UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

Case Number: 11 – 03216-hb

ORDER AUTHORIZING AND APPROVING (A) THE SALE OF SUBSTANTIALLY ALL ASSETS OF THE DEBTORS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, (B) THE ASSUMPTION, ASSIGNMENT AND SALE OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (C) EXTENSION OF TIME TO ASSUME OR REJECT CERTAIN UNEXPIRED LEASES, (D) SETTLEMENT, THE SETTLEMENT TERM SHEET AND DISBURSEMENT OF SALE PROCEEDS, AND (E) GRANTING RELATED RELIEF

The foregoing motion having been considered, the Court being duly advised in the premises, and good cause appearing therefor; the relief set forth on the following pages, for a total of 43 pages including this page,

IS HEREBY ORDERED.

FILED BY THE COURT
07/25/2011

Entered: 07/25/2011

US Bankruptcy Judge
District of South Carolina

UNITED STATES BANKRUPTCY COURT
DISTRICT OF SOUTH CAROLINA

In re:	)	Chapter 11
	)	
The Merit Group, Inc., *et al.*,	)	Case No. 11 – 03216-hb
	)	
Debtors.[1]	)	(Joint Administration)
	)	

ORDER AUTHORIZING AND APPROVING (A) THE SALE OF SUBSTANTIALLY ALL ASSETS OF THE DEBTORS FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, (B) THE ASSUMPTION, ASSIGNMENT AND SALE OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, (C) EXTENSION OF TIME TO ASSUME OR REJECT CERTAIN UNEXPIRED LEASES, (D) SETTLEMENT, THE SETTLEMENT TERM SHEET AND DISBURSEMENT OF SALE PROCEEDS, AND (E) GRANTING RELATED RELIEF

Upon review of the Amended Motion of Debtors for Entry of an Order Approving (A) the Proposed Sale of Substantially All Assets of the Debtors Free and Clear of All Liens, Claims, Encumbrances and Other Interests (B) Assumption, Assignment and Sale of Certain Executory Contracts and Unexpired Leases, and (C) Extension of Time to Assume or Reject Certain Unexpired Leases and Memorandum in Support of Motion filed on June 29, 2011 (Docket No. 272), as later amended or supplemented (the "Sale Motion")[2] by The Merit Group, Inc. and its affiliates ("Merit Group" or the "Debtors"), the above-captioned debtors and debtors-in-possession, this Court is of the opinion that the relief sought in the Sale Motion is in the best interests of the Debtors, their estates, creditors and equity security holders; and notice of the Sale Motion having been provided to the parties set forth in the Sale Motion and any and all

[1] The Debtors and the last four digits of their respective tax identification numbers are: The Merit Group, Inc., f/k/a Lancaster Distributing Company, f/k/a Lancaster Paint Sundries, Inc. (4224); Merit Transportation, Inc. (9048); Merit Paint Sundries, LLC d/b/a Lancaster (8882); Merit Supply Company, LLC d/b/a Merit Supply (5878); Merit Pro Finishing Tools, LLC d/b/a Merit Trade Source (8544); Five Star Products, Inc. (9186); and Five Star Group, Inc., d/b/a Lancaster/Five Star, d/b/a Rightway (3506).

[2] Capitalized terms not otherwise defined herein shall have the meanings set forth in the Sale Motion, as amended, or the Bidding Procedures Order.

objections filed to the relief sought in the Sale Motion having been withdrawn at the hearing or otherwise resolved pursuant to the terms of this Order; and it appearing that no other or further notice of the Sale Motion need be given; and after due deliberation and sufficient cause appearing therefore;

THE COURT HEREBY FINDS AND DETERMINES THAT:[3]

A. This Court has jurisdiction to hear and determine this matter pursuant to 28 U.S.C. § 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory predicates for the relief requested in the Motion are sections 105(a), 363 and 365 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6006 and 9014.

C. This Order constitutes a final order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014, the Court expressly finds that there is no just reason for delay in the implementation of this Order, and expressly directs entry of judgment as set forth herein.

Notice of the Sale and Auction

D. The Sale Motion was served on the following parties (the "Notice Parties"): (1) the Office of the United States Trustee for the District of South Carolina; (2) Regions Bank and its counsel; (3) Stonehenge Opportunity Fund II, LP and its counsel; (4) The Valspar Corporation; (5) the Creditors' Committee and its counsel; (6) those persons who have formally appeared in the Chapter 11 cases and requested service pursuant to Rule 2002 or requested to be included on the Debtors' shortened mailing matrix; (7) all applicable government agencies to the

[3] All findings of fact and conclusions of law announced by the Court at the Sale Hearing in relation to the Motion are hereby incorporated herein to the extent not inconsistent herewith. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

extent required by the Rules and Local Rules; (8) all counter parties to the Leases and Contracts; and (9) all potential parties known to the Debtors to be potential bidders at the Auction.

E. Notice of the Auction and Sale Hearing was served on the Debtors' entire mailing matrix and the Notice Parties.

F. The Debtors issued a press release on May 17, 2011 regarding the bankruptcy filing and the intention to sell the business. Additionally, notice of the Auction was published by the Debtors in *The Wall Street Journal* on June 30, 2011.

G. Notice of the Sale Motion and Notice of the Auction and Sale Hearing was reasonably calculated to provide all interested parties with timely and proper notice of the Sale, Sale Hearing and Auction.

H. As evidenced by the affidavits of service previously filed with the Court, proper, timely and sufficient notice of the Sale Motion, Auction, Sale Hearing, the Sale and the transactions contemplated thereby, including, without limitation, the assumption and assignment of the Contracts and Leases assumed by the Buyer (the "Assumed Contracts") and the extension of time to assume or reject the Post-Closing Assigned Contracts, has been provided in accordance with the Bidding Procedures Order entered by this Court on June 29, 2011 (Docket No. 270) were provided pursuant to Sections 105(a), 363 and 365 of the Bankruptcy Code, and Bankruptcy Rules 2002, 6004 and 9006. The notices described above were good, sufficient and appropriate under the circumstances, and no further notice of the Sale Motion, Auction, Sale Hearing, the Sale or the assumption and assignment of the Assumed Contracts to the Buyer is or shall be required.

I. The disclosures made by the Debtors concerning the Sale Motion, the Asset Purchase Agreement, the Auction, the Sale, the assumption and assignment of the Assumed

Contracts to the Buyer and the request for an extension of time to assume or reject the Post-Closing Assigned Contracts and Sale Hearing were good, complete and adequate.

J. A reasonable opportunity to object and be heard with respect to the Sale Motion and the relief requested therein (including the assumption and assignment of Assumed Contracts to the Buyer and any Cure Costs related thereto as well as the request for a ninety (90) day extension of time to assume or reject the Post-Closing Assigned Contracts), has been afforded to all interested persons and entities, including the Notice Parties.

Ancillary Pleadings Affected by this Order

K. The Debtors filed a consolidated Chapter 11 Plan of Liquidation of the Debtors on July 16, 2011 (Docket No. 333) (the "Plan") and a Disclosure Statement Accompanying Plan of Liquidation of the Debtors on July 16, 2011 (Docket No. 34) (the "Disclosure Statement").

L. The Debtors and the Creditors' Committee intend to file a jointly proposed amended Plan and Disclosure Statement which will replace or amend the filed documents, and consequently the Court will not schedule a hearing to approve the Disclosure Statement until such time as the amended documents are filed with the Court or upon further request by the Debtors.

M. The Creditors' Committee filed its Motion of the Official Committee of Unsecured Creditors For Entry of an Order (i) Authorizing the Committee to Derivatively Assert Preference and Surcharge Claims on Behalf of the Debtors' Estates, or (ii) Compelling Debtors to Pursue a Surcharge Claim on Behalf of the Estates (the "Motion for Derivative Action") on July 19, 2011 (Docket No. 355).

N. The Motion for Derivative Action will be held in abeyance until the Debtors' estates have received the Settlement Amount, as defined in the Settlement Term Sheet attached

hereto as Exhibit A and incorporated herein by reference (the "Settlement Term Sheet"). Upon receipt by the Debtors' estates of the Settlement Amount (as defined in the Settlement Term Sheet), the Creditors' Committee shall withdraw the Motion for Derivative Action, with prejudice, as set forth in the Settlement Term Sheet.

