IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
HOME PRODUCTS INTERNATIONAL, INC., HOME PRODUCTS INTERNATIONAL – NORTH AMERICA, INC.,	Case Nos. 06- 11457 (CSS) and 06- 11458 (CSS) (Joint Administration Proposed)
Debtors.	~~Hon.~~ Docket No. 18

STIPULATION AND INTERIM ORDER (I) AUTHORIZING SECURED POST-PETITION FINANCING ON A SUPERPRIORITY BASIS PURSUANT TO 11 U.S.C. § 364, (II) AUTHORIZING USE OF CASH COLLATERAL PURSUANT TO 11 U.S.C. §§ 363 AND 364, (III) GRANTING ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 363 AND 364, AND (IV) SCHEDULING A FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001(C)

Upon the emergency motion (the "Motion") dated December 20, 2006 of Home Products International, Inc. ("Parent") and Home Products International – North America, Inc. ("HPI-NA") the debtors and debtors-in-possession (collectively, the "Debtors" or "Borrower"), (a) seeking this Court's authorization pursuant to Sections 363(c), 364(c)(1), 364(c)(2), 364(c)(3) and 364(d)(1) of Title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (as amended, the "Bankruptcy Code") and Rules 2002, 4001(c) and 9014 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy Rules"), for the Debtors, inter alia, (i) to obtain secured post-petition financing (the "Post-Petition Financing") up to an aggregate principal amount not to exceed $60,000,000 from Bank of America, N.A., as the Agent and Lender (the "Agent" or "Lender"), (ii) to grant the Lender, pursuant to Bankruptcy Code §§ 364(c) and 364(d), security interests in all of the Debtors' presently owned and after-acquired personal property and Pre-Petition Collateral (as defined below) and (iii) grant the Lender, pursuant to Bankruptcy Code § 364(c)(1), priority in payment with respect to such obligations over any and all

administrative expenses of the kinds specified in Bankruptcy Code §§ 503(b) and 507(b), other than in respect of the Carve-Out (as defined below) and the Avoidance Actions (as defined below) in which Lender will not have a security interest; (b) seeking this Court's authorization, pursuant to Bankruptcy Code § 363(c), to use Cash Collateral (as defined below) and, pursuant to Bankruptcy Code §§ 361, 363(e) and 364(d), to provide adequate protection to the Lender with respect to any diminution in the value of the Lender's interest in the Pre-Petition Collateral (as defined below) resulting from the priming liens and security interests to be granted herein pursuant to Bankruptcy Code § 364(d) to secure the Post-Petition Financing, the use of Cash Collateral, the use, sale or lease of the Pre-Petition Collateral (other than Cash Collateral) and the imposition of the automatic stay pursuant to Bankruptcy Code § 362(a); (c) seeking a preliminary hearing (the "Preliminary Hearing") on the Motion to consider entry of an interim order pursuant to Bankruptcy Rule 4001; and (d) requesting that a final hearing (the "Final Hearing") be scheduled, and that notice procedures in respect of the Final Hearing be established by this Court to consider entry of a final order authorizing on a final basis, inter alia, the Post-Petition Financing and the use of Cash Collateral (this "Order"); the Preliminary Hearing having been held before this Court; notice of the Motion and the Preliminary Hearing having been given pursuant to Rule 4001(c) to (i) the office of the United States Trustee, (ii) counsel to the Lender, (iii) the creditors holding the 20 largest unsecured claims against the Debtors on a consolidated basis, (iv) counsel for the Ad Hoc Committee (as defined herein), and (v) all other known parties who filed financing statements or have a lien on or security interest in the Debtors' assets or property; and upon the entire record made at the Preliminary Hearing, and this Court having found good and sufficient cause appearing therefore,

THE DEBTORS AND THE LENDER STIPULATE, AND THE COURT FINDS AND CONCLUDES THAT:

A. On December 20, 2006 (the "Petition Date"), the Debtors each filed voluntary petitions for relief with this Court under Chapter 11 of the Bankruptcy Code (these "Chapter 11 Cases"). The Debtors are continuing in possession of their property, and operating and managing their businesses as a debtors-in-possession pursuant to Bankruptcy Code §§ 1107 and 1108.

B. This Court has jurisdiction over these Chapter 11 Cases and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2).

C. Without prejudice to the rights of any other party (but subject to the limitations thereon described below in Paragraph 25), the Debtors acknowledge and stipulate that from time to time prior to the Petition Date, the Lender loaned money to or for the benefit of the Debtors, pursuant to the terms and conditions of that certain Amended and Restated Loan and Security Agreement dated as of December 14, 2004, as amended from time to time, including by that certain First Amendment to the Amended and Restated Loan and Security Agreement dated as of December 21, 2005 (collectively, the "Loan Agreement"), and as further documented, recorded and evidenced by various other agreements, instruments, financing statements and documents entered into in connection with the Loan Agreement, including, without limitation, that certain Amended and Restated Revolving Credit Note dated December 14, 2004, and that certain Amendment and Reaffirmation of Guaranty and Pledge Agreement dated December 14, 2004, all

as may have been amended, modified or restated from time to time (collectively, including the Loan Agreement, the "Lender Pre-Petition Agreements"):[1]

D. Without prejudice to the rights of any other party (but subject to the limitations thereon described below in Paragraph 25), the Debtors acknowledge and stipulate that, in accordance with the terms of the Lender Pre-Petition Agreements, the Debtors are indebted to the Lender, without defense, counterclaim or offset of any kind, and that as of December 15, 2006, (i) the Debtors were liable to the Lender in respect of loans made pursuant to the Lender Pre-Petition Agreements in the aggregate principal amount of approximately $36,475,000 (exclusive of interest and fees accrued and unpaid thereon and other costs, expenses and indemnities) (the "Pre-Petition Loan Indebtedness"), (ii) the Debtors were liable to the Lender for letters of credit issued pursuant to the Loan Agreement and the other Lender Pre-Petition Agreements, which remained outstanding as of the Petition Date in the aggregate face amount of approximately $2,725,000.00 (exclusive of fees accrued and unpaid thereon and other costs, expenses and indemnities) (the "Pre-Petition L/C Indebtedness"), and (iii) pursuant to the Lender Pre-Petition Agreements, the Debtors were liable to the Lender for accrued and unpaid interest, commitment fees, attorneys' and advisors' fees, other out-of-pocket expenses, costs and indemnities (collectively, subsections (i), (ii) and (iii) of this paragraph are the "Pre-Petition Indebtedness").

E. Without prejudice to the rights of any other party (but subject to the limitations thereon described below in Paragraph 25), the Debtors acknowledge and stipulate that under the Lender Pre-Petition Agreements and as security for repayment of the Pre-Petition Indebtedness,

[1] Capitalized terms not otherwise defined herein shall have the definitions set forth in the Lender Pre-Petition Agreements.

HPI-NA granted to the Lender security interests in, and liens upon, substantially all of its assets and the proceeds thereof, and Parent pledged 100% of the stock of HPI-NA and up to 65% of the stock of any foreign subsidiary, as more fully described in the Lender Pre-Petition Agreements, which are incorporated herein by reference (collectively, including Cash Collateral (as defined below), the "Pre-Petition Collateral").

F. Without prejudice to the rights of any other party (but subject to the limitations thereon described below in Paragraph 25), the Debtors acknowledge and stipulate that the Lender's security interests in and liens on the Pre-Petition Collateral were properly perfected and are valid and enforceable first priority liens on and security interests in the Pre-Petition Collateral (excluding any stock of any foreign subsidiary in excess of 65% or any property or interest in property located in jurisdictions other than the United States). The Debtors further acknowledge that their cash constitutes proceeds of the Pre-Petition Collateral and, therefore, is cash collateral of the Lender within the meaning of Bankruptcy Code § 363(a) ("Cash Collateral"). The Lender is entitled, pursuant to Bankruptcy Code §§ 361 and 363(e), to adequate protection of its interests in the Pre-Petition Collateral, including for the use of Cash Collateral, the use, sale or lease of the Pre-Petition Collateral other than Cash Collateral, and for the imposition of the automatic stay.

