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U.S. BANKRUPTCY COURT
DISTRICT OF MARYLAND
GREENBELT

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MARYLAND
(GREENBELT DIVISION)

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In re:

MATTRESS DISCOUNTERS CORPORATION and TJB, INC.,

Debtors.

Chapter 11

Case No. 02-22330-DK
02-22331-DK

(Jointly Administered)

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SECOND INTERIM ORDER AUTHORIZING DEBTORS' USE OF LENDERS' CASH COLLATERAL AND GRANTING ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 361 AND 363 AND FED. R. BANKR. P. 4001

Upon the motion dated October 23, 2002 (the "Motion"[1]), wherein Mattress Discounters Corporation ("Mattress Discounters") and TJB, Inc. ("TJB" or the "Affiliate Debtor"), debtors and debtors-in-possession in the above-captioned cases (Mattress Discounters and TJB, collectively, the "Debtors"), moved this Court for an interim and final order (a) authorizing Debtors' use of Lenders' Cash Collateral (as defined below) pursuant to Sections 105 and 363 of Title 11, United States Code (the "Bankruptcy Code") and Rules 2002 and 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"); (b) granting adequate protection to the Lenders pursuant to Sections 361 and 363 of the Bankruptcy Code with respect to any diminution in the value of the Lenders' interests in the Prepetition Collateral (as defined below), whether from the use of the Cash Collateral, the use, sale, lease, depreciation, decline in market price, or otherwise of the Prepetition Collateral, or the imposition of the automatic stay pursuant to Section 362(a) of the Bankruptcy Code; (c) scheduling, in accordance with Bankruptcy Rule 4001(b)(2), a final hearing (the "Final Hearing") to consider entry of a final

[1] Capitalized terms not specifically defined herein shall have the meaning ascribed thereto in the Motion.

order (the "Final Order") with respect thereto; and (d) approving notice with respect thereto; and in accordance with Bankruptcy Rules 4001(b)(2) and (b)(3), due and proper notice of the Motion and the initial hearing thereon (the "Initial Hearing") having been given under the circumstances; and the Initial Hearing on the Motion having been held and concluded on October 24, 2002 and a further interim hearing having been held and concluded on November 4, 2002 (the "Second Hearing"); and objections to the Motion, if any, having been withdrawn or overruled; and upon all of the pleadings filed with the Court, all of the proceedings held before the Court and the entire record made at the Initial Hearing and the Second Hearing; and after due deliberation and consideration and sufficient cause appearing therefor,

THE PARTIES HAVE REPRESENTED TO THE COURT AS FOLLOWS:

A. On October 23, 2002 (the "Petition Date"), each of the Debtors filed with this Court a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtors' motion for joint administration is pending before the Court.

B. The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner. A statutory committee of unsecured creditors (the "Creditors' Committee") was appointed in the Debtors' Chapter 11 cases on October 28, 2002.

C. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, and over the persons and property affected hereby. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory and rule predicates for the relief sought herein are Sections 105, 361, 362 and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b). Venue of the Debtors' Chapter 11 cases in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

D. Prior to the Petition Date, the Lenders established certain loan facilities (collectively, the "Prepetition Credit Facility") with the Debtors pursuant to the terms of that certain Credit Agreement, dated as of August 6, 1999, as amended and restated as of January 11, 2002, and as amended by the First Amendment dated as of May 14, 2002, the Second Amendment, dated as of June 20, 2002, and the Third Amendment, dated as of September 30, 2002 (collectively, as amended, supplemented or otherwise modified through the Petition Date, the "Prepetition Credit Agreement"; and, together with all other documentation executed in connection therewith, the "Prepetition Loan Documents"), among Mattress Discounters Holding Corporation ("Holdings"), Mattress Discounters, as borrower (the "Borrower"),the several banks and other financial institutions from time to time parties thereto (the "Lenders"), Fleet National Bank, as co-Agent, and JPMorgan Chase Bank (f/k/a/ The Chase Manhattan Bank), as administrative agent for the Lenders (in such capacity, the "Administrative Agent"). Holdings and the Affiliate Debtor are guarantors pursuant to a Guarantee and Collateral Agreement, dated as of August 6, 1999 (the "Guarantors").

