thereof, all upon the terms of this Security Agreement, with such writing to be in form and substance reasonably satisfactory to the Agent.

SECTION 3.5 Supplements; Further Assurances. Each Grantor shall take such further actions, and execute and deliver to the Agent such additional assignments, agreements, supplements, powers and instruments, as the Agent may in its reasonable judgment deem necessary or appropriate,

wherever required by applicable Law, in order to perfect, preserve and protect the security interest in the Collateral as provided herein and the rights and interests granted to the Agent hereunder, to carry into effect the purposes hereof or better to assure and confirm unto the Agent or permit the Agent to exercise and enforce its rights, powers and remedies hereunder with respect to any Collateral. If an Event of Default has occurred and is continuing, the Agent may institute and maintain, in its own name or in the name of any Grantor, such suits and proceedings as the Agent may be advised by counsel shall be necessary or expedient to prevent any impairment of the security interest in or the perfection thereof in the Collateral. All of the foregoing shall be at the sole cost and expense of the Grantors. The Grantors and the Agent acknowledge that this Security Agreement is intended to grant to the Agent for the benefit of the Credit Parties a security interest in and Lien upon the Collateral and shall not constitute or create a present assignment of any of the Collateral.

SECTION 3.6 Joinder of Additional Grantors. The Grantors shall cause each direct or indirect Subsidiary of any Loan Party which, from time to time after the date hereof shall be required to pledge any assets to the Agent for the benefit of the Credit Parties pursuant to Section 6.10 of the Credit Agreement, to execute and deliver to the Agent a Perfection Certificate and a Joinder hereto, in each case, within twenty (20) Business Days of the date on which it was acquired, created, or otherwise constituted as an entity required to be joined as a Loan Party pursuant to Section 6.10 of the Credit Agreement and, upon such execution and delivery, such Subsidiary shall constitute a "Grantor" for all purposes hereunder with the same force and effect as if originally named as a Grantor herein, including, but limited to, granting the Agent a security interest in all Securities Collateral of such Subsidiary. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

SECTION 3.7 Perfection or Other Action Cost vs. Benefit Determination. Notwithstanding anything to the contrary herein or in any other Loan Document, although such property and assets shall still be considered Collateral, the Grantors shall not be required to perfect the security interest granted to the Agent under this Agreement or any other Loan Document or to take any other action with respect to any property, asset or right to use any property or any asset to the extent the burden or cost of obtaining or perfecting a Lien in favor of the Agent or taking any other action is excessive in relation to the benefit of the security afforded thereby, as reasonably determined by the Agent. Any property, asset or right to use any property or any asset that is subject to the conditions set forth in the immediately preceding sentence of this SECTION 3.7 shall be an exception or carve-out to any representation, warranty or covenant in any Loan Document relating to the perfection or priority of the Agent's Liens on the Collateral or other actions to be taken, in each case, to the extent set forth in the immediately preceding sentence.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to, and without limitation of, each of the representations, warranties and covenants set forth in the Credit Agreement and the other Loan Documents, each Grantor represents, warrants and covenants as follows:

SECTION 4.1 Title. No effective financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Agent pursuant to this Security Agreement or as are permitted by the Credit Agreement in connection with Permitted Encumbrances. To such Grantor's knowledge, no Person other

than the Agent has control or possession of all or any part of the Collateral, except as permitted by the Credit Agreement, in connection with Permitted Encumbrances or the Intercreditor Agreement, as applicable.

SECTION 4.2 Limitation on Liens; Defense of Claims; Transferability of Collateral Each Grantor is as of the date hereof, and, as to Collateral acquired by it from time to time after the date hereof, such Grantor will be, the sole direct and/or beneficial owner of all Collateral pledged by it hereunder free from any Lien or other right, title or interest of any Person other than the Liens and security interest created by this Security Agreement and Permitted Encumbrances. Each Grantor shall, at its own cost and expense, defend title to the Collateral pledged by it hereunder and the security interest therein and Lien thereon granted to the Agent and the priority thereof against all claims and demands of all Persons, at its own cost and expense, at any time claiming any interest therein adverse to the Agent or any other Credit Party other than Permitted Encumbrances. Other than agreements governing Permitted Encumbrances (if any), there is no agreement, and no Grantor shall enter into any agreement or take any other action, that would restrict the transferability of any of the Collateral or otherwise impair or conflict with such Grantors' obligations or the rights of the Agent hereunder.

SECTION 4.3 Chief Executive Office; Change of Name; Jurisdiction of Organization.

(a) The exact legal name, type of organization, jurisdiction of organization, federal taxpayer identification number, organizational identification number and chief executive office of such Grantor is indicated next to its name in Sections I.A. and I.B. of the Perfection Certificate. Such Grantor shall furnish to the Agent prior written notice of any change in (i) its corporate name, (ii) its "location" (as determined by Section 9-307 (or any applicable equivalents thereof) of the UCC), (iii) its identity or type of organization or corporate structure, (iv) its federal taxpayer identification number or organizational identification number or (v) its jurisdiction of organization (in each case, including, without limitation, by merging with or into any other entity, reorganizing, dissolving, liquidating, reincorporating or incorporating in any other jurisdiction). Such Grantor agrees to take all action reasonably satisfactory to the Agent to maintain the perfection and priority of the security interest of the Agent for the benefit of the Credit Parties in the Collateral intended to be granted hereunder. To the extent reasonably requested by the Agent, each Grantor agrees to promptly provide the Agent with certified Organization Documents reflecting any of the changes described in the preceding sentence.

(b) The Agent may rely on opinions of counsel as to whether any or all UCC financing statements of the Grantors need to be amended as a result of any of the changes described in SECTION 4.3. If any Grantor fails to provide information to the Agent about such changes as provided in SECTION 4.3(a) above, the Agent shall not be liable or responsible to any party for any failure to maintain a perfected security interest in such Grantor's property constituting Collateral, for which the Agent needed to have information relating to such changes. The Agent shall have no duty to inquire about such changes if any Grantor does not inform the Agent of such changes, the parties acknowledging and agreeing that it would not be feasible or practical for the Agent to search for information on such changes if such information is not provided by any Grantor.

SECTION 4.4 Location of Inventory and Equipment. (a) As of the Closing Date, all Equipment and Inventory of such Grantor is located at the chief executive office or such other location listed in Schedule 5.18(a) or Schedule 5.18(b) of the Credit Agreement or Section IB of the Perfection Certificate.

(b) Each Grantor shall use its commercially reasonable efforts for ninety (90) days after the Closing Date, to obtain in favor of Agent a landlord's agreement or bailee letter, as applicable, from the lessor of each leased property or with respect to any warehouse, processor or converter facility or other location where Collateral as of the Closing Date is located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord or bailee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory to Agent in form and substance. After the Closing Date, no real property or warehouse space shall be leased, occupied or used by any Grantor, and no Inventory or Equipment of a Grantor, may be held at such a location, under arrangements established after such date, unless and until a satisfactory landlord or warehouseman or bailee letter, as appropriate, shall first have been obtained with respect to such location; provided that the Loan Parties and their Domestic Subsidiaries may hold Inventory and Equipment with a book value not to exceed $250,000 (or such higher amount as may be approved by

Agent in its sole discretion) in the aggregate for all Loan Parties taken as a whole at newly established locations in the absence of the applicable third-party agreement with Agent's prior approval. Each Grantor shall timely and fully pay and perform its material obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located.