G. The Debtors do not have sufficient available sources of working capital and financing to operate their businesses in the ordinary course of business or operate their businesses and maintain their property in accordance with state and federal law without the Post-Petition Financing and the use of Cash Collateral. The Debtors' ability to maintain business relationships with their vendors, suppliers and customers, to pay their employees and otherwise finance their operations, is essential to the Debtors' continued viability. In addition, the Debtors' need for financing is immediate. In the absence of the Post-Petition Financing and the use of

Cash Collateral, the continued operation of the Debtors' businesses would not be possible, and serious and irreparable harm to the Debtors and their estates would occur. The preservation, maintenance and enhancement of the going concern value of the Debtors are of the utmost significance and importance to a successful reorganization of the Debtors under Chapter 11 of the Bankruptcy Code.

H. Given the Debtors' current financial condition, financing arrangements and capital structure, the Debtors cannot obtain unsecured credit allowable under Bankruptcy Code § 503(b)(1) as an administrative expense. Financing on a post-petition basis is not otherwise available without the Debtors (i) granting, pursuant to Bankruptcy Code § 364(c)(1), claims having priority over any and all administrative expenses of the kinds specified in Bankruptcy Code §§ 503(b) and 507(b), other than as described below in respect of the Carve-Out (as defined below) and the Avoidance Actions in which the Lender will not have a security interest, (ii) securing, pursuant to Bankruptcy Code §§ 364(c) and (d), such indebtedness and obligations with security interests in and liens on all of the Debtors' personal property, real property and the Pre-Petition Collateral as described below, other than as described below in respect of the Carve-Out and the Avoidance Actions in which the Lender will not have a security interest and (iii) providing for adequate protection of the Lender's interests as described below.

I. Notice of the Preliminary Hearing and the relief requested in the Motion has been given to (i) the Office of the United States Trustee, (ii) counsel to the Lender, (iii) the creditors holding the 20 largest unsecured claims against the Debtors on a consolidated basis, (iv) counsel for the Ad Hoc Committee (as defined herein), and (v) all other known parties who filed financing statements or have a lien on or security interest in the Debtors' assets or property. Notice of the Preliminary Hearing and the relief requested in the Motion has been given pursuant

to Bankruptcy Code §§ 102(1), 364(c) and 364(d) and Bankruptcy Rules 2002 and 4001(c), and no other notice need be given.

J. At the Preliminary Hearing, the court considered representations made by counsel, offers of proof, and/or testimony regarding:

a. the negotiations pertaining to this Order;

b. the necessity for this Order;

c. the events leading up to the filing of these Chapter 11 Cases by the Debtors;

d. The Debtors' need for credit to the extent necessary to avoid immediate and irreparable harm to their estates, pending a final hearing in accordance with Bankruptcy Rule 4001(c); and

e. those expenses necessary to avoid immediate and irreparable harm to their estates.

K. Based on the record presented to the Court by the Debtors at the Preliminary Hearing, the Post-Petition Financing has been negotiated in good faith and at arm's length between the Debtors and the Lender, and any credit extended, and loans made to the Debtors pursuant to the Lender Pre-Petition Agreements shall be deemed to have been extended, issued or made, as the case may be, in good faith by the Lender as required by, and within the meaning of, Bankruptcy Code § 364(e).

L. Based on the record presented to the Court by the Debtors at the Preliminary Hearing, the terms of the Post-Petition Financing appear to be fair and reasonable, are ordinary and appropriate for secured financing to debtors-in-possession, reflect the Debtors' exercise of

prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

M. The Debtors have requested immediate entry of this Order pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2). The permission granted herein to enter into the Post-Petition Financing and obtain funds thereunder, and to use Cash Collateral, is necessary to avoid immediate and irreparable harm to the Debtors. This Court concludes that entry of this Order is in the best interest of the Debtors' estates and creditors as their implementation will, among other things, provide the Debtors with the necessary liquidity to sustain the operation of the Debtors' businesses and enhance the Debtors' prospects for successful reorganization.

N. The transactions contemplated by the Post-Petition Financing are not intended to provide the Lender with sufficient control over the Debtors so as to subject the Lender to any liability (including, without limitation, environmental liability as an "owner," "operator," or "responsible person" as those terms are used in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorizations Act of 1986) in connection with the management of the Debtors' business or any of the Debtors' properties.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, EFFECTIVE IMMEDIATELY, AND AGREED AMONG THE PARTIES HERETO THAT:

1. The Motion is granted, subject to the terms and conditions set forth in this Order.

2. The Debtors are hereby authorized to obtain the Post-Petition Financing, to use Cash Collateral, and additionally to borrow money and seek other financial accommodations from the Lender after the Petition Date pursuant to the terms and conditions of

this Order and the Lender Pre-Petition Agreements, as modified hereby. Prior to the Court's entry of a Final Order authorizing the Debtors to continue to obtain the Post-Petition Financing set forth herein, the Lender shall be authorized to advance such funds constituting Post-Petition Financing as are necessary to avoid immediate and irreparable harm to the Debtors' estates, as limited by the Budget set forth in Paragraph 11 of this Order and subject to the terms and conditions of the Lender Pre-Petition Agreements. The Debtors are authorized to use the proceeds of any loans ("Loans") made under the Post-Petition Financing, to use Cash Collateral and other Collateral (as defined below) in the operation of the Debtors' business (all such Loans, and use of Cash Collateral and other Collateral (as defined below) collectively shall constitute, the "Post-Petition Indebtedness"); provided, that (i) the proposed Loans or use of Cash Collateral are consistent with the terms of the Lender Pre-Petition Agreements and this Order and will only be used to pay when due expenses set forth in the Budget (as defined below), and (ii) any requested Post-Petition Financing is necessary after the application of available Cash Collateral.

3. During the term of this Order, the terms of the Lender Pre-Petition Agreements shall continue in full force and effect with respect to the Loans and other advances under the Post-Petition Financing except as otherwise modified herein. The Loan Agreement is hereby amended, effective on the date that this Order is entered by the Bankruptcy Court, as set forth in Exhibit "A" attached hereto and incorporated by reference herein.

4. In accordance with Bankruptcy Code § 364(c)(1), subject to Paragraph 6 hereof, the Post-Petition Indebtedness shall constitute claims (excluding against any right to payment from Avoidance Action in which Lender will not have a security interest or proceeds thereof, the "Superpriority Claims") with priority in payment over any and all administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code,

including, without limitation, Bankruptcy Code §§ 105, 326, 328, 330, 331, 503(b), 507(a), 507(b) and 726, and shall at all times be senior to the rights of the Debtors, and any successor trustee or any creditor in these Chapter 11 Cases or any subsequent proceedings under the Bankruptcy Code. Subject only to the Carve-Out, no cost or expense of administration under Bankruptcy Code §§ 105, 364(c)(1), 503(b), 507(b) or otherwise, including those resulting from the conversion of any of these Chapter 11 Cases pursuant to Bankruptcy Code § 1112, shall be senior to, or pari passu with, the Superpriority Claims of the Lender arising out of the Post-Petition Indebtedness.