E. The Prepetition Credit Facility provided for the extension of revolving credit loans and the provision of letters of credit, subject to the terms and conditions thereof including a borrowing base requirement. The Lenders claim that, on the Petition Date, approximately $13.9 million in principal amount under Tranche A, $12.5 million in principal amount under Tranche B and approximately $2 million in face amount of letters of credit were outstanding under the Prepetition Credit Facility (plus interest, fees, charges, costs and other expenses) and separate letters of credit issued by JPMorgan Chase Bank in an aggregate face amount of approximately $107,000 that are secured by the Prepetition Collateral were also outstanding.

F. The Lenders claim that the Prepetition Credit Facility is secured by substantially all of the non-real property assets, wheresoever located and whether then existing or owned or thereafter arising or acquired by the Debtors, including but not limited to accounts, equipment, inventory, intellectual property, investment property, deposit accounts, general intangibles and all proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any person with respect to any of the foregoing as well as certain real estate (as more fully described in the Prepetition Loan Documents, the "Prepetition Collateral").

G. The Lenders claim that the proceeds, products, rents or profits of any Prepetition Collateral and all Prepetition Collateral consisting of cash, negotiable instruments, securities, deposit accounts, deposits with the Lenders subject to set off, cash arising from the collection, sale, lease or other disposition, use or conversion to cash of any property of the Debtors in which the Lenders have any lien or security interest, whether such liens or security interests (including, without limitation, any replacement liens or security interests) existed at the commencement of this case or arise thereafter pursuant to this Second Interim Order or any order of the Court or applicable law or otherwise, and whether such property that has been converted to cash existed as of the Petition Date or arose or was generated thereafter, or other cash equivalents constitute "cash collateral" of the Lenders within the meaning of Section 363 of the Bankruptcy Code (the "Cash Collateral"). The Lenders have objected to the use by the Debtors of the Prepetition Collateral including the Cash Collateral, except on the terms of this Order. In addition, the Lenders are entitled, pursuant to the Bankruptcy Code, to adequate protection of their interest in the Prepetition Collateral, including for the use of the Cash Collateral and the

use, sale, lease, depreciation, decline in market price or other diminution in value of the Prepetition Collateral other than the Cash Collateral, after the imposition of the automatic stay.

H. An immediate need exists for the Debtors to use the Cash Collateral to continue their operations, administer and maximize the value of their estates and assets and conduct an orderly disposition of a portion of the Debtors' assets and business in a manner that will maximize the value of the Debtors' properties and estates for the benefit of creditors. The ability of the Debtors to finance the orderly disposition of their assets and business requires the availability of working capital, the absence of which would immediately and irreparably harm the Debtors, their estates and their creditors. The use of the Lenders' cash collateral is therefore of the utmost significance and importance to the preservation and maintenance of the value of the Debtors' estates in order to maximize the potential recovery to creditors of the Debtors' estates.

I. The Administrative Agent, the Lenders and the Debtors have negotiated in good faith and at arms' length regarding the Debtors' use of the Cash Collateral to fund the administration and orderly disposition of the Debtors' estates, and the Administrative Agent and the Lenders have agreed to permit the Debtors to use their Prepetition Collateral, including the Cash Collateral, for the period through the Termination Date (as defined below), but only upon the terms and conditions set forth herein, which terms and conditions include, but are not limited to, the Debtors' agreement to grant to the Lenders (i) liens on all or substantially all of the assets of the Debtors as security for the Adequate Protection Obligations (as hereinafter defined), and (ii) a superpriority administrative expense claim status over any and all administrative expenses of the kind specified in Sections 503(b) or 507(b) of the Bankruptcy Code, and as provided in this Second Interim Order.

J. The relief requested in the Motion is necessary, essential, and appropriate for the continued operation of the Debtors' business, the management and preservation of their property and the orderly disposition of their estates.

K. Notice of the Second Hearing, which notice was provided by the Debtors by hand delivery, first class mail or deposit with a reputable overnight courier upon (i) the Office of the United States Trustee, (ii) counsel to the Lenders, (iii) counsel to the Creditors' Committee, (iii) each of the creditors listed on the Debtors' consolidated list of thirty largest unsecured creditors, (iv) all parties having filed requests for notices in the Debtors' case and (v) to the extent reasonably available to the Debtors, all creditors having filed UCC-1 financing statements or having recorded a mortgage on real or personal property of the Debtors, constitutes good, sufficient and adequate notice in accordance with Bankruptcy Rules 2002 and 4001(b), Sections 102(1) and 363 of the Bankruptcy Code and the local rules.

