

## ARTICLE V

### Indemnity, Subrogation and Subordination

SECTION 5.01. Indemnity and Subrogation .....	15
SECTION 5.02. Contribution and Subrogation .....	16
SECTION 5.03. Subordination .....	16

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## ARTICLE VI

### Miscellaneous

SECTION 6.01. Notices .....	17
SECTION 6.02. Rights Absolute.....	17
SECTION 6.03. Survival of Agreement .....	17
SECTION 6.04. Binding Effect; Several Agreement .....	17
SECTION 6.05. Successors and Assigns.....	18
SECTION 6.06. Administrative Agent's Fees and Expenses; Indemnification .....	18
SECTION 6.07. Administrative Agent Appointed Attorney-in-Fact .....	18
SECTION 6.08. Applicable Law .....	19
SECTION 6.09. Waivers; Amendment .....	19
SECTION 6.10. WAIVER OF JURY TRIAL .....	19
SECTION 6.11. Severability .....	20
SECTION 6.12. Counterparts .....	20
SECTION 6.13. Headings.....	20
SECTION 6.14. Jurisdiction; Consent to Service of Process .....	20
SECTION 6.15. Termination or Release .....	21
SECTION 6.16. Additional Guarantors.....	21
SECTION 6.17. Additional Grantors.....	22
SECTION 6.18. Right of Setoff.....	22

SCHEDULE I    Subsidiary Grantors

SCHEDULE II   Subsidiary Guarantors

EXHIBIT A    Form of Guarantee Supplement

EXHIBIT B    Form of Grantor Supplement

EXHIBIT C    Form of Perfection Certificate

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GUARANTEE AND COLLATERAL AGREEMENT dated as of June 20, 2014  
(this "Agreement"), among J. C. PENNEY COMPANY, INC. ("Holdings"), J. C.  
PENNEY CORPORATION, INC. (the "Parent Borrower"), J. C. PENNEY  
PURCHASING CORPORATION ("Purchasing"), the Subsidiaries of Holdings identified

on the signature pages hereof and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent for the Lenders and the Issuing Banks (each as defined in the Credit Agreement (as defined below)) (in such capacity, the “Administrative Agent”).

The Credit Agreement (defined below) is conditioned upon, among other things, the execution and delivery of this Agreement.

## ARTICLE I

### Definitions

SECTION 1.01. Credit Agreement. (a) Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Credit Agreement (as defined herein). All terms defined in the New York UCC (as defined herein) and not defined in this Agreement have the meanings specified therein; the term “instrument” shall have the meaning specified in Article 9 of the New York UCC.

(b) The rules of construction specified in Section 1.03 of the Credit Agreement also apply to this Agreement.

SECTION 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Accounts” means all Accounts of any Grantor.

“Agents” means the Administrative Agent, the Revolving Agent, the Term Agent, the LC Agent and the Co-Collateral Agents, as each such term is defined in the Credit Agreement.

“Collateral” has the meaning assigned to such term in Section 3.01.

“Collateral Report” means any certificate (including any Borrowing Base Certificate), report or other document delivered by any Grantor to the Administrative Agent or any Lender with respect to the Collateral pursuant to any Loan Document.

“Copyrights” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all copyright rights in any work subject to the copyright laws of the United States of America or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States of America or any other country, including

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registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office (or any similar office in any other country).

“Credit Agreement” means the Credit Agreement dated as of June 20, 2014, among Holdings, the Parent Borrower, Purchasing, the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent and revolving agent, Bank of America, N.A., as term agent, and the other agents thereunder.

“Excluded Asset” shall mean any asset of any Grantor excluded from the security interest hereunder by virtue of Section 3.01(b) hereof but only to the extent, and for so long as, so excluded thereunder.

“Existing Intercreditor Agreement” has the meaning given to it in the Credit Agreement.

“Governmental Authority” has the meaning given to it in the Credit Agreement.

“Grantors” means Holdings, the Parent Borrower, Purchasing and the Subsidiary Grantors.

“Guarantors” means Holdings, the Parent Borrower, Purchasing and the Subsidiary Guarantors.

“Intellectual Property” means all Patents, Copyrights, Trademarks and trade secrets.

“Inventory” means all inventory of any Grantor other than consignment inventory.

“Loan Document Obligations” has the meaning assigned to such term in the Credit Agreement.

“New York UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York.

“Obligations” has the meaning assigned to such term in the Credit Agreement.

“Parties” means the Grantors and the Guarantors.