Good Faith of Buyer

O. As evidenced by the testimony of Mr. Mitch Jolley ("Jolley"), the Debtors' Chief Executive Officer, and Jay Jacquin ("Jacquin"), a director with Morgan Joseph LLC, the Debtors' court approved investment banker ("Morgan Joseph"), the Asset Purchase Agreement was negotiated, proposed and entered into by the Debtors and the Buyer without collusion, in good faith and from arms-length bargaining positions.

P. Neither the Debtors nor the Buyer has engaged in any conduct that would cause or permit the Asset Purchase Agreement to be avoided under section 363(n) of the Bankruptcy Code. Specifically, the Buyer has not acted in a collusive manner with any person and the aggregate price paid by Buyer for the Assets (the "Purchase Price") was not controlled by any agreement among the bidders.

Q. As testified by Jolley, the negotiations were conducted primarily by Morgan Joseph on behalf of the Debtors and the Buyer, with direction and approval by Jolley, after consultation with other professionals of the Debtors.

R. Jolley and Jacquin both testified that to their knowledge, the Buyer did not have any relationship with the Debtors, members of the Board of Directors of the Debtors, or other professionals of the Debtors prior to their introduction by Morgan Joseph.

S. The Buyer is purchasing the Assets in good faith and is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to all of the

protections afforded by that provision, and otherwise has proceeded in good faith in all respects in connection with this proceeding in that, *inter alia*: (a) except as set forth in the Bidding Procedures Order, the Buyer recognized that the Debtors were free to deal with any other party interested in acquiring the Assets; (b) the Buyer complied with the provisions in the Bidding Procedures Order; (c) the Buyer agreed to subject its bid to the competitive bidding procedures set forth in the Bidding Procedures Order; (d) the Buyer in no way induced or caused the chapter 11 filing by the Debtors; and (e) all payments to be made by the Buyer in connection with the Sale have been disclosed.

Highest and Best Offer

T. The Debtors conducted an auction process in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The auction process set forth in the Bidding Procedures Order afforded a full, fair and reasonable opportunity for any person or entity to make a higher or otherwise better offer to purchase the Assets. The Auction was duly noticed and interested parties were afforded reasonable opportunity to make a higher and better offer for the Assets. Notwithstanding the Debtors' compliance with the Bidding Procedures Order, no further qualifying bids were submitted by the applicable bid deadline.

U. Jacquin testified regarding the marketing efforts of Morgan Joseph, which included over 150 initial contacts, execution of confidentiality agreements by over 60 entities, delivery of confidential offering memorandums to over 55 entities, an ad in the *Wall Street Journal*, nine indications of interest, and three stalking horse proposals, the highest and best of which the Debtors selected as the Stalking Horse.

V. Jacquin testified that, even with a longer marketing period, he did not believe a higher price for the Assets could be obtained because of concerns about certain segments of the business and the likely decline in value of the Assets if the sale was postponed or delayed.

W. The Asset Purchase Agreement constitutes the highest and best offer for the Assets and will provide a greater recovery for the Debtors' estate than would be provided by any other available alternative. The Debtors' determination that the Asset Purchase Agreement constitutes the highest and best offer for the Assets, after consultation with Regions Bank and the Creditors' Committee, constitutes a valid and sound exercise of the Debtors' business judgment.

No Fraudulent Transfer

X. The consideration provided by the Buyer pursuant to the Asset Purchase Agreement (i) is fair and reasonable, (ii) is the highest or best offer for the Assets, and (iii) constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia. No other person or entity or group of entities has offered to purchase the Assets for greater economic value to the Debtors' estate than the Buyer. Approval of the Sale Motion and the Asset Purchase Agreement and the consummation of the transactions contemplated thereby is in the best interests of the Debtors, their estates, creditors and other parties in interest.

Y. The Buyer is not a mere continuation of the Debtors or their estates, and there is no continuity of enterprise between the Buyer and the Debtors. The Buyer is not holding itself out to the public as a continuation of the Debtors. The Buyer is not a successor to the Debtors or their estates, and the Sale does not amount to a consolidation, merger or de facto merger of the Buyer and the Debtors.

Validity of Transfer

Z. The Debtors have (i) full corporate power and authority to execute and deliver the Asset Purchase Agreement and all other documents contemplated thereby, (ii) all corporate authority necessary to consummate the transactions contemplated by the Asset Purchase Agreement, and (iii) taken all corporate action necessary to authorize and approve the Asset Purchase Agreement and the consummation of the transactions contemplated thereby. The Debtors' sale of the Assets has been duly and validly authorized by all necessary corporate action. No consents or approvals, other than those expressly provided for in the Asset Purchase Agreement, are required for the Debtors to consummate the Sale and the Asset Purchase Agreement and the transactions contemplated thereby.

AA. The Asset Purchase Agreement was not entered into for the purpose of hindering, delaying or defrauding creditors under the Bankruptcy Code or under the laws of the United States, any state, territory, possession or the District of Columbia. Neither the Debtors nor the Buyer are entering into the transactions contemplated by the Asset Purchase Agreement fraudulently for the purpose of statutory and common law fraudulent conveyance and fraudulent transfer claims.

BB. The Debtors are the sole and lawful owners of the Assets. Subject to section 363(f) of the Bankruptcy Code, the transfer of each of the Assets to the Buyer will be, as of the closing of the transactions contemplated by the Asset Purchase Agreement (the "Closing Date"), a legal, valid and effective transfer of the Assets, which transfer vests or will vest the Buyer with all right, title and interest of the Debtors to the Assets free and clear of (a) all liens and encumbrances related to, accruing or arising any time prior to the Closing Date (collectively, the "Liens") and (b) all debts arising under, relating to, or in connection with any act of the Debtors or claims (as that term is defined in section 101(5) of the Bankruptcy Code), liabilities,

obligations, demands, guaranties, options, rights, contractual commitments, restrictions, interests and matters of any kind and nature, whether arising prior to or subsequent to the commencement of these cases, and whether imposed by agreement, understanding, law, equity or otherwise (including, without limitation, rights with respect to Claims (as defined below) and Liens (i) that purport to give to any party a right of setoff (except as expressly provided below) or recoupment against, or a right or option to effect any forfeiture, modification, profit sharing interest, right of first refusal, purchase or repurchase right or option, or termination of, the Debtors' or the Buyer's interests in the Assets, or any similar rights, or (ii) in respect of taxes, restrictions, rights of first refusal, charges of interests of any kind or nature, if any, including, without limitation, any restriction of use, voting, transfer, receipt of income or other exercise of any attributes of ownership) (collectively, as defined in this clause (b), "Claims"), relating to, accruing or arising any time prior to the Closing Date; provided, however, that the Morgan Joseph Sale Transaction Fee, right of the Debtors' estates to the Additional Claims Amount (as defined in the Settlement Terms Sheet), the right to deduct other ordinary closing costs (together, the "Transaction Costs"), and the pre-petition and post-petition liens of Regions Bank ("Bank Liens"), all of which will attach to the Sale Proceeds.

Section 363(f) is Satisfied

CC. The conditions of section 363(f) of the Bankruptcy Code have been satisfied in full; therefore, the Debtors may sell the Assets free and clear of any interest in the property.

DD. The Buyer would not have entered into the Asset Purchase Agreement and would not consummate the transaction contemplated thereby if the sale of the Assets to the Buyer and the assumption of liabilities and obligations as set forth in the Asset Purchase Agreement (the "Assumed Liabilities") by the Buyer were not free and clear of all Liens and Claims, other than

liens permitted under the Asset Purchase Agreement (the "Permitted Liens"), and Assumed Liabilities. Unless otherwise expressly included in the Permitted Liens or Assumed Liabilities or in the Asset Purchase Agreement, the Buyer shall not be responsible for any Liens or Claims, including in respect of the following: (1) any labor or employment agreements; (2) all mortgages, deeds of trust and security interests; (3) any intercompany loans and receivables between the Debtors and any non-Debtor affiliate; (4) any pension, welfare, compensation or other employee benefit plans, agreements, practices and programs, including, without limitation, any pension plan of any Debtor; (5) any other employee, worker's compensation, occupational disease or unemployment or temporary disability related claim, including, without limitation, claims that might otherwise arise under or pursuant to (a) the Employee Retirement Income Security Act of 1974, as amended, (b) the Fair Labor Standards Act, (c) Title VII of the Civil Rights Act of 1964, (d) the Federal Rehabilitation Act of 1973, (e) the National Labor Relations Act, (f) the Worker Adjustment and Retraining Act of 1988, (g) the Age Discrimination and Employee Act of 1976 and Age Discrimination in Employment Act, as amended, (h) the Americans with Disabilities Act of 1990, (i) the Consolidated Omnibus Budget Reconciliation Act of 1985, (j) state discrimination laws, (k) state unemployment compensation laws or any other similar state laws, or (l) any other state or federal benefits or claims relating to any employment with the Debtors or any of their predecessors; (6) Claims or Liens arising under any Environmental Laws with respect to any assets owned or operated by any Debtor or any corporate predecessor at any time prior to the Closing Date and any liabilities of any Debtor other than the Assumed Liabilities (as further defined in the Asset Purchase Agreement, the "Excluded Liabilities"); (7) any bulk sales or similar law; (8) any tax statutes or ordinances,

including, without limitation, the Internal Revenue Code of 1986, as amended; and (9) any theories of successor liability.