L. Based on the record presented to the Court at the Initial Hearing and the Second Hearing, the terms of the Debtors' use of the Cash Collateral and the Prepetition Collateral are fair and reasonable and reflect the Debtors' exercise of prudent business judgment consistent with their respective fiduciary duties and the Debtors' belief that the Lenders are acting in good faith pursuant to Section 363 of the Bankruptcy Code.

M. Good and sufficient cause has been shown for the entry of this Second Interim Order. Among other things, the entry of this Second Interim Order will enable the Debtors to continue to operate their business and facilitate the orderly disposition of their business operations, including the Prepetition Collateral; increase the possibility of maximizing return to creditors; and avoid disputes with the Lenders with respect to adequate protection. The permission granted herein to use the Lenders' Cash Collateral is necessary to avoid immediate

and irreparable harm to the Debtors. This Court concludes that entry of this Second Interim Order is in the best interest of the Debtors, their creditors and their estates.

NOW, THEREFORE, UPON THE MOTION, AND THE RECORD BEFORE THE COURT WITH RESPECT TO THE MOTION, AND WITH THE CONSENT OF THE DEBTORS, THE ADMINISTRATIVE AGENT AND THE LENDERS TO THE FORM AND ENTRY OF THIS SECOND INTERIM ORDER, AND GOOD CAUSE APPEARING, IT IS ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is hereby granted. Subject to the terms and conditions hereof, the Debtors are hereby authorized, during the period from the Petition Date through and including the earlier of November 22, 2002 (the "Expiration Date") and the Termination Date (as defined below) to use the Cash Collateral to operate their business in accordance with the Budget (as defined below).

2. The Debtors are not permitted to use any Cash Collateral except as set forth in this Second Interim Order and only in accordance with the budget prepared by the Debtors and accepted by the Administrative Agent (the "Budget"; such specified expenses being referred to hereinafter as "Permitted Expenses") and subject to the weekly borrowing base requirement as provided in the Prepetition Credit Facility. A copy of the Budget for the time period from November 3, 2002 through the Expiration Date (the "Second Interim Cash Collateral Period") is annexed hereto as Exhibit A.[2] The Debtors warrant and represent that the Budget includes their estimate of foreseeable, reasonable and necessary expenses to be incurred in connection with these Chapter 11 cases, the operation of the Debtors' businesses, and the sale and/or liquidation of a portion of the Debtors' assets during the Second Interim Cash Collateral Period. Without the prior written consent of the Administrative Agent, the Debtors may only pay each Permitted

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[2] The inclusion of a DIP facility in the forecast for the week of November 17, 2002 in the Budget shall not be deemed a consent to the DIP facility by the Lenders and is without prejudice to any and all rights of the

Expense in an amount, subject to the following provisos, not to exceed on a line item basis the greater of (x) 15% and (y) $100,000 in excess, in each case, of the amount set forth for such Permitted Expense in the Budget; provided, however, that in no event shall the aggregate expenditures exceed the total amount authorized by the Budget for the Second Interim Cash Collateral Period by more than $250,000; provided, further, amounts authorized to be spent in any week and not so expended may be carried forward and spent (without any additional variance) in any succeeding week until earlier of the Expiration Date or the Termination Date; provided, further, that the Debtors agree, subject to the variances provided herein, not to incur, knowingly or intentionally, any administrative expenses other than as set forth in the Budget, exclusive of professional fees approved by the Bankruptcy Court pursuant to Sections 330, 331, or 503(b) of the Bankruptcy Code and fees payable pursuant to 28 U.S.C. §1930, without prior written consent of the Lenders or approval by the Bankruptcy Court after a hearing on appropriate notice to the Lenders; provided, further, that the Debtors may use Cash Collateral for expenditures other than as authorized by the Budget with the prior written consent of the Agent and the Required Lenders and without the need for further Order of the Court; provided however that such additional amount shall not exceed $500,000. No later than the Wednesday of each week following the Petition Date, the Debtors shall prepare and deliver to the Administrative Agent and its advisors: 1) a report of actual receipts and disbursements and a reconciliation of actual disbursements as compared to the Budget, on a line by line basis, with a report of any material variances and the reasons therefor, in a form reasonably satisfactory to the Administrative Agent; and 2) weekly reports in the same form as the reports that were provided

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Lenders to object or otherwise respond to the Debtors' request for approval of the proposed DIP facility, and all of the Lenders' rights with respect thereto are reserved.

by the Company to the Administrative Agent and the Lenders prior to the Petition Date, except, however, that the borrowing base certificate shall be prepared on a weekly basis.