5. As security for the Post-Petition Indebtedness, the Lender shall have and is hereby granted (effective upon the date of this Order and without the necessity of the recordation of mortgages, security agreements, pledge agreements, assignments, control agreements, financing statements or otherwise), valid and perfected security interests in, and liens on (collectively, the "Liens"), all assets of the Debtors of any nature whatsoever and wherever located, tangible or intangible, whether now or hereafter acquired, including, without limitation, accounts, monies, (including causes of action and any avoidance actions under Bankruptcy Code §§ 544, 545, 547, 548, 549, 550 or 553 and the proceeds thereof but only to the extent (a) of the Post-Petition Indebtedness, (b) that the aggregate value of the Collateral granted to Lender as security is less than the value of the Pre-Petition Collateral as of the Petition Date, and (c) effective as of the entry of the Final Order (the "Avoidance Actions")), chattel paper, commercial tort claims, deposit accounts, insurance (and all interest in and claims thereunder), inventory, instruments, investment property, deposits, documents, equipment, financial assets, fixtures, general intangibles, goods, letter of credit rights, real property, supporting obligations, and any and all proceeds of the foregoing and a 100% pledge of any of the capital stock of the

Debtors' domestic subsidiaries and up to 65% of the Debtors' foreign subsidiaries, leases and all substitutions thereto, accessions, rents and proceeds of the foregoing, wherever located, including insurance and other proceeds (collectively, with all proceeds and products of any or all of the foregoing and including the Pre-Petition Collateral, the "Collateral"):

a. pursuant to Bankruptcy Code § 364(c)(2), but subject to the Carve-Out and except for the Avoidance Actions in which the Lender will not have a security interest, a first priority, perfected Lien upon all of the Debtors' right, title and interest in, to and under all Collateral that is not otherwise encumbered by a validly perfected security interest or lien senior to the Liens of the Lender on the Petition Date;

b. pursuant to Bankruptcy Code § 364(d)(1), but subject to the Carve-Out and except for the Avoidance Actions in which the Lender will not have a security interest, a first priority, senior perfected Lien upon all of the Debtors' right, title and interest in, to and under the Pre-Petition Collateral, provided that such first priority senior Lien shall be subject to any prior liens of third parties that exist pursuant to law which were properly perfected and senior to the Liens of the Lender prior to the Petition Date, including, without limitation, such "Permitted Liens" as defined in the Loan Agreement ("Prior Permitted Liens"); and

c. pursuant to Bankruptcy Code § 364(c)(3), but subject to the Carve-Out and except for the Avoidance Actions in which the Lender will not have a security interest, a second priority, junior perfected Lien upon all of the Debtors' right, title and interest in, to and under all other Collateral which is subject to Prior Permitted Liens to the extent such perfection in respect of a Pre-Petition Date claim is expressly permitted under the Bankruptcy Code.

Except to the extent expressly set forth in clause (c) of this paragraph and Paragraph 6 hereof, the Liens granted pursuant to this Order and the Lender Pre-Petition Agreements to the Lender to

secure the Post-Petition Indebtedness shall not be subordinated to or made pari passu with any other lien or security interest. The provisions of any intercreditor agreements or subordination agreements which subordinate liens and security interests to the liens and security interests of the Lender or other indentures which subordinate any claims to the claims of the Lender shall remain in full force and effect and shall continue with respect to the liens and security interests granted to the Lender in the Collateral.

6. Any provision of this Order or the Lender Pre-Petition Agreements to the contrary notwithstanding, the Liens and Superpriority Claims granted to the Lender pursuant to the Lender Pre-Petition Agreements and this Order shall be subject and subordinate to a carve-out (the "Carve-Out") for (a) following the occurrence and during the pendency of a Default or an Event of Default (as each such term is defined in the Lender Pre-Petition Agreements or in this Order), the payment of allowed professional fees and disbursements incurred by the professionals retained by the Debtors and any statutory committee pursuant to Bankruptcy Code §§ 327 or 1103(a)(the "Committee"), and the legal and financial advisors retained by the ad hoc committee of noteholders formed prior to the Petition Date whose members hold, in aggregate, greater than a majority of outstanding notes issued by the Debtors (the "Ad Hoc Committee")(collectively, the "Carve-out Professionals") in an aggregate amount not to exceed two million dollars ($2,000,000) less the amounts paid to such professionals in this case (other than payments by application against retainers funded by the Debtors prior to the Petition Date); and (b) quarterly fees required to be paid pursuant to 28 U.S.C. § 1930(a)(6) and any fees payable to the Clerk of the Bankruptcy Court; provided, however, following the earlier of the expiration of the Term or the Termination Date (as such terms are defined hereinafter), any Cash Collateral in the possession of the Debtors at such time shall not be subject to the

Carve-Out, but any professional fee incurred after the Petition Date and prior to the Termination Date shall remain subject to the Carve-Out. The aggregate amount of the Carve-Out shall be deemed to be secured by a first priority lien upon the Collateral pursuant to Bankruptcy Code § 364(d). The Debtors or any Committee, including the Ad Hoc Committee if no statutory committee is appointed, shall have the right to use up to a total of $75,000 of the Post-Petition Financing and/or Cash Collateral to investigate the extent, validity and priority of the liens and obligations under the Lender Pre-Petition Agreements and to investigate any release of claims or causes of action against Lender. Except as provided in the preceding sentence with respect to the investigation of the extent, validity and priority of liens and obligations under the Lender Pre-Petition Agreements, the Carve-Out shall not include professional fees and disbursements incurred in connection with asserting any claims or causes of action against the Lender and/or challenging or raising any defense to the Pre-Petition Indebtedness or the liens of the Lender. In addition, except as expressly provided herein, no Loans, Collateral, Cash Collateral, or any portion of the Carve-Out or the retainers of professionals that exist as of the Petition Date may be used to object to or contest in any manner, or raise any defenses to, the amount, validity, perfection, priority, extent or enforceability of the Pre-Petition Indebtedness or the liens securing the Pre-Petition Indebtedness, or to investigate or assert any claims or causes of action against the Lender. Agent shall have a right to establish and maintain a reserve for the Carve-Out. Payments made by the Debtors to professionals retained by the Ad Hoc Committee shall be paid at the times and up to the amounts as set forth in the Budget, subject to the other terms hereof, on a provisional basis, subject to final approval of such amounts and payments thereof upon entry of further order of court approving a plan of reorganization or other order of court.

7. Immediately upon entry of this Order, the Debtors are hereby authorized to use the Collateral and Cash Collateral, provided the Lender is granted adequate protection for any diminution in the value of the Collateral resulting from (i) the liens and security interests granted by the Post-Petition Financing and this Order or otherwise pursuant to Bankruptcy Code § 364(d), (ii) the Debtors' use of Cash Collateral pursuant to Bankruptcy Code § 363(c), (iii) the use, sale or lease of the Collateral (other than Cash Collateral) pursuant to Bankruptcy Code § 363(c) and (iv) the imposition of the automatic stay pursuant to Bankruptcy Code § 362(a):

a. the Lender shall be and hereby is granted (effective upon the date of this Order and without the necessity of the execution by the Debtors of mortgages, security agreements, pledge agreements, financing statements or otherwise), valid and perfected, replacement security interests in, and liens on (the "Replacement Liens"), all of the Debtors' right, title and interest in, to and under the Collateral, subject only to (x) the Carve-Out, (y) the Liens granted pursuant to this Order and the Lender Pre-Petition Agreements to the Lender to secure the Post-Petition Indebtedness and (z) any Prior Permitted Liens (after giving effect to this Order) prior in interest and senior to the Liens granted to the Lender pursuant to this Order and the Lender Pre-Petition Agreements; and

b. the Lender shall be and hereby is granted, pursuant to Bankruptcy Code § 364(c)(1), Superpriority Claims, junior only to (x) the Superpriority Claims granted pursuant to this Order to the Lender in respect of the Post-Petition Financing and (y) the Carve-Out.