EE. The Debtors may sell the Assets free and clear of all Liens and Claims against the Debtors, their estates or any of the Assets (with the Transaction Costs and Bank Liens attaching to the proceeds) because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Liens or Claims against the Debtors, their estates or any of the Assets who did not object, or who withdrew their objections, to the Sale or the Sale Motion are deemed to have consented pursuant to section 363(f)(2) of the Bankruptcy Code. All other holders of Liens or Claims (except to the extent that such Liens or Claims are Assumed Liabilities or Permitted Liens) who were listed in the Sale Motion or who filed an objection to the Sale Motion which was not overruled, are adequately protected by having their Liens or Claims, if any, in each instance against the Debtors, their estates or any of the Assets, attach to the net cash proceeds of the Sale ultimately attributable to the Assets (excluding, however, the Transaction Costs, which shall be free and clear of all Liens, Claims and other interests of any kind whatsoever), in which such creditor alleges a Lien or Claim in the same order of priority, with the same validity, force and effect that such Liens or Claims had prior to the Sale, subject to any claims and defenses the Debtors and their estates may possess with respect thereto.

Cure/Adequate Protection

FF. The assumption and assignment of the Assumed Contracts pursuant to the terms of this Order is integral to the Asset Purchase Agreement and is in the best interests of the Debtors and their estates, creditors and all other parties in interest, and represents the reasonable exercise of sound and prudent business judgment by the Debtors. To the extent that any

unexpired leases or contracts are to be assumed and assigned are subject to cure costs, the Sellers will be responsible for payment of any such cure costs up to $150,000 in the aggregate. Subject to the preceding sentence, the Buyer shall: (i) to the extent necessary, cure or provide adequate assurance of cure, of any default existing prior to the date hereof with respect to the Assumed Contracts, within the meaning of sections 365(b)(1)(A) and 365(f)(2)(A) of the Bankruptcy Code, to the extent set forth in the Sale and Assumption, Assignment and Cure Amount Notice, and (ii) to the extent necessary, provide compensation or adequate assurance of compensation to any party for any actual pecuniary loss to such party resulting from a default prior to the date hereof with respect to the Assumed Contracts, within the meaning of sections 365(b)(1)(B) and 365(f)(2)(A) of the Bankruptcy Code. The Buyer's promise to pay the Cure Amounts (as defined below) and to perform the obligations under the Assumed Contracts after the Closing Date shall constitute adequate assurance of future performance within the meaning of sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code.

GG. Any objections to the assumption and assignment of any of the Assumed Contracts to the Buyer are hereby overruled. Any objections to the Cure Amounts are resolved as set forth herein. To the extent that any counterparty failed to timely object to its Cure Amount, such counterparty is deemed to have consented to such Cure Amount and the assignments of its respective Assumed Contracts to the Buyer.

HH. Any objections to the extension of time to assume or reject the Post-Petition Assigned Agreements are herby overruled and the deadline to assume or reject the Post-Petition Assigned Agreements is hereby extended to December 13, 2011 pursuant to section 365(d)(4). The Debtors have demonstrated cause for the extension requested herein due to bidders and the Buyer's need for additional time to assess whether such unexpired leases are necessary and such

extension will increase the purchase price for the Assets. As testified to by Jolley and Jacquin, the Buyer requested the extension, it was an important component of determining the purchase price for the Assets, and therefore provides real value to the Debtors. Furthermore, pursuant to the terms of the Asset Purchase Agreement, the Sellers and their estates are not responsible for any post-closing performance of any type or nature under any Post-Closing Assigned Agreement. To the extent that any counterparty failed to timely object to the Debtors' request for an extension of time to assume or reject the Post-Petition Assigned Agreements, such counterparty is deemed to have consented to such extension request. Furthermore, nothing in this Order shall be construed to limit the Debtors' ability to request further extensions of time to assume or reject the Post-Petition Assigned Agreements upon receiving the prior written consent of the lessor.

Compelling Circumstances for an Immediate Sale

II. Good and sufficient reasons for approval of the Asset Purchase Agreement and the Sale have been articulated. The relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors and other parties in interest. The Debtors have demonstrated both (i) good, sufficient and sound business purposes and justifications and (ii) compelling circumstances for the Sale other than in the ordinary course of business, pursuant to section 363(b) of the Bankruptcy Code before, and outside of, a plan of reorganization, in that, among other things, the immediate consummation of the Sale to the Buyer is necessary and appropriate to maximize the value of the Debtors' estates and the Sale will provide the means for the Debtors to maximize distributions to creditors.

JJ. Jolley and Jonathan Hickman, Managing Director of Alvarez & Marsal North America, LLC ("Hickman"), the Debtors' court approved financial advisors, testified regarding

the urgency of closing the sale of the Assets immediately to prevent further erosion of inventory, loss of customer base, and alienation of vendors. Furthermore, Hickman testified that the Debtors' working capital would decrease by $750,000 to $1,000,000 per week if the sale was not approved and closed in the immediate future. Jolley testified that if the sale is not approved, it would be "curtains" for the business, and both Hickman and Jacquin agreed with this assessment. Hickman, Jolley, and Jacquin all testified that without this sale, it was almost certain that the unsecured creditors would not receive any payment on their unsecured claims under any other sale or liquidation of the business.

KK. To maximize the value of the Assets and preserve the viability of the business to which the Assets relate, it is essential that the Sale of the Assets occur within the time constraints set forth in the Asset Purchase Agreement and the Sale Motion and Bidding Procedures Order. Time is of the essence in consummating the Sale.

LL. Given all of the circumstances of these Chapter 11 Cases and the adequacy and fair value of the Purchase Price under the Asset Purchase Agreement, the proposed Sale of the Assets to the Buyer constitutes a reasonable and sound exercise of the Debtors' business judgment and should be approved.

MM. The consummation of the Sale and the assumption and assignment of the Assumed Contracts is legal, valid and properly authorized under all applicable provisions of the Bankruptcy Code, including, without limitation, sections 105(a), 363(b), 363(f), 363(m) and 365, and all of the applicable requirements of such sections have been complied with in respect of the transaction.

Settlement Term Sheet

NN. In order to resolve, among other things, the Creditors' Committee's and Regions Bank's objection to the sale of the Assets, the parties agreed to the terms set forth in the Settlement Term Sheet, the terms of which are hereby expressly approved and incorporated herein.

OO. The parties are authorized to enter into a definitive settlement agreement mutually acceptable to the parties, without further order of this Court, which definitive settlement agreement shall be fully consistent with the Settlement Term Sheet and unenforceable to the extent it is inconsistent with the Settlement Term Sheet.

PP. The Settlement Amount shall be held by the Debtors in a newly established debtor-in-possession bank account (the "Settlement Funds Bank Account"). Upon remittance of the Settlement Amount, the Stipulations of the Debtors in (and as defined in) the DIP Order relating to Regions Bank only shall be binding upon the Committee and all other interested parties.

QQ. The Settlement Amount shall be held and utilized by the Debtors, after consultation with the Creditors' Committee, for the administration of the Debtors' estates and for funding an approved plan of liquidation, including payment of court approved professionals consistent with existing and future court orders and other ongoing expenses related to the administration of the estates.

RR. To the extent that any provisions of paragraphs 9, 10 and 15 of the DIP Order are modified by the Settlement Agreement, the modifications expressly contemplated by the Settlement Term Sheet to those paragraphs are hereby approved and effectuated by the entry of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

General Provisions

1. The relief requested in the Sale Motion is granted and approved as set forth in this Order, and the Sale contemplated thereby is approved.

2. All objections to the Sale Motion or the relief requested therein were withdrawn at the Sale Hearing or were resolved by consent pursuant to the terms of this Order.