“Patents” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all letters patent of the United States of America or the equivalent thereof in any other country, all registrations and recordings thereof, and all applications for letters patent of the United States of America or the equivalent thereof in any other country, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof.

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“Payment Intangibles” means payment intangibles arising from the sale of inventory or arising out of a credit card, debit card, prepaid card, or other payment card transaction.

“Perfection Certificate” means a certificate substantially in the form of Exhibit C, completed and supplemented with the schedules and attachments contemplated thereby, and duly executed by an executive officer or a Financial Officer of the Parent Borrower or the applicable Additional Grantor(s).

“Proceeds” has the meaning specified in Section 9-102 of the New York UCC.

“Secured Parties” has the meaning assigned to such term in the Credit Agreement.

“Security Interest” has the meaning assigned to such term in Section 3.01.

“Subsidiary Grantors” means (a) the Subsidiaries identified on Schedule I and (b) each Additional Grantor that becomes a party to this Agreement as contemplated by Section 6.17.

“Subsidiary Guarantors” means (a) the Subsidiaries identified on Schedule II and (b) each other Subsidiary that becomes a party to this Agreement as contemplated by Section 6.16.

“Subsidiary Parties” means the Subsidiary Grantors and the Subsidiary Guarantors.

“Term Loan Exclusive Collateral” has the meaning assigned to it in the Existing Intercreditor Agreement.

“Trademarks” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all trademarks, service marks, trade names, trade dress, logos and other similar source or business identifiers, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in any State of the United States of America or any other country or any political subdivision thereof, and all extensions or renewals thereof and (b) all goodwill connected with the use thereof or symbolized thereby.

## ARTICLE II

### Guarantee

SECTION 2.01. Guarantee. Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the due and punctual payment and performance of the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any

extension or renewal of any Obligation. Each of the Guarantors waives presentment to, demand of payment from and protest to any Loan Party of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment.

SECTION 2.02. Guarantee of Payment. Each of the Guarantors further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent or any other Secured Party to any security held for the payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent or any other Secured Party in favor of any Borrower, any Account Party or any other Person.

SECTION 2.03. No Limitations, Etc. (a) Except for termination of a Guarantor’s obligations hereunder as expressly provided in Section 6.15, the obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise, other than the defense of payment of such obligations in accordance with the terms thereof. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by (i) the failure of the Administrative Agent or any other Secured Party to assert any claim or demand or to enforce any right or remedy under the provisions of any Loan Document or otherwise; (ii) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of, any Loan Document or any other agreement, including with respect to any other Guarantor under this Agreement; (iii) the release of any security held by the Administrative Agent or any other

Secured Party for the Obligations or any of them; (iv) any default, failure or delay, willful or otherwise, in the performance of the Obligations; or (v) any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the payment in full of all the Loan Document Obligations (other than unasserted indemnification, tax gross up, expense reimbursement or yield protection obligations, in each case for which no claim has been made)). Each Guarantor expressly authorizes the Secured Parties to take and hold security for the payment and performance of the Obligations, to exchange, waive or release any or all such security (with or without consideration), to enforce or apply such security (in accordance with the Loan Documents) and direct the order and manner of any sale thereof in their sole discretion or to release or substitute any one or more other guarantors or obligors upon or in respect of the Obligations, in each case in accordance with the Loan Documents, all without affecting the obligations of any Guarantor (in its capacity as such) hereunder.

(b) To the fullest extent permitted by applicable law, each Guarantor waives any defense based on or arising out of any defense of any Loan Party or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Loan Party, other than the payment in full of all the Loan Document Obligations (other than unasserted indemnification, tax gross up, expense reimbursement or yield protection obligations, in each case for which no claim has been

made). The Administrative Agent and the other Secured Parties may, at their election, and in each case in accordance with the Loan Documents, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with any Loan Party or exercise any other right or remedy available to them against any Loan Party, without affecting or impairing in any way the liability of any Guarantor (in its capacity as such) hereunder except to the extent the Loan Document Obligations have been paid in full (other than unasserted indemnification, tax gross up, expense reimbursement or yield protection obligations, in each case for which no claim has been made). To the fullest extent permitted by applicable law, each Guarantor (in its capacity as such) waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against any Loan Party, as the case may be, or any security.

SECTION 2.04. Reinstatement. Each of the Guarantors agrees that its guarantee hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored to any Loan Party by the Administrative Agent or any other Secured Party upon the bankruptcy or reorganization of any Loan Party or otherwise.