SECTION 4.5 Condition and Maintenance of Equipment. The Equipment of such Grantor is in good repair, working order and condition, reasonable wear and tear excepted. Each Grantor shall cause the Equipment to be maintained and preserved in good repair, working order and condition, reasonable wear and tear excepted, and shall make or cause to be made all repairs, replacements and other improvements which are reasonably necessary in the conduct of such Grantor's business in its business judgment.

SECTION 4.6 Due Authorization and Issuance. All of the Pledged Interests have been, and to the extent any Pledged Interests are hereafter issued, such shares or other equity interests will be, upon such issuance, duly authorized, validly issued and, to the extent applicable, fully paid and non-assessable. All of the Pledged Interests have been fully paid for, and there is no amount or other obligation owing by any Grantor to any issuer of the Pledged Interests in exchange for or in connection with the issuance of the Pledged Interests or any Grantor's status as a partner or a member of any issuer of the Pledged Interests.

SECTION 4.7 No Conflicts, Consents, etc. No consent of any party (including, without limitation, equity holders or creditors of such Grantor) and no consent, authorization, approval, license or other action by, and no notice to or filing with, any Governmental Authority or regulatory body or other Person is required (A) for the grant of the security interest by such Grantor of the Collateral pledged by it pursuant to this Security Agreement or for the execution, delivery or performance hereof by such Grantor, (B) for the exercise by the Agent of the voting or other rights provided for in this Security Agreement or (C) for the exercise by the Agent of the remedies in respect of the Collateral pursuant to this Security Agreement except, in each case, for such consents which have been obtained prior to the date hereof or, with respect to Collateral acquired after the date hereof, as of the date of such acquisition. Following the occurrence and during the continuation of an Event of Default, if the Agent desires to exercise any remedies, voting or consensual rights or attorney-in-fact powers set forth in this Security Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other Person therefor, then, upon the reasonable request of the Agent, such Grantor agrees to use commercially reasonable efforts to assist and aid the Agent to obtain as soon as commercially practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers.

SECTION 4.8 Collateral. All information set forth herein, including the schedules annexed hereto, and all information contained in any documents, schedules and lists heretofore delivered

to any Credit Party in connection with this Security Agreement, in each case, relating to the Collateral, is accurate and complete in all material respects.

SECTION 4.9 Insurance. Such Grantor shall maintain or shall cause to be maintained such insurance as is required pursuant to Section 6.02 of the Credit Agreement. Each Grantor hereby irrevocably makes, constitutes and appoints the Agent (and all officers, employees or agents designated by the Agent) as such Grantor's true and lawful agent (and attorney-in-fact), exercisable only after the occurrence and during the continuance of an Event of Default, for the purpose of making, settling and adjusting claims in respect of the Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required under the Credit Agreement or to pay any premium in whole or in part relating thereto, the Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Agent deems advisable. All sums disbursed by the Agent in connection with this SECTION 4.9, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable in accordance with SECTION 9.3 of this Agreement.

SECTION 4.10 Contested Liens; Claims. Each Grantor may at its own expense contest the validity, amount or applicability of any Claims so long as the contest thereof shall be conducted in accordance with, and permitted pursuant to the provisions of, the Credit Agreement. Notwithstanding the foregoing provisions of this SECTION 4.10, no contest of any such obligation may be pursued by such Grantor if such contest would expose the Agent or any other Credit Party to (i) any possible criminal liability or (ii) any additional civil liability for failure to comply with such obligations unless such Grantor shall have furnished a bond or other security therefor satisfactory to the Agent, or such other Credit Party, as the case may be.

ARTICLE V

CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

SECTION 5.1 Pledge of Additional Securities Collateral. Each Grantor shall, upon obtaining any Pledged Securities or Intercompany Notes of any Person required to be pledged hereunder, accept the same in trust for the benefit of the Agent and forthwith, subject to the Intercreditor Agreement, deliver to the Agent a pledge amendment, duly executed by such Grantor, in substantially the form of Exhibit 1 annexed hereto (each, a "Pledge Amendment"), and the certificates and other documents required under SECTION 3.1 and SECTION 3.2 hereof in respect of the additional Pledged Securities or Intercompany Notes which are to be pledged pursuant to this Security Agreement, and confirming the attachment of the Lien hereby created on and in respect of such additional Pledged Securities or Intercompany Notes. Each Grantor hereby authorizes the Agent to attach each Pledge Amendment to this Security Agreement and agrees that all Pledged Securities or Intercompany Notes listed on any Pledge Amendment delivered to the Agent shall for all purposes hereunder be considered Collateral.

SECTION 5.2 Voting Rights; Distributions; etc.

(a) So long as no Event of Default shall have occurred and be continuing, each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral or any part thereof for any purpose not inconsistent with the terms or

purposes hereof, the Credit Agreement or any other Loan Document evidencing the Secured Obligations. The Agent shall be deemed without further action or formality to have granted to each Grantor all necessary consents relating to voting rights and shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors as provided in Section 9.3 of this Agreement, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to this SECTION 5.2(a).

(b) Upon the occurrence and during the continuance of any Event of Default, following written notice from the Agent to the applicable Grantors, all rights of a Grantor to exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to SECTION 5.2(a) hereof without any action (other than, in the case of any Securities Collateral, the giving of any notice) shall immediately cease, and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to exercise such voting and other consensual rights until such time as no Event of Default exists; provided that the Agent shall have the right, in its sole discretion, from time to time following the occurrence and continuance of an Event of Default to permit such Grantor to exercise such rights under SECTION 5.2(a). After such Event of Default is no longer continuing, each Grantor shall have the right to exercise the voting, managerial and other consensual rights and powers that it would otherwise be entitled to pursuant to SECTION 5.2(a) hereof.

(c) So long as no Event of Default shall have occurred and be continuing, each Grantor shall be entitled to receive and retain, and to utilize free and clear of the Lien hereof, any and all Distributions, but only if and to the extent made in accordance with, and to the extent permitted by, the provisions of the Credit Agreement and subject to the prior right of the Agent to the extent provided in the Intercreditor Agreement, any and all such Distributions consisting of rights or interests in the form of securities shall be forthwith delivered to the Agent to hold as Collateral and shall, if received by any Grantor, be received in trust for the benefit of the Agent, be segregated from the other property or funds of such Grantor and be forthwith delivered to the Agent as Collateral in the same form as so received (with any necessary endorsement). The Agent shall, if necessary, upon written request of any Grantor and at the sole cost and expense of the Grantors, from time to time execute and deliver (or cause to be executed and delivered) to such Grantor all such instruments as such Grantor may reasonably request in order to permit such Grantor to receive the Distributions which it is authorized to receive and retain pursuant to this SECTION 5.2(c).

(d) Upon the occurrence and during the continuance of any Event of Default, all rights of each Grantor to receive Distributions which it would otherwise be authorized to receive and retain pursuant to SECTION 5.2(c) hereof shall cease and all such rights shall thereupon become vested in the Agent, which shall thereupon have the sole right to receive and hold as Collateral such Distributions. After such Event of Default is no longer continuing, each Grantor shall have the right to receive the Distributions which it would be authorized to receive and retain pursuant to SECTION 5.2(c).