Approval of the Asset Purchase Agreement

3. The Asset Purchase Agreement and all other ancillary documents, and all of the terms and conditions thereof, are hereby approved.

4. Pursuant to sections 363(b) and (f) of the Bankruptcy Code, the Debtors are authorized and empowered to take any and all actions necessary or appropriate to (i) consummate the Sale of the Assets to the Buyer pursuant to and in accordance with the terms and conditions of the Asset Purchase Agreement, (ii) close the Sale as contemplated in the Asset Purchase Agreement and this Order, and (iii) execute and deliver, perform under, consummate, implement, and close fully the Asset Purchase Agreement, including the assumption and assignment to the Buyer of the Assumed Contracts, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Asset Purchase Agreement and the Sale.

5. This Order shall be binding in all respects upon the Debtors, their estates, all creditors of, and holders of equity interests in, the Debtors, any holders of Liens, Claims or other interests in, against or on all or any portion of the Assets (whether known or unknown), the Buyer and all successors and assigns of the Buyer, the Assets and any trustees, if any, subsequently appointed in the Debtors' Chapter 11 Cases or upon a conversion to chapter 7

under the Bankruptcy Code of the Debtors' cases. This Order and the Asset Purchase Agreement shall inure to the benefit of the Debtors, their estates, and creditors, the Buyer and the respective successors and assigns of each of the foregoing.

6. Notwithstanding anything to the contrary in this Order, the sale of the Debtors' Accounts Receivables shall be subject to (as opposed to free and clear of) any and all of Sherwin-Williams Company's purported setoff rights, which shall not be inhibited, diminished or negatively affected in any manner whatsoever by this Order, the Asset Purchase Agreement or the closing of the transaction contemplated therein. The Debtors, the Debtors' bankruptcy estate and Sherwin-Williams Company otherwise reserve all claims and defenses related to Sherwin-Williams Company's purported setoff rights.

Settlement Term Sheet

7. The provisions of the Settlement Term Sheet, a copy of which is attached hereto as **Exhibit A** and incorporated herein by reference, are hereby approved. The parties agree to be bound by and to comply with the terms of the Settlement Term Sheet.

8. The parties are authorized to enter into a definitive settlement agreement mutually acceptable to the parties, without further order of this Court, which definitive settlement agreement shall be fully consistent with the Settlement Term Sheet and unenforceable to the extent it is inconsistent with the Settlement Term Sheet.

9. The Settlement Amount shall be held by the Debtors' in the Settlement Funds Bank Account Upon remittance of the Settlement Amount, the Stipulations of the Debtors in (and as defined in) the DIP Order as to Regions Bank only shall be binding upon the Committee and all other interested parties.

10. The Settlement Amount shall be held and utilized by the Debtors, after consultation with the Creditors' Committee, for the administration of the Debtors' estates and for funding an approved plan of liquidation, including payment of court approved professionals consistent with existing and future court orders and other ongoing expenses related to the administration of the estates.

11. To the extent that any provisions of paragraphs 9, 10 and 15 of the DIP Order are modified by the Settlement Term Sheet, the modifications expressly contemplated by the Settlement Term Sheet to those paragraphs are hereby approved and effectuated by the entry of this Order.

Transfer of the Assets

12. Pursuant to sections 105(a), 363(b) and 363(f) of the Bankruptcy Code, the Debtors are authorized to transfer the Assets to the Buyer on the Closing Date and such transfer shall constitute a legal, valid, binding and effective transfer of such Assets and shall vest Buyer with title to the Assets and, upon the Debtors' receipt of the Purchase Price, shall be free and clear of all Liens, Claims and other interests of any kind or nature whatsoever, including, but not limited to, successor or successor-in-interest liability and Claims in respect of the Excluded Assets, with all such Liens, Claims or other interests to attach to the net cash proceeds, less the Transaction Costs, ultimately attributable to the property against or in which such Liens, Claims or interests are asserted, subject to the terms thereof, with the same validity, force and effect, and in the same order of priority, which such Liens, Claims or interests now have against the Assets, subject to any rights, claims and defenses the Debtors or their estates, as applicable, may possess with respect thereto and other order of this Court. Upon the Closing, the Buyer shall take title to and possession of the Assets subject only to the Permitted Liens and Assumed Liabilities.

13. Except with respect to Permitted Liens and Assumed Liabilities, all persons and entities that are in possession of some or all of the Assets on the Closing Date are directed to surrender possession of such Assets to the Buyer or its assignee at the Closing. On the Closing Date, or as soon as possible thereafter, each of the Debtors' creditors are authorized and directed, and the Buyer is hereby authorized, on behalf of each of the Debtors' creditors, to execute such documents and take all other actions as may be reasonably necessary to release such creditors' Liens, Claims or other interests in the Assets, if any, as such Liens, Claims or interests may have been recorded or may otherwise exist.

14. The Debtors are hereby authorized to take any and all actions necessary to consummate the Asset Purchase Agreement, including any actions that otherwise would require further approval by shareholders or its board of directors without the need of obtaining such approvals.

15. On the Closing Date, this Order shall be construed and shall constitute for any and all purposes a full and complete general assignment, conveyance and transfer of the Debtors' interests in the Assets. Each and every federal, state and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement.

16. A certified copy of this Order may be filed with the appropriate clerk and/or recorded with the recorder to act to cancel any liens and other encumbrances of record except those assumed as Assumed Liabilities or Permitted Liens.

17. If any person or entity which has filed statements or other documents or agreements evidencing Liens on, or interests in, all or any portion of the Assets (other than statements or documents with respect to Permitted Liens) shall not have delivered to the Debtors

prior to the Closing, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary for the purpose of documenting the release of all liens or interests which the person or entity has or may assert with respect to all or any portion of the Assets (excluding proceeds thereof), the Debtors are hereby authorized and directed, and the Buyer is hereby authorized, on behalf of the Debtors and each of the Debtors' creditors, to execute and file such statements, instruments, releases and other documents on behalf of such person or entity with respect to the Assets (excluding proceeds thereof).

18. This Order is and shall be effective as a determination that, on the Closing Date, all Liens, Claims or other interests of any kind or nature whatsoever existing as to the Assets prior to the Closing date, other than Permitted Liens, Assumed Liabilities and the Transaction Costs, shall have been unconditionally released, discharged and terminated (with such Liens to attach to the Sale Proceeds), and that the conveyances described herein have been effected. This Order is and shall be binding upon and govern the acts of all persons and entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state and local officials, and all other persons and entities who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing persons and entities is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the Asset Purchase Agreement.

Assumption and Assignment of Contracts
and Extension of Time to Assume or Reject Certain Unexpired Leases and Contracts

19. The Debtors are hereby authorized and directed in accordance with sections 105(a) and 365 of the Bankruptcy Code to (a) assume and assign to Buyer, effective upon the Closing of the Sale, the Assumed Contracts free and clear of all Liens, Claims and other interests of any kind or nature whatsoever (other than the Permitted Liens, Assumed Liabilities and the Transaction Costs), and (b) execute and deliver to Buyer such documents or other instruments as Buyer deems may be necessary to assign and transfer the Assumed Contracts to Buyer.

20. Notwithstanding anything to the contrary in this Order, the contract described in Schedule 1.1(a) of the Asset Purchase Agreement as the Sherwin Williams Paint Stores Group "customer agreement" shall not be assumed by the Debtors or assigned to the Buyer or otherwise be subject to this Order. The Debtors, the Debtors' estates and Sherwin Williams Company reserve all rights with regard to the above-described contract.