8. Under the circumstances, the adequate protection provided herein is reasonable and sufficient to protect the interests of the Lender; provided, however, that nothing herein contained shall affect or impair the Lender's right to seek additional adequate protection

of its interests. Notwithstanding any other provision hereof, the grant of adequate protection to the Lender pursuant hereto is without prejudice to the holders of any Prior Permitted Liens to seek modification of the grant of adequate protection provided hereby so as to provide different or additional adequate protection, and without prejudice to the right of the Debtors or any other party in interest to contest any such modification.

9. Except as set forth in Paragraph 5 and 6 hereof, the Liens and Replacement Liens shall be prior and senior to all liens and encumbrances (other than the Carve-Out and Prior Permitted Liens) of all other secured creditors in and to such Collateral granted, or arising, after the Petition Date (including, without limitation, liens and security interests, if any, granted in favor of any federal, state, municipal or other governmental unit, commission, board or court for any liability of the Debtors). Other than the Carve-Out, effective upon entry of an order granting the Motion at the Final Hearing, the Debtors shall not assert a claim under Bankruptcy Code § 506(c) for any costs and expenses incurred in connection with the preservation, protection or enhancement of, or realization by the Lender upon the Collateral. The Liens and Replacement Liens granted pursuant to this Order shall constitute valid and duly perfected security interests and liens, and the Lender shall not be required to file or serve financing statements, notices of lien or similar instruments in respect of the Pre-Petition Indebtedness which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens; and the failure by the Debtors to execute any documentation relating to the Liens or Replacement Liens shall in no way affect the validity, perfection or priority of such Liens or Replacement Liens. If, however, the Lender at its sole discretion shall determine to file any such financing statements, notices of lien or similar instruments, or to otherwise confirm perfection of

such Liens or Replacement Liens, the Debtors are directed to cooperate with and assist in such process, the stay imposed by Bankruptcy Code § 362(a) is hereby lifted to allow the filing and recording of a certified copy of this Order or any such financing statements, notices of lien or similar instruments, and all such documents shall be deemed to have been filed or recorded at the time of and on the date of this Order.

10. Proceeds or payments received by the Lender with respect to the Collateral upon which the Lender had security interests or liens shall be applied by the Lender as follows:

a. first, to the payment of all costs, fees and expenses, including attorneys' fees of the Lender;

b. second, to the payment of Pre-Petition Indebtedness consisting of accrued and accruing interest;

c. third, to the payment of Pre-Petition Indebtedness consisting of principal;

d. fourth, to the payment of Post-Petition Indebtedness including all accrued and accruing interest, costs and expenses, including attorneys' fees; and

e. fifth, to the payment of the Post-Petition Indebtedness consisting of principal.

If, in the course of these Chapter 11 Cases, and contrary to the above provisions, the Court grants liens or security interests to others pursuant to Bankruptcy Code § 364(d) or any other provision of the Bankruptcy Code, which liens or security interests are senior or equal to the liens or security interests of the Lender in the Collateral described above (collectively, "Subsequent Liens"), ~~then any proceeds of loans or extensions of credit secured by such Subsequent Liens~~

~~shall be applied first to payment of the Pre-Petition Indebtedness, including all attorneys' fees, costs and expenses, and~~ the Lender shall retain all liens and security interests held by it on the Collateral until all of the Pre-Petition Indebtedness and the Post-Petition Indebtedness is paid in full ~~and then to the Post-Petition Indebtedness.~~

11. Attached hereto as Exhibit B is a rolling thirteen (13) week Budget (the "Budget") for the period from December 18, 2006 through and including March 2, 2007, which has been consented to by the Lender. The Budget reflects anticipated cash receipts and expenditures on a weekly basis and includes all necessary and required expenses which Debtors expects to incur during each month of the Budget. The Debtors shall be authorized to use the proceeds of the Post-Petition Indebtedness and the Collateral only for payment of such items as is set forth in the Budget and subject to the terms and conditions set forth in the Lender Pre-Petition Agreements and this Order. Subject to the consent of the Lender each month, the Budget may be revised without further notice or order of court, except notice to the United States Trustee, any statutory committee and the Ad Hoc Committee. Delivered as of the Monday of each week, the Debtors shall provide to the Lender with a variance report reflecting (i) the actual receipts and disbursements for the preceding week and (ii) the percentage variance (the "Variance Percent") of actual disbursements from those reflected in the Budget for that period; provided, however, that the Variance Percentage shall be reflected on a cumulative basis from the Petition Date for the immediately preceding 4-week period (or such shorter period for the first four weeks after the Petition Date)(each period, a "Variance Period") and shall be calculated based on total disbursements for such Variance Period. Any disbursement by the Debtors other than for budgeted amounts as set forth in the Budget (subject to the Variance Percent) shall constitute an Event of Default in accordance with the provisions of this Order unless the Lender

consents to those changes in writing; provided, however, that the Debtors may make payments in excess of the total budgeted disbursements so long as the Variance Percent of the aggregate of all actual disbursements for each Variance Period does not exceed the Budget amounts by more than twenty percent (20%) for such Variance Period (the "Allowed Variance").

12. Subject to Bankruptcy Court approval consistent with Section 345 of the Bankruptcy Code, the Debtors shall continue their cash management system with the Lender, which shall include a lockbox/blocked account agreement in a form and substance reasonable acceptable to the Lender, pursuant to which the Lender will have full dominion and control over Cash Collateral and the cash proceeds of the Collateral; provided, however, that the Lender shall not have the right to sweep such account, provided further, however, the Lender reserves and shall not be deemed to waive its right to setoff against the funds of such account and may setoff such funds upon three (3) business days prior written notice to the Debtors after the occurrence and during the continuation of an Event of Default.

13. Immediately upon the entry of this Order, the Debtors shall account to the Lender for all cash, checks, notes, drafts, instruments, acceptances or other property representing cash or other proceeds of the Pre-Petition Collateral in the Debtors' possession, custody or control. All cash, checks, notes, drafts, instruments, acceptances and other property in the nature of items of payment representing proceeds of property and interests in property of the Debtors (collectively, "Cash Proceeds") currently in the possession of the Debtors or in any accounts in financial institutions, including any lock box or depository accounts, shall be deemed proceeds of the Collateral. All Cash Proceeds shall be remitted to the Lender in accordance with the terms of this Order and subject to Paragraph 10 hereof.

14. The agreement by the Lender to make any Post-Petition Financing available to the Debtors under the Lender Pre-Petition Agreements and to allow the use of Cash Collateral and the Collateral shall continue until and shall include June 30, 2007 or such earlier date as all Pre-Petition Indebtedness and Post-Petition Indebtedness is paid in full (the "Term"), unless terminated prior to this date upon the occurrence of the Termination Date or otherwise pursuant to the terms of this Order.

15. Borrower may terminate the Post-Petition Financing upon thirty (30) days prior written notice to the Lender. The Lender may terminate the Post-Petition Financing after the occurrence and during the continuation of an Event of Default (as defined in the Lender Pre-Petition Agreements or in this Order) upon five (5) business days' notice to Borrower, the office of the United States Trustee, the Ad Hoc Committee, and any statutory committees appointed in these Chapter 11 Cases ("Default Notice"). The date of any such termination by the Borrower or Lender shall be the "Termination Date." Upon the Termination Date, the Lender may declare the Loans to be immediately due and payable, and the automatic stay pursuant to Bankruptcy Code § 362(a) shall be deemed lifted and modified, without further order of this Court, to permit the Lender to exercise any and all of their rights and remedies under the Lender Pre-Petition Agreements and this Order; provided, however, that the obligations and rights of the Lender and the Debtors with respect to all transactions which have occurred prior to the Termination Date shall remain unimpaired and unaffected by any such termination and shall survive such termination; and provided further that upon such termination the Lender and Debtors shall be deemed to have retained all of their rights and remedies, including, without limitation, as provided in the Lender Pre-Petition Agreements and under the Bankruptcy Code. The Debtors' right to use Cash Collateral shall terminate automatically on the Termination Date; provided

however that subsequent to the issuance of the Default Notice and prior to the Termination Date, the Debtors and the Committee, including the Ad Hoc Committee, may seek entry of an Order after notice and hearing allowing use of Cash Collateral and prohibiting the Lender from taking the actions contemplated in this paragraph.