(e) Each Grantor shall, at its sole cost and expense, from time to time execute and deliver to the Agent appropriate instruments as the Agent may reasonably request in order to permit the Agent to exercise the voting and other rights which it may be entitled to exercise pursuant to SECTION 5.2(b) hereof and to receive all Distributions which it may be entitled to receive under SECTION 5.2(c) hereof.

(f) All Distributions which are received by any Grantor contrary to the provisions of SECTION 5.2(c) hereof shall be received in trust for the benefit of the Agent, shall be segregated from other funds of such Grantor and shall immediately be paid over to the Agent as Collateral in the same form as so received (with any necessary endorsement).

SECTION 5.3 Organization Documents. No Grantor will terminate or agree to terminate any Organization Documents or make any amendment or modification to any Organization Documents, except as may be permitted under the Credit Agreement, and, in connection therewith, each Grantor that is a limited liability company or partnership agrees it shall not shall elect to treat any Equity Interests issued by such Grantor as a security under Section 8-103 of the UCC.

SECTION 5.4 Defaults, Etc. Such Grantor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which such Grantor is a party relating to the Pledged Securities pledged by it, and such Grantor is not in violation of any other provisions of any such agreement to which such Grantor is a party, or otherwise in default or violation thereunder. To such Grantor's knowledge, no Securities Collateral pledged by such Grantor is subject to any defense, offset or counterclaim, nor have any of the foregoing been asserted or alleged against such Grantor by any Person with respect thereto, and as of the date hereof, there are no certificates, instruments, documents or other writings which evidence any Pledged Securities of such Grantor.

SECTION 5.5 Certain Agreements of Grantors As Issuers and Holders of Equity Interests

(a) In the case of each Grantor which is an issuer of Securities Collateral, such Grantor agrees to be bound by the terms of this Security Agreement relating to the Securities Collateral issued by it and will comply with such terms insofar as such terms are applicable to it.

(b) In the case of each Grantor which is a partner in a partnership, limited liability company or other entity, such Grantor hereby consents to the extent required by the applicable Organization Documents to the pledge by each other Grantor, pursuant to the terms hereof, of the Pledged Interests in such partnership, limited liability company or other entity and, upon the occurrence and during the continuance of an Event of Default, to the transfer of such Pledged Interests to the Agent or its nominee and to the substitution of the Agent or its nominee as a substituted partner or member in such partnership, limited liability company or other entity with all the rights, powers and duties of a general partner or a limited partner or member, as the case may be.

ARTICLE VI

CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL

SECTION 6.1 Grant of License. Without limiting the rights of Agent as the holder of a Lien on the Intellectual Property Collateral, for the purpose of enabling the Agent, during the continuance of an Event of Default, to exercise rights and remedies under Article VIII hereof at such time as the Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Grantor hereby grants to the Agent, to the extent assignable, an irrevocable, non-exclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, assign, license or sublicense

any of the Intellectual Property Collateral now owned or hereafter acquired by such Grantor, wherever the same may be located, including, to the extent within the possession or control of the Grantors, in such license access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof. Such license shall terminate automatically upon termination of this Agreement in accordance with SECTION 9.5(a).

SECTION 6.2 Registrations. Except (i) pursuant to licenses and other user agreements entered into by any Grantor in the ordinary course of business that are listed in Section III of the Perfection Certificate and (ii) as could not reasonably be expected to result in a Material Adverse Effect, on and as of the date hereof (i) each Grantor owns and possesses the right to use, and has done nothing to authorize or enable any other Person to use, any material Copyright, Patent or Trademark listed in Section III of the Perfection Certificate, and (ii) all registrations listed in Section III of the Perfection Certificate are valid and in full force and effect.

SECTION 6.3 No Violations or Proceedings. To each Grantor's knowledge, on and as of the date hereof, there is no violation by others of any right of such Grantor with respect to any Copyright, Patent or Trademark listed in Section III of the Perfection Certificate, respectively, pledged by it under the name of such Grantor.

SECTION 6.4 Protection of Agent's Security. On a continuing basis, each Grantor shall, at its sole cost and expense as provided inSection 9.3, (i) promptly following its becoming aware thereof, notify the Agent of (A) any adverse determination in any proceeding in the United States Patent and Trademark Office or the United States Copyright Office with respect to any Patent, Trademark or Copyright necessary for the conduct of business of such Grantor or (B) the institution of any proceeding or any adverse determination in any federal, state or local court or administrative body regarding such Grantor's claim of ownership in or right to use any of the Intellectual Property Collateral material to the use and operation of the Collateral, its right to register such Intellectual Property Collateral or its right to keep and maintain such registration in full force and effect, (ii) maintain and protect the Intellectual Property Collateral necessary for the conduct of business of such Grantor, (iii) not permit to lapse or become abandoned any Intellectual Property Collateral necessary for the conduct of business of such Grantor, and not settle or compromise any pending or future litigation or administrative proceeding with respect to such Intellectual Property Collateral, in each case except as shall be consistent with commercially reasonable business judgment and, if any Event of Default has occurred and is continuing, with the prior approval of the Agent (such approval not to be unreasonably withheld, delayed or conditioned), (iv) upon such Grantor's obtaining knowledge thereof, promptly notify the Agent in writing of any event which may be reasonably expected to materially and

adversely affect the value or utility of the Intellectual Property Collateral or any portion thereof material to the use and operation of the Collateral, the ability of such Grantor or the Agent to dispose of the Intellectual Property Collateral or any portion thereof or the rights and remedies of the Agent in relation thereto including, without limitation, a levy or threat of levy or any legal process against the Intellectual Property Collateral or any portion thereof, (v) not license the Intellectual Property Collateral other than licenses entered into by such Grantor in, or incidental to, the ordinary course of business, or amend or permit the amendment of any of the material licenses in a manner that materially and adversely affects the right to receive payments thereunder, or in any manner that would materially impair the value of the Intellectual Property Collateral or the Lien on and security interest in the Intellectual Property Collateral intended to be granted to the Agent for the benefit of the Credit Parties, without the consent of the Agent or as otherwise permitted under the Credit Agreement, (vi) until the Agent exercises its rights to make collection, diligently keep adequate records respecting the Intellectual Property Collateral and (vii) furnish to the Agent from time to time upon the Agent's reasonable request therefor detailed statements and amended schedules further identifying and describing the Intellectual Property Collateral and such other materials evidencing or reports pertaining to the Intellectual Property Collateral as the Agent may from time to time request.

Notwithstanding the foregoing, nothing herein shall prevent any Grantor from selling, disposing of or otherwise using any Intellectual Property Collateral as permitted under the Credit Agreement.

SECTION 6.5 After-Acquired Property. If any Grantor shall, at any time before this Security Agreement shall have been terminated in accordance with SECTION 9.5(a), (i) obtain any rights to any additional Intellectual Property Collateral or (ii) become entitled to the benefit of any additional Intellectual Property Collateral or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property Collateral, or any improvement on any Intellectual Property Collateral, the provisions hereof shall automatically apply thereto and any such item enumerated in clause (i) or (ii) of this SECTION 6.4 with respect to such Grantor shall automatically constitute Intellectual Property Collateral if such would have constituted Intellectual Property Collateral at the time of execution hereof and be subject to the Lien and security interest created by this Security Agreement without further action by any party. With respect to any federally registered Intellectual Property Collateral, each Grantor shall promptly (a) provide to the Agent written notice of any of the foregoing and (b) confirm the attachment of the Lien and security interest created by this Security Agreement to any rights described in clauses (i) and (ii) of the immediately preceding sentence of this SECTION 6.4 by execution of an instrument in form reasonably acceptable to the Agent.