21. With respect to the Assumed Contracts: (a) each Assumed Contract is an executory contract or unexpired lease, as applicable, under section 365 of the Bankruptcy Code; (b) the Debtors may assume each of the Assumed Contracts in accordance with section 365 of the Bankruptcy Code; (c) the Debtors may assign each Assumed Contract in accordance with sections 363 and 365 of the Bankruptcy Code, and any provisions in any Assumed Contract that prohibit or condition the assignment of such Assumed Contract or allow the party to such Assumed Contract to terminate, recapture, impose any penalty, condition renewal or extension, or modify any term or condition upon the assignment of such Assumed Contract, constitute unenforceable anti-assignment provisions which are void and of no force and effect; (d) all other requirements and conditions under section 363 and 365 of the Bankruptcy Code for the assumption by the Debtors and assignment to Buyer of each Assumed Contract have been

satisfied; (e) the Assumed Contracts shall be transferred and assigned to the Buyer, and following the Closing remain in full force and effect for the benefit of Buyer, notwithstanding any provision in any such Assumed Contract (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer and, pursuant to section 365(k) of the Bankruptcy Code, and the Debtors shall be relieved from any further liability with respect to the Assumed Contracts after such assignment to and assumption by Buyer; and (f) upon Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, Buyer shall be fully and irrevocably vested in all right, title and interest of each Assumed Contract. Notwithstanding anything else in this Order, creditor and Executory contract party Activant Solutions, Inc. may withhold its consent to the assumption and assignment of any Assumed Contract with any of the Debtors unless and until Activant Solutions, Inc. has been paid the transfer fees and open invoices due and payable to Activant Solutions, Inc. under said Assumed Contracts; if the transfer fees and open invoices are not paid to Activant Solutions, Inc. as of the time of the assumption and assignment, Activant Solutions may, in its sole discretion, withhold consent, and those Assumed Contracts shall be rejected by the Debtor pursuant to the Bankruptcy Code and Activant Solutions, Inc. shall be entitled to file a claim(s) under 11 U.S.C. §§ 365(g), 502(g), and 503.

22. All defaults or other obligations of the Debtors under the Assumed Contracts arising or accruing prior to the satisfaction of the terms and conditions of the Asset Purchase Agreement and the closing of the transaction contemplated under the Asset Purchase Agreement (the "Closing") (without giving effect to any acceleration clauses or any default provisions of the kind specified in section 365(b)(2) of the Bankruptcy Code) shall be cured by the Buyer at the Closing or as soon thereafter as practicable by payment of the Cure Amounts (as defined below)

or otherwise as set forth in the Asset Purchase Agreement. To the extent that any counterparty to an Assumed Contract did not object to its Cure Amount in accordance with the procedures set forth in the Motion, such counterparty is deemed to have consented to such Cure Amount and the assignments of its respective Assumed Contract to the Buyer.

23. Unless otherwise agreed and stated on the record at the Sale Hearing, Exhibit Y to the Sale and Assumption, Assignment and Cure Amount Notice and as later amended by Exhibit Y-1 to the Amended Sale and Assumption, Assignment and Cure Amount Notice filed on July 11, 2011 (Docket No. 314) sent to counterparties of the Assumed Contracts, reflects the sole amounts necessary under section 365(b) of the Bankruptcy Code to cure all monetary defaults under the Assumed Contracts (collectively, the "Cure Amounts"), and no other amounts are or shall be due in connection with the assumption by the Debtors and the assignment to Buyer of the Assumed Contracts. In the event one or more agreements is added to or deleted from Exhibit Y or Exhibit Y-1 on or before the Closing, the Debtors will serve a notice of the amended Exhibit Y on the counterparties to such Assumed Contracts and provide such counterparties with fourteen (14) days thereafter to object to the Cure Amount, unless such period is shortened by the Court. In the absence of any objection, upon passing of such fourteen (14) day period, such counterparties shall be deemed to have consented to the Cure Amount designated by the Debtors for their Assumed Contract and the assignment of such Assumed Contract to the Buyer, with such assignment effective, along with all other Assumed Contracts, as of the Closing Date.

24. Upon the Debtors' assignment of the Assumed Contracts to the Buyer under the provisions of this Order and any additional order of this Court and Buyer's payment of any Cure Amounts pursuant hereto, no default shall exist under any Assumed Contract, and no counterparty to any Assumed Contract shall be permitted (a) to declare a default by the Buyer

under such Assumed Contract or (b) otherwise take action against the Buyer as a result of the Debtors' financial condition, bankruptcy or failure to perform any of its obligations under the relevant Assumed Contract. Each non-Debtor party to an Assumed Contract hereby is also forever barred, estopped, and permanently enjoined from (i) asserting against the Debtors or Buyer, or the property of any of them, any default or Claim arising out of any indemnity obligation or warranties for acts or occurrences arising prior to or existing as of the Closing, including those constituting Excluded Liabilities, or, against Buyer, any counterclaim, defense, setoff or any other Claim asserted or assertable against the Debtors and (ii) imposing or charging against Buyer or any of its affiliates any rent accelerations, assignment fees, increases or any other fees as a result of the Debtors' assumption and assignment to Buyer of the Assumed Contracts. The validity of such assumption and assignments of the Assumed Contracts shall not be affected by any dispute between the Debtors and any non-Debtor party to an Assumed Contract relating to such contract's or lease's respective Cure Amount.

25. Except as provided in the Asset Purchase Agreement or this Order, after the Closing, the Debtors and their estates shall have no further liabilities or obligations with respect to any Assumed Liabilities or Assumed Contracts and all holders of such Claims are forever barred and estopped from asserting such Claims against the Debtors, their successors or assigns, their property or their assets or estates.

26. The failure of the Debtors or Buyer to enforce at any time one or more terms or conditions of any Assumed Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Buyer's rights to enforce every term and condition of the Assumed Contracts.

27. Furthermore, pursuant to section 365(d)(4)(B), the applicable deadline to assume or reject the Post-Petition Assigned Agreements is hereby extended by ninety (90) days for cause

to December 13, 2011, and the Buyer shall be entitled to quiet enjoyment under the Leases provided it complies with the terms of the Leases. The landlords impacted by the section 365(d)(4)(B) extension will benefit because the Buyer will be required to pay all rent and other obligations accruing after the closing and will otherwise be obligated to comply with the leases. In addition, the extension will benefit the estate because it will likely entice other bidders and increase the ultimate purchase price paid by the Buyer for the Assets.

28. With respect to the lease of Distribution 1 Patent Tenant, LLC ("Distribution 1"), the Debtors are authorized to assume and assign the lease to the Buyer, subject to the following conditions: (i) the Debtors assume or reject the lease on or before December 13, 2011, which date is 210 days from the Petition Date; (ii) the Buyer agrees to provide Distribution 1 with a security deposit, payable at the time of assignment, equal to four months of base rent and rent adjustments due at that time under the lease in the form of an irrevocable letter of credit or cash payment; (iii) the Buyer will pay the post-petition rent obligations to Distribution 1 until the lease is assumed and assigned to the Buyer (or rejected) and (iv) upon assumption, and subject to the terms of the Asset Purchase Agreement, the Debtors (or the Buyer as applicable) must cure any defaults under the lease in accordance with the Asset Purchase Agreement and section 365(b)(1) of the Bankruptcy Code.

29. Notwithstanding anything else in this Order, the Buyer shall have until October 31, 2011 to notify the Debtors and AMB Property Corporation, also known as U.S. Logistics Fund, L.P. ("AMB") of its decision to assume or reject the lease of AMB. If the Buyer rejects the lease on or before October 31, 2011, then (a) the Buyer shall pay directly to AMB, on or before October 31, 2011 but in any event simultaneous with the rejection notification, the full amount due under the lease from that date until December 13, 2011; and (b) Buyer shall be

entitled to occupy the leased premises until midnight on December 13, 2011. Promptly after the receipt of the Buyer's Notice of its decision to assume or reject the lease of AMB, the Debtors shall promptly file a motion to assume or reject (as the case may be) the lease of AMB in the Court. The deadline to assume or reject the lease with AMB shall be extended under § 365(d)(4) until November 15, 2011 solely for the purposes of allowing the Debtors time to file an appropriate assumption or rejection motion with the Court. In the event the Debtors reject the lease of AMB, AMB agrees that upon filing of the rejection motion, the lease shall automatically be deemed rejected as of December 13, 2011 without the need for any further hearing on the motion, and the Buyer shall vacate the leased premises by December 13, 2011 at 11:59 p.m., pursuant to and in compliance with the terms of the lease and the Asset Purchase Agreement.

Prohibition of Actions Against the Buyer

30. Except for the Assumed Liabilities, or as otherwise expressly provided for in this Order or the Asset Purchase Agreement, the Buyer shall not have any liability or other obligation of the Debtors arising under or related to any of the Assets. Without limiting the generality of the foregoing, and except as otherwise specifically provided herein or in the Asset Purchase Agreement or this Order, the Buyer shall not be liable for any Claims against the Debtors or any of their predecessors or affiliates, and the Buyer shall have no successor or vicarious liabilities of any kind or character, including, but not limited to, under any theory of antitrust, environmental, successor or transferee liability, labor law, de facto merger, mere continuation, or substantial continuity, whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, whether asserted or unasserted, whether legal or equitable, whether liquidated or unliquidated, including, but not limited to, liabilities on account of warranties, intercompany loans and receivables between the Debtors and any non-Debtor affiliate, liabilities

relating to or arising from any Environmental Laws, and any taxes arising, accruing or payable under, out of, in connection with, or in any way relating to the operation of any of the Assets prior to the Closing.