3. With respect to any approval or disapproval of expenditures set forth in the Budget, the Administrative Agent and the Lenders shall not owe any fiduciary duty to the Debtors, their respective creditors, shareholders or estates.

4. As adequate protection for, and to the extent of, any diminution in the value of the Administrative Agent's interest in the Prepetition Collateral to the extent that the liens on the Prepetition Collateral are valid, perfected and unavoidable resulting from (x) the use of the Cash Collateral pursuant to Section 363(c) of the Bankruptcy Code, (y) the use, sale or lease of the Prepetition Collateral (other than the Cash Collateral) pursuant to Section 363(c) of the Bankruptcy Code and (z) the imposition of the automatic stay pursuant to Section 362(a) of the Bankruptcy Code (the amount of any such diminution being referred to hereinafter as the "Adequate Protection Obligations"), the Administrative Agent, on behalf of the Lenders, is hereby granted, as additional security for the Adequate Protection Obligations, effective as of the Petition Date (and without the necessity of the execution by the Debtors, or filing, of security agreements, pledge agreements, mortgages, financing statements or otherwise), valid and perfected, replacement, highest, non-priming priority security interests in, and liens on (the "Replacement Liens") all of the Debtors' right, title and interest in, to and under all pre-Petition Date and post-Petition Date (including hereafter acquired) real and personal property, assets, rights and interests of the Debtors, of any nature whatsoever, including, without limitation, leases of real property, real estate, leases of personal property, inventory, including after-acquired inventory and receivables, machinery, equipment, general intangibles, goods, all cash, all cash equivalents, all accounts, all proceeds, products, rents and/or profits thereof but excluding all

causes of action under Chapter 5 of the Bankruptcy Code and the proceeds thereof (such collateral, collectively, with the proceeds and products of any and all of the foregoing, the "Replacement Collateral"). *The Prepetition Collateral, the Replacement Collateral and the other* collateral granted hereunder are sometimes collectively referred to herein as the "Collateral". The Replacement Liens shall be (A) deemed valid and duly perfected as of the Petition Date, shall be valid and enforceable against any trustee appointed in these Chapter 11 cases or in any subsequent proceedings upon the conversion of any or all of these Chapter 11 cases to a case under Chapter 7 of the Bankruptcy Code, and (B) prior and senior to all liens and encumbrances of all other secured creditors in and to the Replacement Collateral granted, or arising, after the Petition Date (excluding liens and security interests, arising as a matter of law in favor of any federal, state, municipal or other governmental unit, commission, or board for any liability of the Debtors). No lien or security interest in any property of the Debtors granted or arising on or after the Petition Date (excluding liens and security interests, arising as a matter of law in favor of any federal, state, municipal or other governmental unit, commission, or board for any liability of the Debtors) shall be created or permitted to be pari passu with, or senior to, the liens and security interests of the Lenders in the Prepetition Collateral, or the Replacement Liens. Without limiting the generality of the foregoing, the Replacement Liens (a) to be created and granted to the Lenders herein are first priority, perfected, and superior to any security, mortgage, or collateral interest or lien or claim to the Collateral and shall be subject only to non-avoidable, valid, enforceable and perfected liens and security interests in the Replacement Collateral of the Debtors, as prepetition debtors, that existed on the Petition Date and are not subject to Section 552(a) of the Bankruptcy Code (i) in favor of the Lenders, (ii) in favor of third parties holding liens or security interests which are superior in priority, after giving effect to any existing

subordination or intercreditor arrangements, to the Lenders in such Replacement Collateral, or (iii) to the claim or interest, if any, of CitiFinancial in the prepetition funds of the Debtors, which shall continue in the Collateral to the same extent, validity and priority as such claim or interest existed as of the Petition Date and (b) shall be at all times senior to the rights of the Debtors and any successor trustee or estate representative in the Chapter 11 Cases or any subsequent Chapter 7 or Chapter 11 case or proceedings under the Bankruptcy Code. The grant of Replacement Liens hereunder shall be supplemental of, and in addition to, the security interests and liens, which the Lenders possess pursuant to the Prepetition Credit Agreement.