SECTION 6.6 Modifications. Each Grantor authorizes the Agent to modify this Security Agreement by amending Section III of the Perfection Certificate to include any Intellectual Property Collateral acquired or arising after the date hereof of such Grantor including, without limitation, any of the items listed in SECTION 6.4 hereof.

SECTION 6.7 Litigation. Unless there shall occur and be continuing any Event of Default, each Grantor shall have the right to commence and prosecute in its own name, as the party in interest, for its own benefit and at the sole cost and expense of the Grantors as provided in Section 9.3, such applications for protection of the Intellectual Property Collateral and suits, proceedings or other actions to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value or other damage as are necessary to protect the Intellectual Property Collateral. Upon the occurrence and during the continuance of any Event of Default, the Agent shall have the right but shall in no way be obligated to file applications for protection of the Intellectual Property Collateral and/or bring suit in the name of any Grantor, the Agent or the other Credit Parties to enforce the Intellectual Property Collateral and any license thereunder. In the event of such suit, each Grantor shall, at the reasonable request of the Agent, do any and all lawful acts and execute any and all documents reasonably requested by the Agent in aid of such enforcement and the Grantors shall promptly reimburse and indemnify the Agent, as the case may be, for all costs and expenses incurred by the Agent in the exercise of its rights under this SECTION 6.7 in accordance with SECTION 9.3 hereof. In the event that the Agent shall elect not to bring suit to enforce the Intellectual Property Collateral, each Grantor agrees, at the reasonable request of the Agent, to take all commercially reasonable actions necessary, whether by suit, proceeding or other action, to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value of or other damage to any of the Intellectual Property Collateral by others and for that purpose agrees to diligently maintain any suit, proceeding or other action against any Person so infringing necessary to prevent such infringement, except, in each case, as could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6.8 Third Party Consents. Each Grantor shall use reasonable commercial efforts to obtain the consent of third parties to the extent such consent is necessary to create a valid, perfected security interest in favor of the Agent in any Intellectual Property Collateral.

ARTICLE VII

CERTAIN PROVISIONS CONCERNING ACCOUNTS

SECTION 7.1 [Reserved].

SECTION 7.2 Maintenance of Records. Each Grantor shall keep and maintain at its own cost and expense materially complete records of each Account, in a manner consistent with prudent business practice, including, without limitation, records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto. Each Grantor shall, at such Grantor's sole cost and expense, upon the Agent's written demand made at any time after the occurrence and during the continuance of any Event of Default, deliver all tangible evidence of Accounts, including, without limitation, all documents evidencing Accounts and any books and records relating thereto to the Agent or to its representatives (copies of which evidence and books and records may be retained by such Grantor). Upon the occurrence and during the continuance of any Event of Default, the Agent may transfer a full and complete copy of any Grantor's books, records, credit information, reports, memoranda and all other writings relating to the Accounts to and for the use by any Person that has acquired or is contemplating acquisition of an interest in the Accounts or the Agent's security interest therein in accordance with applicable Law without the consent of any Grantor.

SECTION 7.3 Legend. Each Grantor shall legend, at the reasonable request of the Agent made at any time after the occurrence and during the continuance of any Event of Default and in form and manner reasonably satisfactory to the Agent, the Accounts and the other books, records and documents of such Grantor evidencing or pertaining to the Accounts with an appropriate reference to the fact that the Accounts have been collaterally assigned to the Agent for the benefit of the Credit Parties and that the Agent has a security interest therein.

SECTION 7.4 Modification of Terms, Etc. No Grantor shall rescind or cancel any indebtedness evidenced by any Account or modify any term thereof or make any adjustment with respect thereto except in the ordinary course of business consistent with prudent business practice, or extend or renew any such indebtedness except in the ordinary course of business consistent with prudent business practice or compromise or settle any dispute, claim, suit or legal proceeding relating thereto or sell any Account or interest therein except in the ordinary course of business consistent with prudent business practice in accordance with the Credit Agreement without the prior written consent of the Agent.

SECTION 7.5 Collection. Each Grantor shall cause to be collected from the account debtor of each of the Accounts, as and when due in the ordinary course of business consistent with prudent business practice (including, without limitation, Accounts that are delinquent, such Accounts to be collected in accordance with generally accepted commercial collection procedures), any and all amounts owing under or on account of such Account, and apply forthwith upon receipt thereof all such amounts as are so collected to the outstanding balance of such Account. The costs and expenses (including, without limitation, reasonable and documented attorneys' fees) of collection, in any case, whether incurred by any Grantor, the Agent or any other Credit Party, shall be paid by the Grantors.

ARTICLE VIII

REMEDIES

SECTION 8.1 Remedies. Upon the occurrence and during the continuance of any Event of Default the Agent may, and at the direction of the Required Lenders, shall, from time to time in respect of the Collateral (in each case, subject to the Intercreditor Agreement), in addition to the other rights and remedies provided for herein, under applicable Law or otherwise available to it:

(a) Personally, or by agents or attorneys, immediately take possession of the Collateral or any part thereof, from any Grantor or any other Person who then has possession of any part thereof with or without notice or process of law, and for that purpose may enter upon any Grantor's premises where any of the Collateral is located, remove such Collateral, remain present at such premises to receive copies of all communications and remittances relating to the Collateral and use in connection with such removal and possession any and all services, supplies, aids and other facilities of any Grantor;

(b) Demand, sue for, collect or receive any money or property at any time payable or receivable in respect of the Collateral including, without limitation, instructing the obligor or obligors on any agreement, instrument or other obligation constituting part of the Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Agent, and in connection with any of the foregoing, compromise, settle, extend the time for payment and make other modifications with respect thereto; provided, however, that in the event that any such payments are made directly to any Grantor, prior to receipt by any such obligor of such instruction, such Grantor shall hold all amounts received pursuant thereto in trust for the benefit of the Agent and shall promptly pay such amounts to the Agent or the Revolving Agents (or the ABL Agent (as defined in the Intercreditor Agreement), as applicable pursuant to the terms of the Intercreditor Agreement;

(c) Sell, assign, grant a license to use or otherwise liquidate, or direct any Grantor to sell, assign, grant a license to use or otherwise liquidate, any and all investments made in whole or in part with the Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment, license or liquidation;

(d) Take possession of the Collateral or any part thereof, by directing any Grantor in writing to deliver the same to the Agent at any place or places so designated by the Agent, in which event such Grantor shall at its own expense: (A) forthwith cause the same to be moved to the place or places designated by the Agent and therewith delivered to the Agent, (B) store and keep any Collateral so delivered to the Agent at such place or places pending further action by the Agent and (C) while the Collateral shall be so stored and kept, provide such security and maintenance services as shall reasonably be necessary to protect the same and to preserve and maintain them in good condition. Each Grantor's obligation to deliver the Collateral as contemplated in this SECTION 8.1 is of the essence hereof. Upon application to a court of equity having jurisdiction, the Agent shall be entitled to a decree requiring specific performance by any Grantor of such obligation;

(e) Withdraw all moneys, instruments, securities and other property in any bank, financial securities, deposit or other account of any Grantor constituting Collateral for application to the Secured Obligations as provided in SECTION 8.6 hereof;

(f) Retain and apply the Distributions to the Secured Obligations as provided in Article V hereof;

(g) Exercise any and all rights as beneficial and legal owner of the Collateral, including, without limitation, perfecting assignment of and exercising any and all voting, consensual and other rights and powers with respect to any Collateral; and

(h) Exercise all the rights and remedies of a secured party under the UCC, and the Agent may also in its sole discretion, without notice except as specified in SECTION 8.2 hereof, sell, assign or grant a license to use the Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Agent may deem commercially reasonable. The Agent or any other Credit Party or any of their respective Affiliates may be the purchaser, licensee, assignee or recipient of any or all of the Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations owed to such Person as a credit on account of the purchase price of any Collateral payable by such Person at such sale. Each purchaser, assignee, licensee or recipient at any such sale shall acquire the property sold, assigned or licensed absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives, to the fullest extent permitted by Law, all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the fullest extent permitted by Law, each Grantor hereby waives any claims against the Agent arising by reason of the fact that the price at which any Collateral may have been sold, assigned or licensed at such a private sale was less than the price which might have been obtained at a public sale, even if the Agent accepts the first offer received and does not offer such Collateral to more than one offeree.