SECTION 2.05. Agreement To Pay; Subrogation. In furtherance of the foregoing and not in limitation of any other right that the Administrative Agent or any other Secured Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of any Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Administrative Agent for distribution to the applicable Secured Parties in cash the amount of such unpaid Obligation. Upon payment by any Guarantor of any sums to the Administrative Agent as provided above, all rights of such Guarantor against such Loan Party or any other Guarantor arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subject to Article V.

SECTION 2.06. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of each Loan Party's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Administrative Agent or the other Secured Parties will have any duty to advise such Guarantor of information known to it or any of them regarding such circumstances or risks.

ARTICLE III  
Security Interest

SECTION 3.01. Security Interest. (a) As security for the payment or performance, as the case may be, in full of the Obligations, each Grantor hereby assigns and pledges to the Administrative Agent, its successors and assigns, for the ratable benefit of the

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Secured Parties, and hereby grants to the Administrative Agent, its successors and assigns, for the ratable benefit of the Secured Parties, a security interest (the "Security Interest") in, all of its right, title and interest in, to and under any and all of the following assets now owned or at any time hereafter acquired by such Grantor or in, to or under which such Grantor now has or at any time hereafter may acquire any right, title or interest (collectively, the "Collateral"):

- (i) all Accounts (other than Accounts that are identifiable proceeds of the sale or other disposition of Term Loan Exclusive Collateral);
- (ii) all Deposit Accounts and all cash credited thereto, including, without limitation, the Concentration Account and the Control Accounts and all cash credited thereto (other than any Deposit Account that contains solely the identifiable cash proceeds of property that was Term Loan Exclusive Collateral when such cash proceeds arose);
- (iii) all Inventory;
- (iv) all Payment Intangibles;
- (v) all books and records pertaining to any and/or all of the Collateral; and
- (vi) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all supporting obligations given by any Person with respect to the foregoing.

(b) Anything herein to the contrary notwithstanding, in no event shall the security interest granted under this Section 3.01 attach to and the term "Collateral" shall not include (A) any lease, license, contract or agreement to which any Grantor is a party (other than contracts between or among Holdings and its subsidiaries), and any of its rights or interest thereunder, if and to the extent that a security interest is prohibited by or in violation of (i) any law, rule or regulation applicable to such Grantor or any asset or property of any Grantor (with no requirement to obtain the consent of any Governmental Authority, including without limitation, no requirement to comply with the Federal Assignment of Claims Act or any similar statute), or (ii) a term, provision or condition of any such lease, license, contract or agreement (unless such law, rule, regulation, term, provision or condition would be rendered ineffective with respect to the creation of the security interest hereunder pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any

successor provision or provisions) of any relevant jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity); provided however that the Collateral shall include (and such security interest shall attach) immediately at such time as the contractual or legal prohibition shall no longer be applicable and to the extent severable, shall attach immediately to any portion of such lease, license, contract or agreement not subject to the prohibitions specified in (i) or (ii) above; provided further that the exclusions referred to in clause (A) of this Section 3.01(b) shall not include any Proceeds of any such lease, license, contract or agreement unless such Proceeds also constitute Excluded Assets; (B) any assets

the pledge of or granting a security interest in which would (i) violate any law, rule or regulation applicable to such Grantor (with no requirement to obtain the consent of any Governmental Authority) or (ii) require a consent, approval, or other authorization of a landlord or other third party, in the case of this subclause (ii) only, if such consent, approval or other authorization cannot be obtained after the use of commercially reasonable efforts by the Grantors (provided that there shall be no requirement to obtain the consent of any Governmental Authority); (C) any Deposit Accounts specifically and exclusively used (1) for payroll, payroll taxes, workers' compensation or unemployment compensation, pension benefits and other similar expenses to or for the benefit of any Grantor's employees and accrued and unpaid employee compensation (including salaries, wages, benefits and expense reimbursements), (2) as zero balance deposit accounts, (3) for trust or fiduciary purposes in the ordinary course of business and (4) for all taxes required to be collected or withheld (including, without limitation, federal and state withholding taxes (including the employer's share thereof), taxes owing to any governmental unit thereof, sales, use and excise taxes, customs duties, import duties and independent customs brokers' charges) for which any Grantor may become liable; (D) any other Excluded Accounts (as defined in the Credit Agreement); (E) any interest of a Grantor in any "Bank Property" (as defined in that certain Amended and Restated Consumer Credit Card Program Agreement dated November 5, 2009, by and between J. C. Penney Corporation, Inc. and GE Money Bank (as in effect on the date hereof, the "GE Agreement")); and (F) any assets, if in the reasonable judgment of the Administrative Agent and the Parent Borrower, the burden, cost or consequences of creating or perfecting such pledges or security interests in such assets shall be excessive in view of the benefits to be obtained by the Lenders therefrom.