5. The Replacement Liens created herein and the priorities of same shall not be altered or affected by any plan filed by any of the Debtors or any third party. The Debtors will not seek or take any action to avoid or prime the Replacement Liens and priorities of the same.

6. Without the necessity of filing of financing statements, mortgages or other documents, this Second Interim Order shall be sufficient and conclusive evidence of the validity, perfection and priority of each of the Lenders' perfected liens on and security interests in all Replacement Collateral as described herein to secure the Adequate Protection Obligations. Notwithstanding the foregoing, the Debtors, and their officers or agents on their behalf, are authorized and directed, if so requested by the Lenders, to execute such documents including, without limitation, pledges, mortgages, deeds of trust and Uniform Commercial Code financing statements and to pay all costs and expenses as may be reasonably required to provide further evidence of the perfection of the Lenders' liens in the Replacement Collateral as provided herein. The automatic stay imposed under Section 362 of the Bankruptcy Code is hereby lifted to permit the Debtors to grant the aforesaid Replacement Liens and to allow the filing and recording of a certified copy of this Second Interim Order or any such financing statements, notices of lien,

mortgages, deeds of trust or similar instruments, and all such documents shall be deemed to have been filed or recorded coincident with the entry of this Second Interim Order, and to permit the Debtors to make the payments provided for herein; provided, however, no such filing or recordation shall be necessary or required in order to create or perfect any such lien.

7. While such action is not required to perfect the Replacement Liens, the Lenders may, in their discretion, file a photocopy of this Second Interim Order as a financing statement with any recording officer designated to file financing statements or with any registry of deeds or similar office in any jurisdiction in which the Replacement Collateral is or will be located, and in such event, the subject filing or recording officer is authorized and directed to file or record such copy of this Second Interim Order.

8. The Lenders and the Administrative Agent are further granted the following additional elements of adequate protection:

(a) Cash Collateral Account. In accordance with the Order approving the Emergency Motion of Debtors for Order Authorizing Continued Use of Existing Bank Accounts, Cash Management System, and Business Forms and Waiving Deposit and Investment Requirements under Bankruptcy Code Section 345, entered October 24, 2002, and unless otherwise agreed by the Administrative Agent in writing, the Debtors shall deposit and maintain all collections of accounts receivable, all other collections and proceeds and all cash and/or shall cause the sweep of such collections and other proceeds on a daily basis into Account No. 323-248144, ABA # 021-000-021 maintained at JPMorgan Chase Bank (the "Cash Collateral Account"). The Debtors agree that they will not (without the Administrative Agent's prior written consent) close Account No. 323-407625, ABA # 021-000-021 maintained at JPMorgan Chase Bank for the benefit of

Mattress Discounters (the "JPM MD Account"), or establish any new bank accounts. All collections on and proceeds of the Prepetition Collateral and the Replacement Collateral (collectively, the "Collection Proceeds") shall be deposited on a daily basis in the Cash Collateral Account.

The Debtors shall establish within the Cash Collateral Account a reserve in an amount (the "Reserve Amount") equal to 65% of the cost basis of the inventory actually sold from the Debtors' stores from and including October 29, 2002 for which a going out of business sale has been authorized pursuant to the Court's Order Authorizing the Debtors To Conduct Certain Store Closing Sales Pursuant to Sections 105 and 363 of the Bankruptcy Code, Bankruptcy Rule 6004 and Local Bankruptcy Rule 6004-1, Authorizing Rejection of Certain Unexpired Leases of Nonresidential Real Property Pursuant to Section 365(a) of the Bankruptcy Code, Rule 6006 of the Federal Rules of Bankruptcy Procedures and Local Bankruptcy Rule 6006-1 and Granting Other Related Relief. Commencing on November 7, 2002 and each Thursday thereafter, the Debtors shall provide an accounting to the Banks of the amount required to be included in the reserve for the week ending the immediately preceding Tuesday (e.g. on November 7, 2002, the Debtors shall provide an accounting to the Banks of the amount to be included in the reserve for the week ending Tuesday, November 5, 2002). The Debtors may not use the Reserve Amount absent further order of the Court. The creation of the reserve and the requirement that there be a further order of the Court concerning the use of the Reserve Amount, is without prejudice to the rights of the Lenders and the Debtors with respect to the use or application of proceeds of any asset dispositions and/or any future hearings concerning cash collateral.