SECTION 8.2 Notice of Sale. Each Grantor acknowledges and agrees that, to the extent notice of sale or other disposition of Collateral shall be required by applicable Law and unless the Collateral is perishable or threatens to decline speedily in value, or is of a type customarily sold on a recognized market (in which event the Agent shall provide such Grantor such advance notice as may be practicable under the circumstances), ten (10) days' prior written notice to such Grantor of the time and place of any public sale or of the time after which any private sale or other intended disposition is to take place shall be commercially reasonable notification of such matters. To the extent permitted by applicable Law, no notification need be given to any Grantor if it has signed, after the occurrence of an Event of Default, a statement renouncing or modifying (as permitted under Law) any right to notification of sale or other intended disposition.

SECTION 8.3 Waiver of Notice and Claims. Each Grantor hereby waives, to the fullest extent permitted by applicable Law, notice or judicial hearing in connection with the Agent's taking possession or the Agent's disposition of any of the Collateral, including, without limitation, any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Grantor would otherwise have under law, and each Grantor hereby further waives, to the fullest extent permitted by applicable Law: (i) all damages occasioned by such taking of possession, (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Agent's rights hereunder and (iii) all rights of redemption, appraisal, valuation, stay, extension or moratorium now

or hereafter in force under any applicable Law. The Agent shall not be liable for any incorrect or improper payment made pursuant to this Article VIII in the absence of gross negligence or willful misconduct. Any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the applicable Grantor therein and thereto, and shall be a perpetual bar both at law and in equity against such Grantor and

against any and all Persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through or under such Grantor.

SECTION 8.4 Certain Sales of Collateral.

(a) Each Grantor recognizes that, by reason of certain prohibitions contained in applicable Law, rules, regulations or orders of any Governmental Authority, the Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who meet the requirements of such Governmental Authority. Each Grantor acknowledges that any such sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such restricted sale shall be deemed to have been made in a commercially reasonable manner and that, except as may be required by applicable Law, the Agent shall have no obligation to engage in public sales.

(b) Each Grantor recognizes that, by reason of certain prohibitions contained in the Securities Act, and applicable state securities Laws, the Agent may be compelled, with respect to any sale of all or any part of the Securities Collateral and Investment Property, to limit purchasers to Persons who will agree, among other things, to acquire such Securities Collateral or Investment Property for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges that any such private sales may be at prices and on terms less favorable to the Agent than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Securities Collateral or Investment Property for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities Laws, even if such issuer would agree to do so.

(c) If the Agent determines to exercise its right to sell any or all of the Securities Collateral or Investment Property, upon prior written request, the applicable Grantor shall from time to time furnish to the Agent all such information as the Agent may reasonably request in order to determine the number of securities included in the Securities Collateral or Investment Property which may be sold by the Agent as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(d) Each Grantor further agrees that a breach of any of the covenants contained in this SECTION 8.4 will cause irreparable injury to the Agent and the other Credit Parties, that the Agent and the other Credit Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this SECTION 8.4 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

SECTION 8.5 No Waiver; Cumulative Remedies.

(a) No failure on the part of the Agent to exercise, no course of dealing with respect to, and no delay on the part of the Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy; nor shall the Agent be required to look first to, enforce or exhaust any other security, collateral or guaranties. The remedies herein provided are cumulative and are not exclusive of any remedies provided by law.

(b) In the event that the Agent shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Agent, then and in every such case, the Grantors, the Agent and each other Credit Party shall be restored to their respective former positions and rights hereunder with respect to the Collateral, and all rights, remedies and powers of the Agent and the other Credit Parties shall continue as if no such proceeding had been instituted.

SECTION 8.6 Certain Additional Actions Regarding Intellectual Property. If any Event of Default shall have occurred and be continuing, upon the written demand of Agent, each Grantor shall execute and deliver to Agent an assignment or assignments of the registered Patents, Trademarks and/or Copyrights and such other documents as are necessary or appropriate to carry out the intent and purposes hereof to the extent such assignment does not result in any loss of rights therein under applicable Law. Within five (5) Business Days of written notice thereafter from Agent, each Grantor shall make available to Agent, to the extent within such Grantor's power and authority, such personnel in such Grantor's employ on the date of the Event of Default as Agent may reasonably designate to permit such Grantor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by such Grantor under the registered Patents, Trademarks and/or Copyrights, and such Persons shall be available to perform their prior functions on Agent's behalf.

SECTION 8.7 Application of Proceeds. The proceeds received by the Agent in respect of any sale of, collection from or other realization upon all or any part of the Collateral pursuant to the exercise by the Agent of its remedies shall be applied, together with any other sums then held by the Agent pursuant to this Security Agreement, in accordance with and as set forth in Section 9.04 of the Credit Agreement.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Concerning Agent.

(a) The Agent has been appointed as Agent pursuant to the Credit Agreement. The actions of the Agent hereunder are subject to the provisions of the Credit Agreement. The Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including, without limitation, the release or substitution of the Collateral), in accordance with this Security Agreement and the Credit Agreement. The Agent may employ agents and attorneys-in-fact in connection herewith and shall not be liable for the negligence or misconduct of any such agents or attorneys-in-fact.

The Agent may resign and a successor Agent may be appointed in the manner provided in the Credit Agreement. Upon the acceptance of any appointment as the Agent by a successor Agent, that successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent under this Security Agreement, and the retiring Agent shall thereupon be discharged from its duties and obligations under this Security Agreement. After any retiring Agent's resignation, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was the Agent.

(b) The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if such Collateral is accorded treatment substantially equivalent to that which the Agent, in its individual capacity, accords its own property consisting of similar instruments or interests, it being understood that neither the Agent nor any of the other Credit Parties shall have responsibility for, without limitation (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Securities Collateral, whether or not the Agent or any other Credit Party has or is

deemed to have knowledge of such matters or (ii) taking any necessary steps to preserve rights against any Person with respect to any Collateral.

(c) The Agent shall be entitled to rely upon any written notice, statement, certificate, order or other document or any telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper Person, and, with respect to all matters pertaining to this Security Agreement and its duties hereunder, upon advice of counsel selected by it.

(d) If any item of Collateral also constitutes collateral granted to Agent under any other deed of trust, mortgage, security agreement, pledge or instrument of any type, in the event of any conflict between the provisions hereof and the provisions of such other deed of trust, mortgage, security agreement, pledge or instrument of any type in respect of such collateral, Agent, in its sole discretion, shall select which provision or provisions shall control.