16. An Event of Default under this Order shall include: (i) the entry of an order dismissing any of these Chapter 11 Cases or converting any of these Chapter 11 Cases to Chapter 7 cases, (ii) the entry of an order appointing a Chapter 11 trustee in any of these Chapter 11 Cases, (iii) the entry of an order granting any other claim with superpriority status or a lien equal or superior to the liens granted to the Lender (other than with respect to the Carve-Out and the Avoidance Actions in which the Lender will not have a security interest), (iv) the entry of an order staying, reversing, vacating or otherwise modifying the Post-Petition Financing under this Order without the Lender's prior written consent, (v) the entry of an order in any of these Chapter 11 Cases appointing an examiner having enlarged powers beyond those set forth under Bankruptcy Code § 1106(a)(3) and (4), (vi) a material Event of Default under the Lender Pre-Petition Agreements, as set forth in Exhibit "C" attached hereto (except for the Events of Default arising from the filing of these Chapter 11 Cases as provided under Section 10.1.9 of the Loan Agreement), (vii) the entry of any order granting any relief from the automatic stay so as to allow a third party to proceed against any asset or assets of the Debtors with a fair market value in excess of $50,000, other than relating to assets subject to Prior Permitted Liens which if granted will not materially or adversely affect current operations, (viii) the entry of the Final Order shall not have occurred on or before the later of thirty days after the entry of this Order or January 31, 2007, (ix) upon entry of the Final Order, the assertion by the Debtors (or any other party in interest) of claims arising under Bankruptcy Code § 506(c) against the Lender or the

commencement of other actions adverse to the Lender or its rights and remedies under this Order, the Final Order approving this Motion, or any other Bankruptcy Court order, (x) the entry of an order confirming a plan of reorganization in these Chapter 11 Cases unless such order provides for payment in full in cash of all Pre-Petition Indebtedness and Post-Petition Indebtedness on or before the effective date of the plan of reorganization that is the subject of such order, (xi) the failure to pay in full the Pre-Petition Indebtedness and the Post-Petition Indebtedness on or before the last day of the Term, (xii) the disbursements of the Debtors are not within the Allowed Variance as set forth in Paragraph 11 herein, or (xiii) the Minimum Availability is not maintained at any time.

17. Upon the occurrence of and during the continuation of an Event of Default, the Lender may exercise its rights and remedies and take all or any of the following actions without further modification of the automatic stay pursuant to Bankruptcy Code § 362 which is hereby deemed modified and vacated to the extent necessary to permit such exercise of rights and remedies and the taking of such actions and without further order of or application to this Court: (a) suspend all Post-Petition Financing and Loans to the Debtors, and terminate its consent to the Debtors use of Cash Collateral to the extent that such Default or Event of Default would permit such relief under the Pre-Petition Agreements, as amended hereby; and (b) upon five (5) business days prior written notice to the Debtors, the office of the United States Trustee, the Ad Hoc Committee, and any statutory committees appointed in these Chapter 11 Cases, (i) setoff Post-Petition Indebtedness amounts against any accounts maintained with the Lender, or otherwise enforce rights against all or part of any Collateral in the possession of the Lender to the extent that such Event of Default would permit such relief under the Pre-Petition Agreements, as amended hereby; and/or (ii) subject to the provisions of Paragraph 15 above, take

any other action or exercise any other right or remedy of the Lender under the Pre-Petition Agreements, this Order or by operation of law.

18. Without further order of this Court, and in consideration of other accommodations provided by the Lender, the Debtors shall reimburse the Lender for all reasonable out-of-pocket filing and recording fees, reasonable attorneys' and paralegals' fees, the lender's consultants' fees, and costs and expenses and internal audit fees and expenses incurred by the Lender: (i) in the preparation and implementation of this Order and the various Loans and other Post-Petition Financing, (ii) in the representation of the Lender in this proceeding, and (iii) as otherwise provided in the Lender Pre-Petition Agreements. Further, the Lender shall be paid a closing fee of $150,000, which shall be earned and payable immediately upon entry of this Order and shall constitute Post-Petition Indebtedness of the Debtors.

19. The Debtors are hereby required to deliver to the Lender such other financial and other information concerning the business and affairs of the Debtors as the Lender shall reasonably request from time to time, including, without limitation, the financial reports and information provided to the Lender under the Lender Pre-Petition Agreements. The Debtors shall fully cooperate with and permit the Lender to perform physical inventories of all assets in the Debtors' facilities at any reasonable times requested by the Lender. The Debtors shall continue to provide reports to Lender in the manner provided prior to the Petition Date, and at least on a weekly basis.

20. Having been found to be extending credit and making Loans to the Debtors in good faith, the Lender shall be entitled to the full protection of Bankruptcy Code § 364(c) with respect to the Post-Petition Financing and the Liens created or authorized by this Order in the event that this Order or any authorization contained herein is stayed, vacated,

reversed or modified on appeal. Any stay, modification, reversal or vacation of this Order shall not affect the validity of any obligation of the Debtors to the Lender incurred pursuant to this Order. Notwithstanding any such stay, modification, reversal or vacation, all Loans made pursuant to this Order, all use of Cash Collateral and all other Post-Petition Financing incurred by the Debtors pursuant hereto or the Lender Pre-Petition Agreements prior to written notice to the Lender of the effective date of any such stay, modification, reversal or vacation, shall be governed in all respects by the provisions hereof and the Lender shall be entitled to all the rights, privileges and benefits of this Order, including without limitation, the Liens, Replacement Liens and Superpriority Claims granted herein.

21. Solely by providing the Post-Petition Financing or taking any actions pursuant to this Order, the Lender shall not: (1) be deemed to be in control of the operations or liquidation of the Debtors; or (2) be deemed to be acting as a "responsible person" or "owner or operator" with respect to the operation, management or liquidation of the Debtors.

22. The provisions of this Order and any actions taken pursuant hereto shall survive entry of any order which may be entered including without limitation (a) confirming any plan of reorganization in any of these Chapter 11 Cases (and the Post-Petition Financing shall not be discharged by the entry of any such order or pursuant to Bankruptcy Code § 1141(d)(4), the Debtors having hereby waived such discharge); (b) converting any of these Chapter 11 Cases to Chapter 7 cases; or (c) dismissing any of these Chapter 11 Cases, and the terms and provisions of this Order as well as the Superpriority Claims, Liens and Replacement Liens granted pursuant to this Order and the Lender Pre-Petition Agreements shall continue in full force and effect notwithstanding the entry of such order, and such Superpriority Claims, Liens and Replacement

Liens shall maintain their priority as provided by this Order until all Pre-Petition Indebtedness and all Post-Petition Indebtedness are indefeasibly paid in full and discharged.

23. The Lender's obligations under this Order are conditional upon and subject to the delivery to the Lender of evidence satisfactory to the Lender that the Collateral is insured for the full replacement value thereof and the Lender is named as loss payee and/or as additional insured on all insurance policies upon request of the Lender.

24. In consideration for the Post-Petition Financing, and effective upon the Release Effective Date defined below, the Debtors on behalf of themselves and their successors and assigns (collectively, the "Releasors"), but without prejudice to the rights, if any, of the Ad Hoc Committee or any other party in interest, including an official committee appointed in these Chapter 11 Cases to assert claims on behalf of the Debtors' estates (subject to Paragraph 25 below), shall forever release, discharge and acquit the Lender and its officers, directors, employees, agents, attorneys and predecessors in interest (collectively, the "Releasees") of and from any and all claims, demands, damages, liabilities, responsibilities, disputes, remedies, actions, causes of action, indebtedness and obligations, of every type, including, without limitation, any so-called "Lender liability" claims or defenses, which arose on or prior to the date this Order is entered with respect to the Debtors, the Pre-Petition Indebtedness, the Collateral, the Lender Pre-Petition Agreements, the Post-Petition Indebtedness or the Post-Petition Financing.