(b) Application of Collection Proceeds to the Prepetition Obligations. As further adequate protection, the Debtors shall pay to the Lenders, when due, interest accruing at the ABR rate as provided in the Prepetition Credit Facility and fees, costs and expenses provided in the Prepetition Loan Documents, including the fees and expenses provided in paragraph 8(d) hereof.

(c) Financial Reports; Inspection of Cash Collateral. In addition, the Debtors shall provide to the Administrative Agent such other reports and information as the Administrative Agent may reasonably request from time to time. The Administrative Agent and its representatives, in the Administrative Agent's reasonable direction, shall have the right to inspect and copy the Debtors' books and records as well as inspect the Collateral during normal business hours.

(d) Additional Fees and Costs. As additional adequate protection, without the necessity of the filing of fee applications or obtaining the prior or subsequent approval of the Court with respect thereto, the Debtors are authorized and directed to pay, within ten (10) days after the presentation of invoices to the Debtors, all reasonable fees, costs and charges incurred by the Administrative Agent (including, without limitation, internal collateral auditing and monitoring expenses and the fees and expenses of any financial consultants and outside counsel advising the Administrative Agent) in connection with the Chapter 11 Cases or any subsequent proceedings. If the Debtors or the Creditors' Committee objects to any such invoices, objections will be filed within five (5) business days after receipt of the invoice, and any such objections, if not resolved by the parties, will be submitted to the Court for determination. The Debtors' payment of such invoices shall be in addition to the uses of the Cash Collateral pursuant to the

Budget and shall not reduce the Debtors' availability of Cash Collateral pursuant to such Budget.

9. The Adequate Protection Obligations shall be an allowed administrative expense claim. The Lenders' rights with respect to the superpriority status of the allowed administrative expense claims are hereby reserved.

10. The Debtors shall not, without the prior written consent of the Lenders or an order of the Court entered after notice to the Lenders and an opportunity for a hearing, (i) compromise, adjust or modify the amount of any accounts receivable (by way of discount, offset or otherwise) outside the ordinary course of business or (ii) sell or dispose of any item of Prepetition Collateral or Replacement Collateral, including real property, outside the ordinary course of business, except in each case pursuant to terms of any order of this Court approving the terms of such compromise or sale. Without limiting the foregoing, the Debtors shall not assume or reject any lease of real property or otherwise terminate or impair any of their respective rights under any such lease without order of the Court entered after two business days' written notice to the Lenders and an opportunity for a hearing.

11. No cost or expense which is incurred in connection with or on account of preservation, protection, enhancement and/or disposition of any Collateral during the First Interim Cash Collateral Period (as defined in the First Interim Order Authorizing Debtors' Use of Lenders' Cash Collateral and Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361 and 363 and Fed. R. Bankr. P. 4001, entered October 24, 2002 (the "First Interim Order")) or the Second Interim Cash Collateral Period or which otherwise could be chargeable to the Administrative Agent, the Lenders or the Collateral pursuant to Section 506(c) of the Bankruptcy

Code or otherwise during the First Interim Cash Collateral Period or the Second Interim Cash Collateral Period, shall be chargeable to the Administrative Agent, the Lenders or the Collateral.

12. The Debtors' authority to use Cash Collateral pursuant to this Second Interim Order shall expire on the date (the "Termination Date") that is the earlier of (a) the Expiration Date and (b) automatically on the third business day after the Administrative Agent provides written notice to the Debtors, the United States Trustee and the creditors' committee, if any, that a Termination Event (as defined below) has occurred and is continuing, regardless of whether the Debtors have expended the entire amount of Cash Collateral set forth in the Budget, unless extended by further order of the Court with the prior written consent of the Lenders. On the Termination Date, the Debtors' right to use the Cash Collateral shall terminate; provided, however, the Debtors shall have the right to use Cash Collateral to pay the costs and expenses to procure and deliver inventory for which the Debtors have received payment in full from the customers through the Second Interim Cash Collateral Period, and to pay any ordinary and customary salaries, wages, vacation pay and other ordinary and customary employee benefits as authorized by the Court that have become payable and remain unpaid through the Second Interim Cash Collateral Period; provided, further, however, that the Debtors shall have the right to use Cash Collateral in an amount up to $100,000 for vacation obligations, which amounts shall be available to pay any vacation obligations to the Debtors' terminated employees that may become payable by the Debtors through the Second Interim Cash Collateral Period; provided, further, however, that the foregoing right of the Debtors to use Cash Collateral after the Termination Date shall not extend to any retention bonus and/or severance plans or other non-ordinary course employee benefits unless such benefits have also been approved by the Lenders; provided further that the Debtors' right to use the cash collateral as set forth above after the Termination Date