SECTION 9.2 Agent May Perform; Agent Appointed Attorney-in-Fact. If any Grantor shall fail to perform any covenants contained in this Security Agreement or in the Credit Agreement, the Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend funds for such purpose; provided, however, that Agent shall in no event be bound to inquire into the validity of any tax, lien, imposition or other obligation which such Grantor fails to pay or perform as and when required hereby. Any and all amounts so expended by the Agent shall be paid by the Grantors in accordance with the provisions of SECTION 9.3 hereof. Neither the provisions of this SECTION 9.2 nor any action taken by Agent pursuant to the provisions of this SECTION 9.2 shall prevent any such failure to observe any covenant contained in this Security Agreement nor any breach of warranty from constituting an Event of Default. Each Grantor hereby appoints the Agent its attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor, or otherwise, from time to time after the occurrence and during the continuation of an Event of Default in the Agent's discretion to take any action and to execute any instrument consistent with the terms of the Credit Agreement and the other Security Documents which the Agent may deem necessary to accomplish the purposes hereof. The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof until the termination of this Agreement in accordance with SECTION 9.5. Each Grantor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

SECTION 9.3 Expenses. Each Grantor will upon demand pay to the Agent the amount of any and all amounts required to be paid pursuant to Section 11.04 of the Credit Agreement.

SECTION 9.4 Continuing Security Interest; Assignment. This Agreement shall create a continuing security interest in the Collateral and shall (i) be binding upon the Grantors, their respective successors and assigns, and (ii) inure, together with the rights and remedies of the Agent hereunder, to the benefit of the Agent and the other Credit Parties and each of their respective successors, transferees and assigns. No other Persons (including, without limitation, any other creditor of any Grantor) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (ii), any Credit Party may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Credit Party, herein or otherwise, subject, however, to the provisions of the Credit Agreement.

SECTION 9.5 Termination; Release.

(a) This Security Agreement, the Lien in favor of the Agent (for the benefit of itself and the other Credit Parties) and all other security interests granted hereby (1) shall terminate with respect to all Secured Obligations when (i) the principal of and interest on each Loan and all fees and other Secured Obligations shall have been paid in full in cash provided, however, that in connection with the termination of this Security Agreement, the Agent may require such indemnities as it shall reasonably deem necessary or appropriate to protect the Credit Parties against loss on account of credits previously applied to the Secured Obligations that may subsequently be reversed or revoked, and (2) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Secured Obligation is rescinded or must otherwise be restored by any Credit Party or the Grantors upon the bankruptcy or reorganization of any Loan Party or otherwise..

(b) The Collateral shall be released from the Lien of this Security Agreement in accordance with the provisions of the Credit Agreement (which release shall be automatic in the case of any sale, transfer or disposition permitted under Section 7.05 of the Credit Agreement). Upon termination hereof or any release of Collateral in accordance with the provisions of the Credit Agreement, the Agent shall, upon the request and at the sole cost and expense of the Grantors, assign, transfer and deliver to the Grantors, against receipt and without recourse to or warranty by the Agent, such of the Collateral to be released (in the case of a release) or all of the Collateral (in the case of termination of this Security Agreement) as may be in possession of the Agent and as shall not have been sold or otherwise applied pursuant to the terms hereof, and, with respect to any other Collateral, proper documents and instruments (including UCC-3 termination statements or releases) acknowledging the termination hereof or the release of such Collateral, as the case may be.

(c) At any time that the respective Grantor desires that the Agent take any action described in clause (b) of this SECTION 9.5, such Grantor shall, upon reasonable request of the Agent, deliver to the Agent an officer's certificate certifying that the release of the respective Collateral is permitted pursuant to clause (a) or (b) of this SECTION 9.5. The Agent shall have no liability whatsoever to any other Credit Party as the result of any release of Collateral by it as permitted (or which the Agent in good faith believes to be permitted) by this SECTION 9.5.

SECTION 9.6 Modification in Writing. No amendment, modification, supplement, termination or waiver of or to any provision hereof, nor consent to any departure by any Grantor therefrom, shall be effective unless the same shall be made in accordance with the terms of the Credit Agreement and unless in writing and signed by the Agent and the Grantors. Any amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by any Grantor from the terms of any provision hereof shall be effective only in

the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Security Agreement or any other document evidencing the Secured Obligations, no notice to or demand on any Grantor in any case shall entitle any Grantor to any other or further notice or demand in similar or other circumstances.

SECTION 9.7 Notices. Unless otherwise provided herein or in the Credit Agreement, any notice or other communication herein required or permitted to be given shall be given in the manner and become effective as set forth in the Credit Agreement, as to any Grantor, addressed to it at the address of the Borrower set forth in the Credit Agreement and as to the Agent, addressed to it at the address set forth in the Credit Agreement, or in each case at such other address as shall be designated by such party in a written notice to the other parties hereto complying as to delivery with the terms of this SECTION 9.7.

SECTION 9.8 GOVERNING LAW. THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

SECTION 9.9 CONSENT TO JURISDICTION; SERVICE OF PROCESS; WAIVER OF JURY TRIAL.

(a) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE

NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH GRANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECURITY AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY CREDIT PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GRANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (A) OF THIS SECTION. EACH GRANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH GRANTOR AGREES THAT ANY ACTION COMMENCED BY ANY GRANTOR ASSERTING ANY CLAIM ARISING UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT SOLELY IN A COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY OR ANY FEDERAL COURT SITTING THEREIN AND ANY COUNTERCLAIM BROUGHT BY ANY GRANTOR SHALL BE IN THE SAME COURT WHERE THE SUCH INITIAL CLAIM WAS BROUGHT, IN EACH CASE, AS THE AGENT MAY ELECT IN ITS SOLE DISCRETION AND CONSENTS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS WITH RESPECT TO ANY SUCH ACTION.

(d) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.7. NOTHING IN THIS SECURITY AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND WHETHER INITIATED BY OR AGAINST ANY SUCH PERSON OR IN WHICH ANY SUCH PERSON IS JOINED AS A PARTY LITIGANT). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.10 Severability of Provisions. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 9.11 Execution in Counterparts; Effectiveness. This Security Agreement may be executed in any number of counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Security Agreement by telecopy, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

SECTION 9.12 No Release. Nothing set forth in this Security Agreement shall relieve any Grantor from the performance of any term, covenant, condition or agreement on such Grantor's part to be performed or observed under or in respect of any of the Collateral or from any liability to any Person under or in respect of any of the Collateral or shall impose any obligation on the Agent or any other Credit Party to perform or observe any such term, covenant, condition or agreement on such Grantor's part to be so performed or observed or shall impose any liability on the Agent or any other Credit Party for any act or omission on the part of such Grantor relating thereto or for any breach of any representation or warranty on the part of such Grantor contained in this Security Agreement, the Credit

Agreement or the other Loan Documents, or under or in respect of the Collateral or made in connection herewith or therewith. The obligations of each Grantor contained in this SECTION 9.12 shall survive the termination hereof and the discharge of such Grantor's other obligations under this Security Agreement, the Credit Agreement and the other Loan Documents.