25. The findings contained in recital paragraphs of this Order shall be binding upon all parties in interest, including without limitation, the Debtors and any statutory committees appointed in these Chapter 11 Cases, unless (a) a party in interest (including, without limitation, any statutory committee appointed in these Chapter 11 Cases) has properly filed an

adversary proceeding or commenced a contested matter (subject to the limitations set forth in Paragraph 6) challenging the amount, validity, enforceability, perfection or priority of the Pre-Petition Indebtedness or the Lender's liens on the Pre-Petition Collateral in respect thereof, or otherwise asserting any claims or causes of action against the Lender relating to the Pre-Petition Indebtedness on behalf of the Debtors' estates, no later than the date that is (i) sixty (60) days after the formation of an official committee of unsecured creditors or, (ii) if no such committee is formed, seventy-five (75) days after the Petition Date (the "Release Effective Date"), and (b) the Court subsequently enters a judgment in favor of the plaintiff in any such timely and properly filed adversary proceeding or contested matter. If no such adversary proceeding or contested matter is properly commenced as of such date, (a) the Pre-Petition Indebtedness shall constitute an allowed fully secured claim, not subject to subordination and otherwise unavoidable and (b) the Lender's liens on the Pre-Petition Collateral shall be deemed legal, valid, binding, perfected, not subject to defense, counterclaim, offset of any kind, subordination and otherwise unavoidable, and the Lender, the Pre-Petition Indebtedness and the Lender's liens on the Pre-Petition Collateral shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of the Debtors' estates, including without, limitation, any successor thereto. If any such adversary proceeding or contested matter is properly commenced as of such date, the findings contained in the recital paragraphs of this Order shall nonetheless remain binding on all parties in interest except to the extent that such findings were expressly challenged in such adversary proceeding or contested matter.

26. Entry of this Order shall be without prejudice to any and all rights, remedies, claims and causes of action which the Lender may have against the Debtors or any third parties, and without prejudice to the right of the Lender to seek relief from the automatic

stay in effect pursuant to Bankruptcy Code § 362, or any other relief in these Chapter 11 Cases, and the right of the Debtors and the Committee, including the Ad Hoc Committee, to oppose any such relief by contesting the existence of an Event of Default and as otherwise consistent with the terms of this Order, subject to Paragraphs 15 and 17 hereof. The provisions of this Order shall be binding upon and inure to the benefit of the Lender and its successors and assigns, and the Debtors, and their successors and assigns, including any trustee or other fiduciary hereafter appointed in these Chapter 11 Cases as a legal representative of the Debtors or the Debtors' estates.

27. In no event shall the Lender be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any Collateral (other than in respect of the Avoidance Actions as provided in Paragraph 5 hereof).

28. The Debtors are authorized to perform all acts, and execute and comply with the terms of such other documents, instruments and agreements in addition to the Lender Pre-Petition Agreements, as the Lender may reasonably require, as evidence of and for the protection of the Post-Petition Financing, or which otherwise may be deemed reasonably necessary by the Lender to effectuate the terms and conditions of this Order and the Lender Pre-Petition Agreements.

29. To the extent there exists any conflict between the Lender Pre-Petition Agreements and the terms of this Order, this Order shall govern.

30. The Final Hearing will be held on January 11, 2007 at 10:00a.m. The Debtors shall, on or before December 22, 2006, mail copies of a notice of the entry of this Order and the date of the Final Hearing, together with a copy of this Order to the parties having been given notice of the Preliminary Hearing, to any party which has filed prior to such date a

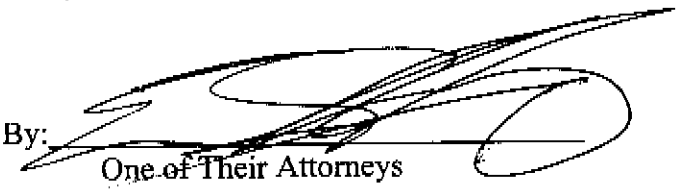
request for notices with this Court, to counsel for the Ad Hoc Committee, and to any counsel for any statutory committee of unsecured creditors appointed pursuant to Bankruptcy Code § 1102. The notice of entry of this Order shall state that any party in interest objecting to the Post-Petition Financing shall file written objections with the Clerk of the United States Bankruptcy Court for the District of Delaware, by no later than 4:00 p.m. on January 4, 2007. Objections shall be served so that the same are received on or before such date and time by: (a) counsel for the Debtors; (b) counsel for the Lender, (c) counsel for the Ad Hoc Committee, and (d) the Office of the United States Trustee.

Dated: December 21, 2006

UNITED STATES BANKRUPTCY JUDGE

STIPULATED AND AGREED:

HOME PRODUCTS INTERNATIONAL, INC., and HOME PRODUCTS INTERNATIONAL – NORTH AMERICA, INC., as Debtors and Debtors-in-Possession

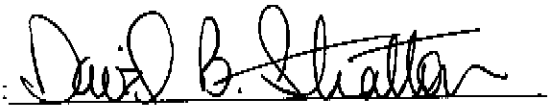
By: 
One of Their Attorneys

Ronald Barliant (Illinois ARDC# 0112984)
Kathryn A. Pamenter (Illinois ARDC# 6231191)
GOLDBERG KOHN BELL BLACK
ROSENBLOOM & MORITZ, LTD.
55 East Monroe Street, Suite 3700
Chicago, Illinois 60603
Telephone: (312) 201-4000
Facsimile: (312) 332-2196

MORRIS, NICHOLS, ARSHT & TUNNELL
Eric D. Schwartz (No. 3134)
1201 North Market Street
P.O. Box 1347
Wilmington, Delaware 19899-1347
Telephone: (302) 658-9200
Facsimile: (302) 658-3989

Proposed attorneys for the Debtors and Debtors-in-Possession

BANK OF AMERICA, N.A. as Lender and Agent

By: 
One of its attorneys

David B. Stratton
PEPPER HAMILTON LLP
Hercules Plaza, 1313 Market Street
Suite 5100
Wilmington, Delaware 19899-1709
Telephone: (302) 777-6500
Telecopy: (302) 421-8390

and

Douglas J. Lipke (Illinois ARDC #03124576)
Eric S. Prezant (Illinois ARDC #06239611)
Leslie Allen Bayles (Illinois ARDC #06271855)
VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C.
222 N. LaSalle Street, Suite 2600
Chicago, Illinois 60601
Telephone: (312) 609-7500
Facsimile: (312) 609-5005

EXHIBIT A
[Loan Amendments]

(a) **Borrowing Base.** The definition of Borrowing Base in Appendix A of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

> "Borrowing Base – as at any date of determination thereof, an amount equal to the lesser of:
>
> (i) the Maximum Revolving Loan Amount of such date; **or**
>
> (ii) an amount equal to the sum of:
>
> > (a) eighty-five percent (85%) of the net amount of Eligible Accounts outstanding at such date; **plus**
> >
> > (b) the lesser of (1) the sum of (x) 60% of the value of the Eligible Inventory, other than that portion of Eligible Inventory consisting of work-in-process, at such date calculated on the basis of the lower of cost or market with the cost of raw materials and finished goods calculated on a first-in, first-out basis, plus (y) the lesser of (A) sixty percent (60%) of the value of that portion of Eligible Inventory consisting of work-in-process at such date calculated on the basis of the lower of cost or market with the cost of work-in-process calculated on a first-in first-out basis and (B) $1,000,000; and (2) $25,000,000; **plus**
> >
> > (c) the Fixed Asset Component; **minus**
> >
> > (d) the Availability Block until the $3 Million Availability Block Release Date (as those terms are defined in Section 1.1.2).
> >
> > The sum of (a), (b), (c) and (d) above is hereinafter referred to as the "Collateral Borrowing Base." For purposes hereof, the net amount of Eligible Accounts at any time

shall be the face amount of such Eligible Accounts less any and all returns, rebates, discounts (which may, at Agent's option, be calculated on shortest terms), credits, allowances or excise taxes of any nature at any time issued, owing, claimed by Account Debtors, granted, outstanding or payable in connection with such Accounts at such time."