shall not apply if a Termination Event of the type set forth in clause (vi) of this paragraph 12 shall have occurred. Notwithstanding the occurrence of the Termination Date or anything herein, all of the rights, remedies, benefits and protections of the Debtors, the Administrative Agent and the Lenders under this Second Interim Order shall survive such termination. As used in this Order, the term "Termination Event" shall mean the occurrence of any of the following:

(i) The entry of any order in any of the Chapter 11 cases or any successor cases by this Court or any other court of competent jurisdiction, for which the time to appeal has expired, amending, appealing, reversing, revoking, rescinding, supplementing, staying, vacating, or otherwise modifying this Second Interim Order or which otherwise affects the effectiveness of this Second Interim Order.

(ii) The entry of an order in any of the Chapter 11 cases appointing an examiner or a trustee.

(iii) The entry of any order dismissing any of the Chapter 11 cases or converting any of the Chapter 11 cases to a case under Chapter 7 of the Bankruptcy Code.

(iv) The entry of an order of the Court or any other court of competent jurisdiction that grants any lien or security interest in any property of the Debtors in favor of any party other than the Lenders, or granting a claim to any party other than the Lenders that is pari passu with or senior to the claims granted to the Lenders pursuant to this Second Interim Order.

(v) The Debtors shall have filed any pleading seeking, or otherwise consenting to, or shall support or acquiesce in writing in any other person's motion as to, any of the matters set forth in paragraphs (i) through (iv) above, or the Court shall enter an order for which the time to appeal has expired granting any such motion filed by any other person.

(vi) The breach of any material term, covenant, condition or provision of this Second Interim Order by the Debtors, including without limitation, making a payment not authorized by the Budget or otherwise inconsistent with paragraph 2 hereof.

13. Any modification, vacation, or stay of this Second Interim Order by this or any other Court shall not affect the validity of any liability incurred pursuant to this Second

Interim Order prior to the later of (a) the effective date of such modification, vacation, or stay, or (b) the entry of the order pursuant to which such modification, vacation, or stay was established, nor the validity, priority, or enforceability of any lien granted by the Debtors to the Lenders.

14. Accordingly, if any or all provisions of this Second Interim Order are hereafter modified, vacated or stayed by subsequent order of this Court or any other court, without the Administrative Agent's written consent, such stay, modification or vacation shall not affect: (a) the validity of Adequate Protection Obligations that are or were incurred pursuant to the First Interim Order or this Second Interim Order before the Administrative Agent's receipt of notice of the effective date of such stay, modification or vacation; (b) the validity and enforceability of the Replacement Liens or (c) the Lenders' right and ability to collect all amounts due to them from any of the Debtors in respect of the Adequate Protection Obligations.

15. Any failure or delay by the Lenders in seeking relief or otherwise exercising their rights and remedies under the Prepetition Loan Documents or this Second Interim Order shall not constitute a waiver of any of the Lenders' rights hereunder, thereunder, or otherwise.

16. Based upon the Lenders' consent, the adequate protection provided herein is reasonable and sufficient to protect the interests of the Lenders during the Second Interim Cash Collateral Period. Notwithstanding any other provision hereof, the grant of adequate protection to the Lenders pursuant hereto is without prejudice to the right of the Lenders to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection, and without prejudice to the right of the Debtors or any other party in interest to contest any such modification. Notwithstanding any other provision hereof, in the event of the occurrence of the Expiration Date or Termination Date, the Debtors shall

retain the right to request that the Court permit the use of Cash Collateral, and the Lenders retain the right to object to any such request.

17. The Court shall retain jurisdiction to interpret, enforce and resolve any issues that arise pursuant to this Second Interim Order.