SECTION 9.13 Obligations Absolute. All obligations of each Grantor hereunder shall be absolute and unconditional irrespective of:

(a) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like of any Grantor;

(b) any lack of validity or enforceability of the Credit Agreement or any other Loan Document, or any other agreement or instrument relating thereto;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement or any other Loan Document or any other agreement or instrument relating thereto;

(d) any pledge, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to any departure from any guarantee, for all or any of the Secured Obligations;

(e) any exercise, non-exercise or waiver of any right, remedy, power or privilege under or in respect hereof, the Credit Agreement or any other Loan Document except as specifically set forth in a waiver granted pursuant to the provisions of SECTION 9.6 hereof; or

(f) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Grantor (other than the termination of this Security Agreement in accordance with SECTION 9.5(a) hereof).

SECTION 9.14 Intercreditor Agreement. Notwithstanding anything herein to the contrary, the parties hereto acknowledge that the security interest and Liens granted to the Agent herein for the benefit of the Agent, the Credit Parties and the other holders of the Secured Obligations and the rights, remedies, duties and

obligations provided for herein are subject to the terms of the Intercreditor Agreement. In the event of any conflict or inconsistency between the provisions of this Agreement and the Intercreditor Agreement, the provisions of the Intercreditor Agreement shall control. Nothing contained in the Intercreditor Agreement shall be deemed to modify any of the provisions of this Agreement, which, as among the Grantors and Agent shall remain in full force and effect in accordance with its terms.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Grantors and the Agent have caused this Security Agreement to be duly executed and delivered by their duly authorized officers as of the date first above written.

FLOOR AND DECOR OUTLETS OF AMERICA, INC.,
as a Grantor

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

FDO ACQUISITION CORP., as a Grantor

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

GCI CAPITAL MARKETS LLC, as Agent

By: /s/ Gregory W. Cashman
Name: Gregory W. Cashman
Title: Senior Managing Director

GUARANTY AGREEMENT

GUARANTY AGREEMENT (this "Guaranty"), dated as of May 1, 2013, by FDO ACQUISITION CORP., a Delaware corporation ("Borrower Holdco"), and the other Persons that from time to time become parties hereto by execution of a joinder in the form attached as Exhibit G to the Credit Agreement referred to below (such Persons, together with Borrower Holdco, are referred to herein each, individually, as a "Guarantor" and, collectively, as the "Guarantors") in favor of GCI CAPITAL MARKETS LLC, as administrative agent (in such capacity, the "Agent").

W I T N E S S E T H

WHEREAS, reference is made to that certain Credit Agreement dated as of the date hereof (as amended, restated, supplemented or otherwise modified hereafter, the "Credit Agreement"), by and among (i) Floor and Decor Outlets of America, Inc., a Delaware corporation (the "Borrower"), (ii) the other Loan Parties party thereto, (iii) the Agent and (iv) the lenders party thereto (the "Lenders"). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

WHEREAS, the Lenders have agreed to make Loans to the Borrower, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement.

WHEREAS, Borrower Holdco is the owner of 100% of the Equity Interests in the Borrower, and acknowledges that it will receive direct and indirect benefits from the availability of the credit facility provided for in the Credit Agreement and from the making of the Loans by the Lenders.

WHEREAS, the obligations of the Lenders to make Loans are conditioned upon, among other things, the execution and delivery by Borrower Holdco and each other party hereto of a guaranty in the form hereof. As consideration therefor, and in order to induce the Lenders to make Loans, each Guarantor is willing to execute this Guaranty.

Accordingly, each Guarantor hereby agrees as follows:

SECTION 1. Guaranty. Each Guarantor irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the due and punctual payment when due (whether at the stated maturity, by required prepayment, by acceleration or otherwise) and performance by the Borrower of all Obligations (collectively, the "Guaranteed Obligations"), including all such Guaranteed Obligations which shall become due but for the operation of the Bankruptcy Code. Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon this Guaranty notwithstanding any extension or renewal of any Guaranteed Obligation.

SECTION 2. Guaranteed Obligations Not Affected. To the fullest extent permitted by applicable Law, each Guarantor waives presentment to, demand of payment from, and protest to, any Loan Party of any of the Guaranteed Obligations, and also waives notice of acceptance of this Guaranty, notice of protest for nonpayment and all other notices of any kind. To the fullest extent permitted by applicable Law, the obligations of each Guarantor hereunder shall not be affected by (a) the failure of the Agent or any other Credit Party to assert any claim or demand or to enforce or exercise any right or remedy against any Loan Party under the provisions of the Credit Agreement, any other Loan Document or otherwise or against any other party with respect to any of the Guaranteed Obligations, (b) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of this Guaranty, any other Loan Document or any other agreement, with respect to any Loan Party or with

---

respect to the Guaranteed Obligations, (c) the failure to perfect any security interest in, or the release of, any of the Collateral held by or on behalf of the Agent or any other Credit Party, or (d) the lack of legal existence of any Loan Party or legal obligation to discharge any of the Guaranteed Obligations by any Loan Party for any reason whatsoever, including, without limitation, in any insolvency, bankruptcy or reorganization of any Loan Party.

SECTION 3. Security. Each Guarantor hereby acknowledges and agrees that the Agent and each of the other Credit Parties may (a) take and hold security for the payment of this Guaranty and the Guaranteed Obligations and exchange, enforce, waive and release any such security, (b) apply such security and direct the order or manner of sale thereof as they in their sole discretion may determine, and (c) release or substitute any one or more guarantors or obligors with respect to the Guaranteed Obligations, in each case, without affecting or impairing in any way the liability of each Guarantor hereunder.

SECTION 4. Guaranty of Payment. Each Guarantor agrees that this Guaranty constitutes a guaranty of payment and performance when due of all Guaranteed Obligations and not of collection and, to the fullest extent permitted by applicable Law, waives any right to require that any resort be had by the Agent or any other Credit Party to any of the Collateral or other security held for payment of the Guaranteed Obligations or to any balance of any deposit account or credit on the books of the Agent or any other Credit Party in favor of any Loan Party or any other Person or to any other guarantor of all or part of the Guaranteed Obligations. Any payment required to be made by each Guarantor hereunder may be required by the Agent or any other Credit Party on any number of occasions and shall be payable to the Agent, for the benefit of the Agent and the other Credit Parties, in the manner provided in the Credit Agreement.

SECTION 5. [Reserved].

SECTION 6. No Discharge or Diminishment of Guaranty. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, other than the payment in full in cash of the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted), including any claim of waiver, release, surrender, alteration or compromise of any of the Guaranteed Obligations, and shall not be subject to any defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the Guaranteed Obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by any waiver or modification of any provision of this Guaranty, the Credit Agreement or any other Loan Document, by any default, failure or delay, willful or otherwise, in the performance of the Guaranteed Obligations, or by any other act or omission that may in any manner or to any extent vary the risk of each Guarantor or that would otherwise operate as a discharge of each Guarantor as a matter of law or equity, other than the indefeasible payment in full in cash of the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted).

SECTION 7. Defenses of Loan Parties Waived. To the fullest extent permitted by applicable Law, each Guarantor waives any defense based on or arising out of any defense of any Loan Party or the unenforceability of the Guaranteed Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Loan Party, other than the payment in full in cash of the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted). Each Guarantor hereby acknowledges that the Agent may, at its election, foreclose on any security held by one or more of

them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Loan Party, or exercise any other right or remedy available to them against any Loan Party, without affecting or impairing in any way the liability of each Guarantor hereunder except to the extent that the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) have been paid in full in cash. Pursuant to, and to the extent permitted by, applicable Law, each Guarantor waives any defense arising out of any such election and waives any benefit of and right to participate in any such foreclosure action, even though such election operates, pursuant to applicable Law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of each Guarantor against any Loan Party, as the case may be, or any security.