31. Except with respect to Permitted Liens and Assumed Liabilities (and except as expressly provided herein), all persons and entities, including, but not limited to, all debt security holders, equity security holders, governmental, tax and regulatory authorities, lenders, trade creditors, litigation claimants and other creditors, holding Liens, Claims or other interests of any kind or nature whatsoever against the Debtors or in all or any portion of the Assets (whether legal or equitable, secured or unsecured, matured or unmatured, contingent or non-contingent, liquidated or unliquidated, senior or subordinate), arising under or out of, in connection with, or in any way relating to the Debtors, the Assets, the operation of the Debtors' business prior to the Closing Date or the transfer of the Assets to the Buyer, hereby are forever barred, estopped and permanently enjoined from asserting against the Buyer, any of its affiliates, its successors or assigns, their property or the Assets, such persons' or entities' Liens, Claims or interests against or with respect to the Debtors or in and to the Assets, proceeding against the Buyer, any of its affiliates, or its successors, except to the extent that the Buyer expressly agrees to grant liens in favor of any person or entity (including Regions Bank) with respect to any of the Assets on or after the Closing Date. On the Closing Date, or as soon as possible thereafter, each creditor is authorized and directed, and the Buyer is hereby authorized, on behalf of each of the Debtors' creditors, to execute such documents and take all other actions as may be necessary to release Liens, Claims and other interests in or on the Assets (except Permitted Liens and Assumed Liabilities), if any, as provided for herein, as such Liens, Claims or other interests may have been recorded or may otherwise exist.

32. All persons and entities are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Assets to the Buyer in accordance with the terms of the Asset Purchase Agreement and this Order, provided that (i) the foregoing shall not affect any rights or remedies of Regions Bank under the DIP Order and related financing agreements, and (ii) Regions Bank has agreed to forbear from exercising such rights and remedies through and including August 5, 2011.

33. The Buyer has given substantial consideration under the Asset Purchase Agreement for the benefit of the Debtors, their estates and creditors. The consideration given by the Buyer shall constitute valid and valuable consideration for the releases of any potential Claims and Liens pursuant to this Order, which releases shall be deemed to have been given in favor of the Buyer by all holders of Liens against or interests in, or Claims against the Debtors or any of the Assets, other than holders of Liens or Claims relating to the Assumed Liabilities. The consideration provided by the Buyer for the Assets under the Asset Purchase Agreement is fair and reasonable and accordingly the purchase may not be avoided under section 363(n) of the Bankruptcy Code.

Other Provisions

34. The consideration provided by the Buyer to the Debtors pursuant to the Asset Purchase Agreement for the Assets constitutes reasonably equivalent value and fair consideration under the Bankruptcy Code and under the laws of the United States, any state, territory, possession or the District of Columbia.

35. The transactions contemplated by the Asset Purchase Agreement are undertaken by the Buyer without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Sale shall not affect the validity of the Sale, unless such authorization and such Sale are duly stayed pending such appeal. The Buyer is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to the full protections of section 363(m) of the Bankruptcy Code.

36. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in (i) this Chapter 11 Case, (ii) any subsequent Chapter 7 case into which this Chapter 11 Case may be converted, or (iii) any related proceeding subsequent to entry of this Order, shall conflict with or derogate from the provisions of the Asset Purchase Agreement or the terms of this Order.

37. Pursuant to Bankruptcy Rules 7062, 9014, 6004(h) and 6006(d), this Order is not stayed but instead shall be effective immediately upon entry and the Debtors and Buyer are authorized to close the Sale immediately upon entry of this Order.

38. Nothing in this Order or the Asset Purchase Agreement approves or provides for the transfer to Buyer of any avoidance claims (whether under Chapter 5 of the Bankruptcy Code or otherwise) or any other Excluded Assets as set forth in the Asset Purchase Agreement of the Debtors' estates or in the DIP Order.

39. No bulk sales law or any similar law of any state or other jurisdiction applied in any way to the Sale.

40. The failure specifically to include any particular provision of the Asset Purchase Agreement in this Order shall not diminish or impair the effectiveness of such provision, it being

the intent of the Court that the Asset Purchase Agreement be authorized and approved in its entirety; provided, however, that this Order shall govern if there is any inconsistency between the Asset Purchase Agreement (including all ancillary documents executed in connection therewith) and this Order. Likewise, all of the provisions of this Order are nonseverable and mutually dependent.

41. The Asset Purchase Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, without further order of the Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

42. The Court shall retain jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Order, the Asset Purchase Agreement, the Settlement Term Sheet, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which the Debtors are a party or which has been assigned by the Debtors to the Buyer, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Sale, including, but not limited to, retaining jurisdiction to (a) compel delivery of the Assets to Buyer; (b) interpret, implement and enforce the provisions of this Order; (c) protect Buyer against any Liens, Claims or other interest in or against the Debtors or the Assets of any kind or nature whatsoever, attaching to the proceeds of the Sale; and (d) enter any orders under section 363 or 365 of the Bankruptcy Code with respect to the Assumed Contracts.

43. Any amounts payable by the Debtors under the Asset Purchase Agreement or any of the documents delivered by the Debtors in connection with the Asset Purchase Agreement shall be paid or delivered in the manner provided in the Asset Purchase Agreement, without

further order of this Court, shall be allowed administrative claims in an amount equal to such payments in accordance with sections 503(b) and 507(a)(2) of the Bankruptcy Code, shall have the other protections provided in the Bidding Procedures Order, and shall not be discharged, modified or otherwise affected by any reorganization plan for the Debtors except by an express agreement with Buyer, its successors or assigns.

44. The Debtors are authorized to distribute the proceeds from the sale of the Assets (the "Sale Proceeds") in the order as set forth below, which includes payment of certain claims at closing, directly from Sale Proceeds, in order to reduce the administrative burdens on the Debtors and facilitate a timely distribution of funds:

(a) Amounts due and payable to Morgan Joseph, including any unpaid Monthly Payments, and the Sale Transaction Fee, as set forth in Morgan Joseph's engagement letter attached to the Order Approving the Retention of Morgan Joseph, filed in this case, which such funds shall be paid or segregated and held in escrow prior to any distribution to Regions Bank on account of its claim, as set forth in Morgan Joseph's engagement letter;

(b) The Additional Claims Amount (as set forth in the Settlement Term Sheet) in the amount of $2,000,000 shall be disbursed to the Debtors to be held in the Settlement Funds Bank Account pursuant to the terms of this Order and further orders of this Court;

(c) Normal and ordinary closing costs associated with the Sale that are to be paid by the Debtors under the Asset Purchase Agreement, past due taxes, payroll and taxes for employees, pro-rated operating expenses, recording fees, and other costs chargeable to the estate, other than legal fees and costs of any estate professionals;

(d) The balance of the Sale Proceeds, whensoever due and payable (including all amounts released from escrow) to Regions Bank, up to the full amount of the Prepetition Loans and the Post-Petition Loans, subject to the terms and conditions of the DIP Order and the Settlement Term Sheet.

45. All time periods set forth in this order shall be calculated in accordance with Bankruptcy Rule 9006(a).

46. Nothing in this Order or any agreement entered into under this Order releases, nullifies, precludes, or enjoins the enforcement of any liability to a governmental unit under police or regulatory statutes or regulations that any entity would be subject to as the owner or operator of property after the date of entry of this Order.

47. To the extent that this Order is inconsistent with any prior order or pleading with respect to the Motion in this Chapter 11 Case, the terms of this Order shall govern.

AND IT IS SO ORDERED.

Exhibit A

SETTLEMENT TERM SHEET

SETTLEMENT TERM SHEET

Summary of Principal Terms of Proposed Settlement

among

The Merit Group, Inc.
Merit Transportation, Inc.
Merit Paint Sundries, LLC
Merit Supply Company, LLC
Merit Pro Finishing Tools, LLC
Five Star Products, Inc.
Five Star Group, Inc., as Chapter 11 Debtors

and

The Official Committee of Unsecured Creditors in the Debtors' Chapter 11 Cases

and

Regions Bank

July 21, 2011

DEBTORS:	The Merit Group, Inc., et al., as debtors in Chapter 11 cases jointly administered under Case No. 11-03216-hb.
BANK:	Regions Bank, an Alabama bank, as pre-petition and post-petition lender and bank products provider to Debtors.
COMMITTEE:	The Official Committee of Unsecured Creditors in the Chapter 11 cases.
COURT:	The United States Bankruptcy Court for the District of South Carolina.
PETITION DATE:	May 17, 2011.
BUYER:	MG Distribution, LLC, an Illinois limited liability company and the "Buyer" under (and as defined in) that certain Asset Purchase Agreement made as of June 29, 2011, between Buyer and the Debtors (the "APA").[4]
PLAN:	A plan of reorganization or liquidation, which the Debtors agree

[4] Capitalized terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the APA.

will be jointly proposed by the Debtors and the Committee.