(b) **Eligible Account.** Clause (v) of the definition of "Eligible Account" in Appendix A of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

"(v) the total unpaid Accounts of the Account Debtor (other than Wal-Mart or Target so long as any of the foregoing's credit rating is 5-A3 or better) exceed 20% of the net amount of all Accounts, to the extent of such excess; the total unpaid Accounts of any of Wal-Mart or Target (to the extent either of the foregoing's credit rating is 5-A2 or better) exceed 35% of the net amount of all Accounts, to the extent of such excess; or the total unpaid Accounts of any of Wal-Mart or Target (to the extent any of the foregoing's credit rating is 5-A3 or better, but is less than 5-A2) exceed 30% of the net amount of all Accounts, to the extent of such excess; or the total unpaid Accounts with respect to which KMart or its Affiliates is the Account Debtor exceeds $25,000,000, to the extent of such excess, provided that such $25,000,000 limitation shall not be effective so long as KMart's senior debt is rated Ba2/BB- or better by each of Moody's and S&P (in the event KMart's senior debt ratings change, Agent and Borrower agree to discuss resetting such concentration limits for KMart Accounts to mutually agreeable levels), provided further that the foregoing concentration limits for Target shall be 50% in the first and fourth quarter of each calendar year."

(c) **Fixed Asset Component.** The definition of "Fixed Asset Component" in Appendix A of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

"Seven Million Eight Hundred Sixty Two Thousand Dollars ($7,862,000)(subject to increase to an amount up to $10,000,000 if Agent, in its sole discretion, so determines after its receipt of appraisals of Borrower's machinery, Equipment, Inventory and real property, which Agent diligently and in good faith shall attempt to obtain and deliver to Borrower within thirty (30) days of the Petition Date) reduced by Three Hundred Thousand Dollars ($300,000)(subject to increase pro rata if the amount of the Fixed Asset Component is increased) on each May 1, August 1, November 1 and February 1 occurring after the Final Closing Date, commencing February 1, 2007."

(d) **Eligible Inventory.** The definition of "Eligible Inventory" in Appendix A of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead.

"Eligible Inventory — such Inventory of Borrower (other than packaging materials and supplies) which Agent, in its sole credit judgment, deems to be Eligible Inventory. Without limiting the generality of the foregoing, no Inventory shall be Eligible Inventory if:

(i) it is not raw materials, work-in-process or finished goods that is, in Agent's opinion, readily marketable in its current form or after build out with respect to work-in-process; or

(ii) it is not in good, new and saleable condition (after build out with respect to work-in-process); or

(iii) it is slow-moving, obsolete or unmerchantable; or

(iv) it does not meet, in all material respects, all standards imposed by any governmental agency or authority; or

(v) it does not conform in all respects to the warranties and representations set forth in the Agreement; or

(vi) it is not at all times subject to Agent's duly perfected, first-priority security interest and no other Lien except a Permitted Lien; or

(vii) it is not situated at a location in compliance with the Agreement or is in transit.

To the extent it satisfies the criteria of Eligible Inventory set forth above, plastic resin on railcars located on Borrower's premises, for which resin Borrower has legal title, shall be included within Eligible Inventory."

(e) **Applicable Margin.** The definition of "Applicable Margin" in Appendix A of the Loan Agreement, as amended by the First Amendment to Amended and Restated Loan and Security Agreement, is hereby deleted in its entirety and the following is inserted in its stead:

"Applicable Margin — the percentages set forth below with respect to Base Rate Advances, LIBOR Advances, letter of credit fees and unused line fees.

		Applicable Margin	
LIBOR Advances	**Base Rate Advances**	**Unused Line Fee**	**Letter of Credit and LC Guaranty Fees**
1.75%	.25%	0.375%	1.75%

(f) **Event of Default.** The definition of "Event of Default" in Appendix A of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

"as defined in Section 10.1 of the Agreement, provided that no event arising out of these Chapter 11 Cases, the payment default under the Parent's unsecured bond indenture or as a result of certain assets of Parent or Parent's subsidiary being located outside the United States as of the Petition Date shall constitute an Event of Default."

(g) Section 8.3 of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

"Minimum Availability — Borrower shall at all times maintain minimum Net Availability of one million five hundred thousand dollars ($1,500,000) or more."

(h) The following Sections of the Loan agreement are hereby deleted in their entirety:

- 9.4
- 9.5
- 9.6
- 9.7
- 9.8
- 9.9
- 10.1.9

(i) **Use of Proceeds.** Section 1.1.2 of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

> "The Borrower may use the Post-Petition Financing (as that term is defined in the Interim Order) as provided under the Interim Order approving the Post-Petition Financing; provided, however, that $8,500,000 of the $11,500,000 in additional availability provided by the Post-Petition Financing subject to the Minimum Availability test, shall be made available upon entry of the Interim Order, with the remaining $3,000,000 (the "Availability Block"), available upon the entry of the Final Order approving the Post-Petition Financing (the "$3 Million Availability Block Release Date"). To the extent specifically provided for in the Budget, Debtors from time to time may use proceeds of the Post-Petition Financing in order to make intercompany advances in the ordinary course to their wholly-owned subsidiary, Seymour SA de CV."

(j) **Letter of Credit Fees.** Section 2.3 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

> "Borrower shall pay to Agent either for its benefit or the ratable benefit of the Lenders, as provided below:
>
> (i) for standby Letters of Credit and LC Guaranties of standby Letters of Credit, the Applicable Margin (1.75%)

per annum of the face amount of such Letters of Credit and LC Guaranties outstanding from time to time during the term of this Agreement, plus all normal and customary charges associated with the issuance thereof (including, without limitation, a fronting fee in the amount of one-eighth of one percent (⅛%) of the maximum face amount of the applicable Letter of Credit or LC Guaranty), which fees and charges shall be deemed fully earned upon issuance of each such Letter of Credit or LC Guaranty, shall be due and payable on the first Business Day of each month and shall not be subject to rebate or proration upon the termination of this Agreement for any reason; and

(ii) for documentary Letters of Credit and LC Guaranties of documentary Letters of Credit, the Applicable Margin (1.75%) per annum of the face amount of such Letters of Credit and LC Guaranties outstanding from time to time during the term of this Agreement, plus all normal and customary charges associated with the issuance thereof (including, without limitation, a fronting fee in the amount of one-eighth of one percent (1/8%) of the maximum face amount of the applicable Letter of Credit or LC Guaranty), which fees and charges shall be due and payable pursuant to a fee schedule to be negotiated among Agent and Borrower; and

(iii) Normal and customary charges associated with the issuance of Letters of Credit or LC Guaranties (including, without limitation, any fronting fee) shall be paid to Agent for its own benefit. All other amounts paid to Agent pursuant to this Section 2.4 shall be payable to Agent for the ratable benefit of Lenders."

(k) The following amendments are incorporated into the Loan Agreement:

Final Closing Date—the date the Final Order is entered by the United States Bankruptcy Court authorizing the Post-Petition Financing, but in no event later than 30 days after entry of this Order.