(c) Each Grantor hereby irrevocably authorizes the Administrative Agent at any time and from time to time to file in any relevant jurisdiction any initial financing statements with respect to the Collateral or any part thereof and amendments thereto that (i) indicate the Collateral by any description that reasonably approximates the description of such Collateral contained in this Agreement and (ii) contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment, including whether such Grantor is an organization, the type of organization and any organizational identification number issued to such Grantor. Each Grantor agrees to provide such information to the Administrative Agent promptly upon request.

(d) Each Grantor also ratifies its authorization for the Administrative Agent to file in any relevant jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(e) The Security Interest is granted as security only and shall not subject the Administrative Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

SECTION 3.02. Representations and Warranties. The Grantors jointly and severally represent and warrant to the Administrative Agent and the other Secured Parties that:

(a) Each Grantor has good and valid rights in and title to the Collateral with respect to which it has purported to grant a Security Interest hereunder and has full power and authority to grant to the Administrative Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained.

(b) The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name of each Grantor, is correct and complete as of the date hereof. The Uniform Commercial Code financing statements or other appropriate filings, recordings or registrations containing a description of the Collateral that have been prepared by the Administrative Agent based upon the information provided to the Administrative Agent in the Perfection Certificate for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate, as modified, delivered, prepared or supplemented from time to time pursuant to the Credit Agreement (or specified by notice from the Parent Borrower to the Administrative Agent after the date hereof in the case of filings, recordings or registrations required by Section 5.03(a), 5.11 or 5.12 of the Credit Agreement), are all the filings, recordings and registrations that are necessary to establish a legal, valid and perfected security interest in favor of the Administrative Agent (for the ratable benefit of the Secured Parties) in respect of all Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and, to the extent applicable, the Commonwealth of Puerto Rico, and no further or subsequent filing, refile, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements.

(c) The Security Interest constitutes (i) a legal and valid security interest in all the Collateral securing the payment and performance of the Obligations and (ii) subject to the filings described in Section 3.02(b), a perfected security interest in all Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and, to the extent applicable, the Commonwealth of Puerto Rico pursuant to the Uniform Commercial Code or other applicable law in the United States (or any political subdivision thereof) and, to the extent applicable, the Commonwealth of Puerto Rico. The Security Interest is and shall be prior to any other Lien on any of the Collateral, other than Permitted Encumbrances that have priority as a matter of law and Liens expressly permitted pursuant to clauses (c) and (h) of Section 6.02 of the Credit Agreement.

(d) The Collateral is owned by the Grantors free and clear of any Lien, other than involuntary Permitted Encumbrances, Specified Involuntary Liens securing obligations not in excess of \$20,000,000 at any time and Liens expressly permitted pursuant to clauses (a), (c), (g), (h) and (m) of Section 6.02 of the Credit Agreement. None of the Grantors has filed or consented to the filing of (i) any financing statement or analogous document under the Uniform Commercial Code or any other applicable laws covering any Collateral except any such filings made pursuant to the GE Agreement, or (ii) any assignment in which any Grantor assigns any Collateral or any security agreement or similar

instrument covering any Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for involuntary Permitted Encumbrances, Specified Involuntary Liens securing obligations not in excess of \$20,000,000 at



any time and Liens expressly permitted pursuant to clauses (a), (c), (g), (h) and (m) of Section 6.02 of the Credit Agreement.

(e) To the knowledge of each Grantor, (i) each Grantor owns, licenses or otherwise has the rights to use, all Patents, Trademarks, Copyrights or other Intellectual Property material to the preparing for sale or sale of the Inventory, (ii) the use thereof by each Grantor for any such purpose does not infringe upon the rights of any other Person and (iii) no such Intellectual Property (other than Intellectual Property rights granted to such Grantor under license agreements with third parties) is subject to any Lien or other restriction (other than (A) any such Lien or other restriction with respect to which a waiver or release has been obtained or (B) any such Lien or restriction permitted under the Credit Agreement), in each case except to the extent (1) of any defects in ownership or licenses and any such infringements that, individually or in the aggregate, would not result in a Material Adverse Effect or (2) that the failure to have such rights, such infringement or such Lien or restriction would not materially adversely affect the exercise of the Administrative Agent's rights with respect to such Intellectual Property to prepare for sale or to sell any Inventory under Article IV.