18. The provisions of this Second Interim Order and any actions taken pursuant hereto shall survive the entry of any order which may be entered (a) confirming any Chapter 11 plan in any of the Chapter 11 Cases (and the Replacement Liens and Adequate Protection Obligations shall not be discharged by the entry of any such order or pursuant to Section 1141(d)(4), the Debtors, the Debtors hereby waiving such discharge); (b) converting any of the Chapter 11 Cases to a Chapter 7 case; or (c) dismissing any of the Chapter 11 Cases, and the terms and provisions of this Second Interim Order as well as the Replacement Liens and the Superpriority Claims granted pursuant to this Second Interim Order shall continue in full force and effect notwithstanding the entry of any such order, and such Replacement Liens and Replacement Liens shall maintain their priority as provided by this Second Interim Order and the First Interim Order until all of the Adequate Protection Obligations are indefeasibly paid in full and discharged. If an order dismissing the Chapter 11 case under Section 1112 of the Bankruptcy Code or otherwise is at any time entered, (a) the Replacement Liens granted pursuant to this Second Interim Order and the First Interim Order to the Administrative Agent and the Lenders shall continue in full force and effect and shall remain binding on all parties in interest, notwithstanding such dismissal until the Adequate Protection Obligations secured thereby shall have been indefeasibly paid and satisfied in full and (b) this Court shall retain jurisdiction, notwithstanding such dismissal, for the limited purposes of enforcing such Replacement Liens.

19. Entry of this Second Interim Order shall be without prejudice to any and all rights, remedies, claims and causes of action that the Administrative Agent or the Lenders may have against the Debtors or third parties, and without prejudice to the right of the Administrative Agent and the Lenders to seek relief from the automatic stay in effect pursuant to Section 362 of the Bankruptcy Code, or any other relief in these Chapter 11 cases, and the rights of the Debtors to oppose any such relief. The provisions of this Second Interim Order shall be binding upon and inure to the benefit of the Lenders, the Administrative Agent, the Debtors and their respective successors and assigns, including any trustee, examiner or other fiduciary hereafter appointed in the Chapter 11 cases or any subsequent proceedings as the legal representative of the Debtors or the Debtors' estates.

20. This Second Interim Order does not create any rights for the benefit of any third party, creditor, or any direct, indirect, or incidental beneficiary.

21. The inclusion or exclusion of any provisions of the Prepetition Credit Agreement in this Second Interim Order is without prejudice to, and shall not be deemed a waiver of, the rights of the Lenders or the Debtors in any future proceedings regarding the use of Cash Collateral.

22. In the event of any inconsistency between the terms and conditions of any Prepetition Loan Documents and of this Second Interim Order, the provisions of this Second Interim Order shall govern and control.

23. This Second Interim Order shall take effect and be fully enforceable immediately upon entry hereof.

24. The Final Hearing to consider the Motion and the further use of Cash Collateral shall be held before the Honorable Judge Keir in the United States Bankruptcy Court

for the District of Maryland (Greenbelt Division), in Courtroom 3C at 2:00 p.m. on November 20, 2002 or as soon thereafter as counsel may be heard.

25. Service of a copy of this Second Interim Order by hand delivery, first class mail, or deposit with a reputable overnight courier service within three (3) business days after entry hereof, upon (i) the Office of the United States Trustee, (ii) to the extent reasonably available to the Debtors, all creditors having filed UCC-1 financing statements or having recorded a mortgage on the real or personal property of the Debtors, (iii) counsel to the Creditors' Committee, and (iv) all parties having filed requests for notices in the Debtors' cases, shall constitute good and sufficient notice of this Second Interim Order and the Final Hearing on the use of Cash Collateral, and all proceedings to be held thereon.

26. Objections, if any, to the entry of relief sought in the Motion shall be in writing, shall conform to the Bankruptcy Rules and the Local Rules, shall set forth the name of the objector, the nature and amount of any claims or interests held or asserted by the objector against the Debtors' estates or property, the basis for the objection, and the specific grounds therefor, and shall be filed with the Bankruptcy Court, with a hard copy to Chambers, together with proof of service thereof, and served upon (i) Hale and Dorr, LLP, 60 State Street, Boston, MA 02109, Attn: Mark N. Polebaum, Esq., Attorneys for the Debtors, (ii) Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York, Attn: Kathrine A. McLendon, Esq., Attorneys for the Administrative Agent, (iii) Jones, Day, Reavis & Pogue, 222 East 41st Street, New York, New York 10017, Attn: Richard H. Engman, Esq., Attorneys for the Creditors'

Committee and (iv) the Office of the United States Trustee for the District of Maryland, so as to be actually received not later than 4:00 p.m. on November 18, 2002.

Dated: November 5, 2002

_____, _____

UNITED STATES BANKRUPTCY JUDGE