SUBORDINATED CREDITORS: Stonehenge Opportunity Fund II, L.P., E. Fort Wolfe, Jr., Caleb C. Fort, and the Valspar Corporation, each of whom has subordinated all claims that such person or entity has against any or all of the Debtors to the payment in full of all pre-petition and post-petition claims of Regions Bank against any or all of the Debtors pursuant to intercreditor and subordination agreements with Regions Bank (each a "Subordination Agreement") and their respective successors and permitted assigns.

SETTLED CLAIMS: All debts, claims, counterclaims, demands, reckonings, actions, suits, causes of action, contested matters and adversary proceedings of any kind or nature, whether filed or unfiled, liquidated or unliquidated, matured or unmatured, known or unknown, suspected or unsuspected, disputed or undisputed, or at law or in equity, including, without limitation, any claim or cause of action under any applicable non-bankruptcy law or Chapter 5 of the Bankruptcy Code and any surcharge claim under Section 506(c) of the Bankruptcy Code, (i) that arise out of or relate in any way to the debtor-creditor, depository or other banking relationships between Regions Bank and the Debtors (or any of them), whether arising pursuant to a relationship that existed prior to or after the Petition Date and whether arising under the pre-petition or post-petition financing or cash management agreements between Regions Bank and the Debtors or otherwise, and (ii) that any of the Debtors, their respective Chapter 11 estates or the Committee have, ever had or claim to have against Regions Bank or any of its officers, directors, agents, affiliates, shareholders or attorneys.

SETTLEMENT AMOUNT: An amount equal to the sum of (i) the $2,000,000 in Purchase Price that Regions Bank agrees to allow to be paid by the Buyer to the Debtors' estates as the "Additional Claims Amount" under the APA; (ii) the Carve-Out Amount (as defined below); and (iii) $2,750,000.

As used herein, the term "Carve-Out Amount" shall mean the Carve-Out under (and as defined in) the Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364 and 507(I) Approving Post-Petition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, and (V) Modifying the Automatic Stay entered by the Court on June 10, 2011 (the "DIP Financing Order") in the aggregate amount of $1,000,000; provided that, pursuant to the order approving the Sale Motion (the "Sale Order") or other order separately entered by the Court, the Carve-Out shall be increased by a sum equal to the amount of professional fees and expenses of professionals retained

by the Debtors and by the Committee ("Estate Professionals") which are or will become due and payable (subject to the timely filing of any objection thereto) on or before July 29, 2011 (totaling $428,687), which remain unpaid immediately after giving effect to the Closing and in respect of which there is not sufficient cash on hand immediately prior to the Closing to pay such fees and expenses; shall be decreased by the amount of fees and expenses of Estate Professionals which are due and payable on or after August 1, 2011, and paid with funds advanced under the DIP Loan Agreement on or after August 1, 2011; and shall be payable without regard to the existence of cash on hand with any Debtor that is sufficient to pay all or any part of the accrued fees and expenses of Estate Professionals that are then due and payable.

The Settlement Amount shall be in lieu of the Initial Plan Funding Commitment under (and as defined in) the DIP Financing Order, which commitment shall terminate and be discharged by the Settlement (as described below).

SETTLEMENT: The following shall fully settle, satisfy and release all of the Settled Claims, including, without limitation, all of the DIP Lender's obligations under the DIP Financing Order and DIP Financing Documents (as defined in the DIP Financing Order):

- Concurrently with the Closing under the APA and the disbursement of the Purchase Price proceeds thereunder, (i) the Buyer will disburse the Additional Claims Amount directly to the Debtors and (ii) Regions Bank will fund the balance of the Settlement Amount as a revolver loan under the DIP Loan Agreement, provided that the Carve-Out portion of the Settlement Amount will be promptly funded at such time as the amount thereof is finally determined. Of the total Settlement Amount, $4,000,000 will be deemed allocated to the settlement of all claims and causes of action (if any) against Regions Bank under Chapter 5 of the Bankruptcy Code.

- All sums (net of closing costs and fees payable to Morgan Joseph) at any time or times payable under the APA (exclusive of the Additional Claims Amount) will be remitted directly to Regions Bank for application to the pre-petition loans or the post-petition loans, as elected by Regions Bank in its discretion.

- The Settlement Amount shall be free and clear of all of the liens and priority claims of Regions Bank, whether arising prior to or after the Petition Date, but Regions Bank shall retain all of its liens upon and rights with respect to all assets of each Debtor other than (i) Excluded Assets (as defined in the DIP Financing Order) and (ii) the Acquired Assets effective upon the Closing under the APA. As provided in the DIP Financing Order, upon the Closing under the APA, Regions Bank shall cease to be entitled to receive a share of proceeds of the Excluded Assets as the holder of a claim under Section 503(b) of the Bankruptcy Code and (subject to the Settlement) shall share in such proceeds on a pro rata basis with other general, non-priority unsecured claims.

- Regions Bank will subordinate its rights with respect to any Distribution on account of its Deficiency Claim to aggregate Distributions on account of Designated Unsecured Claims (as each of the preceding capitalized terms is defined below) of 10% of the aggregate principal amount of such Designated Unsecured Claims. As used herein, the term "Designated Unsecured Claim" means a non-priority, general unsecured claim against one or more Debtors, which at the time of a Distribution, has not been disallowed and is not a claim held by Regions Bank or a Subordinated Creditor; the term "Distribution" means a distribution of cash or other property of a Debtor pursuant to a confirmed Plan or in a Chapter 7 case or cases of one or more Debtors; and the term "Deficiency Claim" means, on any date, the total pre-petition and post-petition claims (whether absolute or contingent, due or to become due and including all post-petition interest, fees and other charges that have accrued and may hereafter accrue with respect to any of the DIP Obligations (as defined in the DIP Financing Order)) that Regions Bank holds on such date against any or all of the Debtors, after giving effect to the Closing under the APA and the payment of the Settlement Amount but without giving effect to the value of any collateral security, guaranties or other payment assurances held by Regions Bank for any of its claims (until such time as Regions Bank elects to realize upon such collateral security, guaranties or other payment assurances, in which event the proceeds of such realization shall be applied to reduce the Deficiency Claim). In calculating the amount of the Deficiency Claim, amounts withheld from payment at Closing under the APA and escrowed pursuant to the terms of the APA shall not be deemed to have been received by Regions Bank until actual release of such monies from escrow and remittance of same to Regions Bank.

- After Distributions aggregating 10% of the principal amount of all Designated Unsecured Claims have been made, Regions Bank shall be authorized to receive (on account of its Deficiency Claim and the aggregate claims of the Subordinated Creditors) Distributions in an amount equal to the Subordinated Distribution (as defined below) before any other Distributions are made on account of Designated Unsecured Claims; and thereafter Regions Bank shall be authorized to participate in future Distributions to general unsecured creditors on a pro rata basis (adding the claims of the Subordinated Creditors to the Deficiency Claim for purposes of determining Regions Bank's pro rata share) based upon the relative amount of all general unsecured claims (including the Designated Unsecured Claims, the Deficiency Claim and the claims of the Subordinated Creditors) at the time of each such Distribution. If under a confirmed Plan or otherwise any monies are escrowed or otherwise set aside pending resolution of any disputed Designated Unsecured Claims, all amounts returned to or retained by the Debtors or their respective estates (or a Plan fiduciary under a confirmed Plan) after resolution of the dispute shall be remitted to Regions Bank to the extent that aggregate Distributions on account of Designated Unsecured Claims total 10% of such claims as hereinabove provided and Regions Bank has not received Distributions in an aggregate amount equal to the Subordinated Distribution. As used herein, the term "Subordinated Distribution" means the aggregate amount of Distributions which Regions Bank would have been authorized to receive and retain on account of the Deficiency Claim and the claims of the Subordinated Creditors but which Regions Bank does not receive and retain by virtue of the subordination. By way of example, if Designated Unsecured Claims are $40,000,000, and the aggregate of the Deficiency Claim and the claims of Subordinated Creditors are 40% of the total of all general unsecured claims, then after a total of $4,000,000 of distributions is made on account of Designated Unsecured Claims (or 10% of the total), Regions Bank would be entitled to receive Distributions totaling $1,600,000 before any Distributions could be made on account of any Designated Unsecured Claims.