SECTION 8. Agreement to Pay; Subordination. In furtherance of the foregoing and not in limitation of any other right that the Agent or any other Credit Party has at law or in equity against each Guarantor by virtue hereof, upon the failure of any Loan Party to pay any Guaranteed Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Agent or such other Credit Party as designated thereby in cash the amount of such unpaid Guaranteed Obligations. Upon payment by each Guarantor of any sums to the Agent or any other Credit Party as provided above, all rights of each Guarantor against any Loan Party arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior payment in full in cash of all the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted). In addition, any indebtedness of the Borrowers or any other Loan Party now or hereafter held by each Guarantor is hereby subordinated in right of payment to the prior payment in full in cash of all of the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted). After the occurrence and during the continuance of an Event of Default, each Guarantor will not demand, sue for, or otherwise attempt to collect any such indebtedness until the payment in full in cash of the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted), and termination or expiration of the Commitments. If any amount shall erroneously be paid to each Guarantor on account of (a) such subrogation, contribution, reimbursement, indemnity or similar right or (b) any such indebtedness, such amount shall be held in trust for the benefit of the Credit Parties and shall forthwith be paid to the Agent to be credited against the payment of the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement.

SECTION 9. Limitation on Guaranty of Guaranteed Obligations. In any action or proceeding with respect to each Guarantor involving any state corporate law, the Bankruptcy Code or any other state or federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of each Guarantor under SECTION 1 hereof would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under said SECTION 1, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by each Guarantor, any Credit Party, the Agent or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

SECTION 10. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of each Loan Party's financial condition and assets, and of all other circumstances bearing

upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Guarantor assumes and incurs hereunder, and agrees that none of the Agent or the other Credit Parties will have any duty to advise each Guarantor of information known to it or any of them regarding such circumstances or risks.

SECTION 11. Termination. This Guaranty (a) shall terminate when the Guaranteed Obligations (other than Obligations in respect of contingent indemnification and reimbursement obligations that are not yet due and payable and for which no claim has been asserted) shall have been paid in full, and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Guaranteed Obligation is rescinded or must otherwise be restored by any Credit Party or each Guarantor upon the bankruptcy or reorganization of any Loan Party or otherwise.

SECTION 12. [Reserved].

SECTION 13. Binding Effect; Several Agreement; Assignments. Whenever in this Guaranty any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of each Guarantor that are contained in this Guaranty shall bind and inure to the benefit of each Guarantor and its successors and assigns. This Guaranty shall be binding upon each Guarantor and its successors and assigns, and shall inure to the benefit of the Agent and the other Credit Parties, and their respective successors and assigns, except that each Guarantor shall not have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such attempted assignment or transfer shall be void), except as expressly permitted by this Guaranty or the Credit Agreement.

SECTION 14. Waivers; Amendment.

(a) The rights, remedies, powers, privileges, and discretion of the Agent hereunder and under applicable Law (herein, the "Agent's Rights and Remedies") shall be cumulative and not exclusive of any rights or remedies which they would otherwise have. No delay or omission by the Agent in exercising or enforcing any of the Agent's Rights and Remedies shall operate as, or constitute, a waiver thereof. No waiver by the Agent of any Event of Default or of any default under any other agreement shall operate as a waiver of any other default hereunder or under any other agreement. No single or partial exercise of any of the Agent's Rights or Remedies, and no express or implied agreement or transaction of whatever nature entered into between the Agent and any Person, at any time, shall preclude the other or further exercise of the Agent's Rights and Remedies. No waiver by the Agent of any of the Agent's Rights and Remedies on any one occasion shall be deemed a waiver on any subsequent occasion, nor shall it be deemed a continuing waiver. The Agent's Rights and Remedies may be exercised at such time or times and in such order of preference as the Agent may determine. The Agent's Rights and Remedies may be exercised without resort or regard to any other source of satisfaction of the Guaranteed Obligations. No waiver of any provisions of this Guaranty or any other Loan Document or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in the same, similar or other circumstances.

(b) Neither this Guaranty nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Agent and each Guarantor, subject to any consent required in accordance with Section 10.01 of the Credit Agreement.

SECTION 15. Copies and Facsimiles. This instrument and all documents which have been or may be hereinafter furnished by each Guarantor to the Agent may be reproduced by the Agent by any photographic, microfilm, xerographic, digital imaging, or other process. Any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made in the regular course of business). Any facsimile or other electronic transmission which bears proof of transmission shall be binding on the party which or on whose behalf such transmission was initiated and likewise so admissible in evidence as if the original of such facsimile or other electronic transmission had been delivered to the party which or on whose behalf such transmission was received.

SECTION 16. Governing Law. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF, BUT INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW.

SECTION 17. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 11.02 of the Credit Agreement, provided that communications and notices to Borrower Holdco may be delivered to the Lead Borrower on behalf of Borrower Holdco.

SECTION 18. Survival of Agreement; Severability.

(a) All covenants, agreements, indemnities, representations and warranties made by each Guarantor herein and in the certificates or other instruments delivered in connection with or pursuant to this Guaranty shall be considered to have been relied upon by the Agent and the other Credit Parties and shall survive the execution and delivery of this Guaranty and the making of any Loans by the Lenders, regardless of any investigation made by the Agent or any other Credit Party or on their behalf and notwithstanding that the Agent or other Credit Party may have had notice or knowledge of any Default or Event of Default or incorrect representation or warranty at the time any credit is extended, and shall continue in full force and effect until terminated as provided in SECTION 11 hereof. The provisions of SECTION 5 hereof shall survive and remain in full force and effect regardless of the repayment of the Guaranteed Obligations, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Guaranty or any provision hereof.

(b) Any provision of this Guaranty held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof, and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 19. Counterparts. This Guaranty may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Guaranty by facsimile, pdf or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Guaranty.

SECTION 20. Rules of Interpretation. The rules of interpretation specified in Sections 1.02 through 1.05 of the Credit Agreement shall be applicable to this Guaranty.

SECTION 21. Jurisdiction; Consent to Service of Process.

(a) SUBMISSION TO JURISDICTION. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ANY PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY OTHER PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) WAIVER OF VENUE. EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 17. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

SECTION 22. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[**SIGNATURE PAGE FOLLOWS**]

IN WITNESS WHEREOF, each Guarantor set forth below has duly executed this Guaranty as of the day and year first above written.

GUARANTOR:

FDO ACQUISITION CORP.

By: /s/ Trevor Lang
Name: Trevor Lang
Title: Chief Financial Officer

Exhibit 21.1

Subsidiaries of the Company

Name of Subsidiary	Jurisdiction of Incorporation, Organization or Formation
FDO Acquisition Corp.	Delaware
Floor and Decor Outlets of America, Inc.	Delaware

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated April 16, 2014 (except for Note 11 Earnings per Share and Schedule I, as to which the date is May 30, 2014), in the Registration Statement (Form S-1) and related Prospectus of FDO Holdings, Inc. for the registration of its common stock.

/s/ Ernst & Young LLP

Atlanta, Georgia
November 7, 2014