(f) Notwithstanding the foregoing, the representations and warranties set forth in this Section as to perfection and priority of the Security Interest in Proceeds are limited to the extent provided in Section 9-315 of the Uniform Commercial Code.

SECTION 3.03. Covenants. (a) Each Grantor agrees to maintain, at its own cost and expense, such complete and accurate records with respect to the Collateral owned by it as is in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged, but in any event to include accounting records indicating all payments and proceeds received with respect to any part of the Collateral, and, at such time or times as the Administrative Agent may reasonably request, promptly to prepare and deliver to the Administrative Agent a duly certified schedule or schedules in form and detail reasonably satisfactory to the Administrative Agent showing the identity, amount and location of any and all Inventory.

(b) (i) Each Grantor shall, at its own expense, take any and all commercially reasonable actions to defend title to the Collateral against all Persons and to defend the Security Interest of the Administrative Agent in the Collateral and the priority thereof against any Lien other than involuntary Permitted Encumbrances, Specified Involuntary Liens securing obligations not in excess of \$20,000,000 at any time and Liens expressly permitted by clauses (a), (c), (g), (h) and (m) of Section 6.02 of the Credit Agreement (and, in the case of the priority of the Security Interest of the Administrative Agent, other than Permitted Encumbrances that have priority as a matter of law, Specified Involuntary Liens securing obligations not in excess of \$20,000,000 at any time and those Liens expressly permitted pursuant to clauses (c) and (h) of Section 6.02 of the Credit Agreement).

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(ii) Each Grantor shall, at its own expense, use commercially reasonable efforts to cause each bill of lading (or similar electronic document referring to the goods represented by such bill of lading) to bear the following legend:

THE GOODS REFERENCED IN THIS [BILL OF LADING] ARE SUBJECT TO THE LIEN OF WELLS FARGO BANK, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT.

(c) Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Administrative Agent may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including paying any fees and taxes required in connection with the execution and delivery of this

Agreement, the granting of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith. Without limiting the foregoing, at any time there is a Cash Dominion Period, upon the request of Administrative Agent, each Grantor shall promptly give a written notice to the credit card processors used by such Grantor of the arrangements under the Credit Agreement (provided, that, foregoing shall not be construed to include the arrangements under the GE Agreement), providing for the payment of the amounts owing from such processor to a Control Account, limiting the right to change where payments are made without the approval of Administrative Agent and with such other terms and conditions as Administrative Agent may reasonably require.

(d) At its option, the Administrative Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement or this Agreement, and may pay for the maintenance and preservation of the Collateral to the extent any Grantor fails to do so as required by the Credit Agreement or this Agreement, and each Grantor jointly and severally agrees to reimburse the Administrative Agent on demand for any payment made or any expense incurred by the Administrative Agent pursuant to the foregoing authorization; provided that nothing in this paragraph shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Administrative Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents. The Administrative Agent will give notice to the Parent Borrower of any exercise of the Administrative Agent's rights or powers pursuant to this paragraph (d); provided that any failure to give or delay in giving such notice shall not operate as a waiver of, or preclude any other or further exercise of, such rights or powers or the exercise of any other right or power pursuant to this Agreement.

(e) Each Grantor shall remain liable to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral, all in accordance with the terms and conditions thereof, to the same extent as if the Security Interest had not been granted to the

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Administrative Agent in the Collateral, and each Grantor jointly and severally agrees to indemnify and hold harmless the Administrative Agent and the Secured Parties from and against any and all liability for such performance.

(f) None of the Grantors shall (i) make or permit to be made a pledge or hypothecation of the Collateral or (ii) grant any other Lien in respect of the Collateral, except as expressly permitted by the Credit Agreement. None of the Grantors shall make or permit to be made any transfer of the Collateral, except that, unless and until the Administrative Agent shall notify the Grantors that an Event of Default shall have occurred and be continuing and that during the continuance thereof the Grantors shall not sell, convey, lease, assign, transfer or otherwise dispose of any Collateral (which notice may be given by telephone if promptly confirmed in writing), the Grantors may use and dispose of the Collateral in any lawful manner not inconsistent with the provisions of this Agreement, the Credit Agreement or any other Loan Document.

(g) The Grantors, at their own expense, shall maintain or cause to be maintained insurance covering physical loss or damage to the Collateral in accordance with the requirements set forth in Section 5.07 of the Credit Agreement. Each Grantor irrevocably makes, constitutes and appoints the Administrative Agent (and all officers, employees or agents designated by the Administrative Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, during the continuance of an Event of Default, of (i) making, settling and adjusting claims in respect of Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other