- The confirmed Plan shall provide that all amounts to be distributed to each Subordinated Creditor shall be distributed to Regions Bank in accordance with the applicable Subordination Agreements.

- The Settlement will be memorialized in a definitive settlement agreement (the "Definitive Settlement Agreement") mutually acceptable to the parties (which would include Regions Bank, the Debtors and the Committee) and the Settlement will be subject to approval by the Court. If the Settlement is approved, the Definitive Settlement Agreement will become part of the Plan, but will be effective for purposes of distribution of sale proceeds to Regions Bank upon entry of a final order approving the Settlement. The Plan will incorporate, and will not otherwise conflict with, the provisions of the Definitive Settlement Agreement.

- Regions Bank will not be obligated, but will be authorized, to file a proof of claim with respect to the pre-petition obligations owing to it, but its failure to file a proof of claim shall not be a bar to allowance of any part of its Deficiency Claim, including any portion thereof consisting of pre-petition obligations of any Debtor to Regions Bank. As provided in the DIP Financing Order, Regions Bank shall have no obligation to file any proof of its administrative claim for DIP loans under the DIP Financing Order. For purposes of calculating the Deficiency Claim (consisting of both outstanding pre-petition and post-petition loans and other obligations), Regions Bank, the Debtors and the Committee will endeavor mutually to agree upon the amount of the Deficiency Claim, failing which any difference would be resolved by the Court. With respect to the portion of the Deficiency Claim consisting of post-petition loans and other DIP Obligations owed to Regions Bank, the provisions of the DIP Financing Order and the DIP Financing Documents (as defined in the DIP Financing Order) shall remain in full force and effect and shall not be deemed to be modified in any respect by the Settlement except to the extent expressly otherwise provided herein.

- Neither the Committee nor Regions Bank will object to any fees of professional persons retained by the other party, to the extent incurred on or before the Closing of the sale under the APA, notwithstanding anything to the contrary contained in Paragraphs 9 or 15 of the DIP Financing Order and the Order approving the Settlement will authorize payment of any excess over the limits set forth in Paragraph 9.

- The claims of the Subordinated Creditors shall be deemed valid and allowed claims, with no challenge thereto by any Debtor or the Committee (including any challenge based upon alleged equitable subordination or recharacterization), provided that any party in interest otherwise having standing to do so (including,

but not limited to, any Debtor or the Committee) would be authorized to challenge the validity, extent or priority of any lien purporting to secure any claim of a Subordinated Creditor, the entitlement of any Subordinated Creditor to receive any interest, fees or charges (including attorney's fees) accrued after the Petition Date, or the calculation of the amount owed to a Subordinated Creditor. If and to the extent that a proof of claim is not filed by a Subordinated Creditor within 10 days prior to the deadline for the filing of pre-petition unsecured claims, then Regions Bank, in its discretion, would be authorized to file any such claim in the name and on behalf of such Subordinated Creditor as and to the extent authorized by the Subordination Agreement between Regions Bank and such Subordinated Creditor.

- The Debtors, the Committee and Regions Bank each shall use reasonable commercial efforts to obtain Court approval of the Sale Motion and the transactions contemplated by the APA.

- The Debtors, the Committee and Regions Bank shall diligently in good faith attempt to obtain Court approval of the Settlement, provided that if the Court for any reason declines to approve the Settlement, then the terms of the Settlement shall be deemed void and of no force and effect and Regions Bank and the Debtors shall be authorized to seek and obtain approval for a Closing under the APA and the transactions contemplated thereunder on any other terms and conditions of a settlement of the Settled Claims or otherwise and the Committee shall be authorized to support or oppose such efforts to obtain approval for a Closing under the APA on such other terms and conditions of settlement.

RELEASE OF REGIONS BANK:

The Definitive Settlement Agreement shall contain a full and complete release by the Debtors and the Committee (for themselves and their respective successors and assigns) that release, acquit and forever discharge Regions Bank and its officers, directors, shareholders, affiliates, agents and attorneys from any and all of the Settled Claims and contains a full and complete waiver of any rights of surcharge that any of the Chapter 11 estates (or any Plan fiduciary under a confirmed Plan) may have under Section 506(c) of the Bankruptcy Code or otherwise. If any fact with respect to which the release is executed is found hereafter to be other than or different from a fact now believed by any party to be true, each party expressly accepts and assumes the risk of such possible difference in fact and agrees that the release shall be and remain effective notwithstanding such difference in facts.

CONDITIONS PRECEDENT:

The Settlement and its effectiveness shall be conditioned upon the satisfaction (or waiver in writing by the parties) of each of the following conditions precedent:

- The Debtors, the Committee and Regions Bank enter into the Definitive Settlement Agreement that provides for a settlement on the terms and conditions contained herein and such other terms and conditions as the parties may mutually agree upon in their discretion. The Definitive Settlement Agreement shall contain the releases and covenants not to sue with respect to all Settled Claims and a full and complete waiver of any surcharge rights under Section 506(c) of the Bankruptcy Code or otherwise.

- No later than August 1, 2011, the Court enters an order, in form and substance satisfactory to the Debtors, the Committee and Regions Bank, approving the transactions contemplated by the APA, providing that the order is immediately effective and that a Closing may occur without regard to any stay that otherwise would be effective with respect thereto under Bankruptcy Rules 6004(g) or 6006(d) or otherwise; conditioning the Closing upon the execution of the Definitive Settlement Agreement, Court approval of the Settlement and the effectiveness of the Settlement; and providing for the disbursement of all sums payable at any time under the APA (other than closing costs and fees payable to Morgan Joseph and the Additional Claims Amount) directly to Regions Bank, irrespective of when such proceeds are required to be distributed under the APA, for application by Regions Bank to its pre-petition and/or post-petition claims against the Debtor, in such order as Regions Bank may elect in its discretion.

- The APA in the form heretofore filed with the Court is not amended or otherwise modified, and no rights of any Debtor thereunder are waived, without the prior written consent of the Committee and Regions Bank, unless the amendment is non-material, does not reduce the cash amount or timing of payment of the Purchase Price under the APA and does not alter or reduce the aggregate amount of indebtedness of the Debtors that is assumed by the Buyer under the APA.

- The Closing under the APA occurs no later than September 1, 2011.

- No later than August 5, 2011, the Court enters an order, in form and substance satisfactory to the parties, approving the Settlement.

RESERVATION OF RIGHTS: Regions Bank reserves (and the Debtors and the Committee acknowledge and agree that it reserves) (i) all of its liens (by whomsoever granted), rights, remedies, powers and claims under the DIP Financing Order, the Pre-Petition Loan Documents and the DIP Financing Documents (as those terms are defined in the DIP Financing Order), including, without limitation, the Subordination Agreements, all guaranties and all third party pledge or security agreements, and (ii) all of its rights, remedies, powers and claims under other orders at any time entered by the Court; but Regions Bank does not reserve liens upon any of the Acquired Assets upon a Closing of the sale under the APA.

NO ADMISSIONS: Nothing herein (or in the Definitive Settlement Agreement) will be deemed to be an admission by Regions Bank of the existence or validity of any of the Settled Claims, all of which are disputed by Regions Bank, it being understood that the Settlement is in settlement of disputed claims solely in the interest of avoiding the cost, expense and uncertainty of litigation.

WITHDRAWAL OF STANDING MOTION: Effective upon the consummation of the Settlement, including Regions Bank's funding of the Settlement Amount upon Closing on the APA (with the exception of the Carve-Out Amount, as set forth above), the Committee shall promptly withdraw its motion that seeks standing to pursue certain claims against Regions Bank, such withdrawal shall be with prejudice, and the Stipulations (as defined in the DIP Financing Order) of the Debtor shall be binding upon the Committee and other interested parties in the Chapter 11 cases.

MISCELLANEOUS: The Definitive Settlement Agreement will be governed by and construed in accordance with the internal laws of the State of Georgia, and will contain a waiver of the right to trial by jury.

Nothing herein shall preclude Regions Bank from exercising or enforcing any of its rights, remedies, powers or privileges under the DIP Financing Order or the DIP Financing Documents (as defined in the DIP Financing Order).