Interim Order shall mean that certain Stipulation and Interim Order (I) Authorizing Secured Post-Petition Financing on a Superpriority Basis Pursuant to 11 U.S.C. § 364, (II) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. §§ 363 and 364, (III) Granting Adequate

Protection Pursuant to 11 U.S.C. §§ 363 and 364, and (IV) Scheduling A Final Hearing Pursuant to Bankruptcy Rule 4001(C), which such order is entered by the United States Bankruptcy Court in the Chapter 11 bankruptcy of the Borrower.

Final Order shall mean that certain Stipulation and Final Order (I) Authorizing Secured Post-Petition Financing on a Superpriority Basis Pursuant to 11 U.S.C. § 364, (II) Authorizing Use of Cash Collateral Pursuant to 11 U.S.C. §§ 363 and 364, and (III) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 363 and 364, which such order is entered by the United States Bankruptcy Court in the Chapter 11 bankruptcy of the Borrower.

Exit and Termination Fee-- Upon termination of the Post-Petition Financing, the Borrower shall pay to Agent for its own account an exit fee as follows: $50,000 if the Pre-Petition Indebtedness and Post-Petition Indebtedness are fully paid on or before the date 90 days after the Petition Date, $100,000 if fully paid on or before the date 150 days after the Petition Date and $150,000 if fully paid thereafter, and which shall be deemed fully earned, nonrefundable and payable on the date of payment thereof.

Conditions Precedent to Initial Extension of Credit--At the time of the proposed funding of the Post-Petition Financing, and after giving effect to such proposed funding, blockage for letters of credit that would be outstanding, and estimated closing costs in connection therewith (whether paid or accrued): (a) no default exists under the Loan Agreement (other than as a result of the commencement of these Chapter 11 Cases, a payment default under Parent's unsecured bond indenture, or as a result of certain assets of Parent or Parent's subsidiary being located outside the United States); (b) Borrower is required as of date of the entry of the Interim Order to have excess borrowing availability under the Revolving Credit Facility in an amount of not less than $8,500,000 ($11,500,000 minus the $3,000,000 Availability Block to be removed upon the $3 Million Availability Block Release Date); (c) all "first day orders" entered or for which a motion is made by the Debtors on or about the Petition Date shall be in form and substance reasonably satisfactory to the Agent and its counsel; and (d) there shall have occurred no material adverse change in the businesses, condition (financial or otherwise), operations, performance, properties or

prospects of the Borrower, taken as a whole, since September 30, 2006, other than as a result of the commencement of these Chapter 11 Cases, a payment default under such indenture, or as a result of certain assets of Parent or Parent's subsidiary being located outside the United States.

(l) The following definitions are hereby deleted from Appendix A of the Loan Agreement in their entirety:

- Average Gross Availability
- Gross Availability
- Equipment Percentage
- Equipment Ratio
- Real Property Percentage
- Real Property Ratio
- Maximum Fixed Asset Amount
- Reappraisal
- Net Equipment Appraised Value
- Net Real Estate Appraised Value

(m) The definition of "LC Amount" in Appendix A of the Loan Agreement is hereby deleted in its entirety and the following is inserted in its stead:

> "at any time the aggregate undrawn available amount of all Letters of Credit and LC Guaranties then outstanding, except to the extent such Letters of Credit and LC Guaranties are backed by other credit enhancement satisfactory to Agent in its sole discretion."

(n) For all purposes of the Loan Agreement, "Borrower" shall mean "Home Products International-North America, Inc., a Delaware corporation, and Home Products International, Inc., a Delaware corporation."

(o) Subsection 10.1.7 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead;

> "There shall occur any default or event of default on the part of Borrower under any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its Property is bound, creating or relating to any Indebtedness (other than the Obligations and Indebtedness under Parent's unsecured bond indenture), in a principal amount of One Hundred Thousand Dollars ($100,000) or more if the payment or maturity of such Indebtedness is accelerated in consequence of such event of default or demand for payment of such Indebtedness is made, provided that no such default or event of default shall occur as a result of these Chapter 11 Cases or the payment default under Parent's unsecured bond indenture."

(p) Subsection 10.1.13 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

> "**Challenge to Agreement** -- except as contemplated by the terms of the Interim Order, Borrower, any subsidiary of Borrower or Parent, or any Affiliate of any of them, shall challenge or contest in any action, suit or proceeding the validity or enforceability of this Agreement, or any of the other Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Agent."

(q) The fifth sentence of subsection 1.1.1 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

> "Agent shall have the right to establish reserves in such amounts, and with respect to such matters, as Agent shall deem necessary or appropriate in its reasonable discretion, against the amount of Revolving Credit Loans which Borrower may otherwise request under this subsection 1.1.1, including, without limitation, with respect to: (i)

price adjustments, rebates, damages, unearned discounts, returned products or other matters for which credit memoranda are issued in the ordinary course of Borrower's business; (ii) shrinkage, spoilage and obsolescence of Inventory; (iii) slow moving Inventory; (iv) other sums chargeable against Borrower's Loan Account as Revolving Credit Loans under any section of this Agreement; (v) amounts owing by Borrower to any Person to the extent secured by a Lien on, or trust over, any Property of Borrower (other than a Permitted Lien); (vi) amounts owing by Borrower in connection with Product Obligations; and (vii) such other matters, events, conditions or contingencies as to which Agent, in its reasonable discretion, determines reserves should be established from time to time hereunder.

(r) Subsection 4.2.1 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

> "This Agreement shall be in effect in accordance with the terms of paragraph 14 of the Interim Order."

(s) Subsection 4.2.2 of the Loan Agreement is deleted in its entirety and the following is inserted in its stead:

> "This Agreement may be terminated in accordance with the terms of paragraph 15 of the Interim Order."

(t) Exhibit 8.1.3 is deleted in its entirety.

EXHIBIT B
[Budget]

Home Products International, Inc.
13 Weeks DIP Cash Flow
Through March 16, 2007

							DIP							Total from
	Fcst 22-Dec	Fcst 29-Dec	Fcst 5-Jan	Fcst 12-Jan	Fcst 19-Jan	Fcst 26-Jan	Fcst 2-Feb	Fcst 9-Feb	Fcst 16-Feb	Fcst 23-Feb	Fcst 2-Mar	Fcst 9-Mar	Fcst 16-Mar	22-Dec to 16-Mar
Operating Expenses:														
Subtotal - Operating	7,593	5,985	4,757	4,152	3,901	4,106	5,564	2,960	3,421	3,325	4,112	2,962	3,852	56,831
Restructuring Expenses:														
Legal - FF	-	-	-	-	-	-	300	-	-	-	300	-	75	675
Legal - GK	-	-	-	-	-	-	300	-	-	-	300	-	75	675
Legal - MN	-	-	-	-	-	-	50	-	-	-	50	-	-	100
Legal - PS	-	-	-	-	-	-	50	-	-	-	50	-	-	100
Legal - GC	-	-	-	-	-	-	18	-	-	-	18	-	-	36
Fin Adv - GC	-	-	-	-	-	-	60	-	-	-	510	-	-	570
Fin Adv - MA	-	-	-	-	-	-	180	-	-	-	180	-	-	360
Operational Consultant - GH	-	-	-	-	-	-	60	-	-	-	60	-	-	120
Claims - BMC	-	-	-	-	-	-	6	-	-	-	6	-	-	13
Trustee Fees	-	-	-	-	-	-	-	-	-	-	140	-	-	140
Bank Fees	150	-	-	-	-	-	-	-	-	-	-	-	-	150
Deposits (Utilities, Shipping, etc)	-	641	-	-	-	-	-	-	-	-	-	-	-	641
Subtotal - Restructuring	150	641	-	-	-	-	1,024	-	-	-	1,614	-	150	3,580
Plant Consolidation:														
Subtotal - Plant Cons.	205	-	68	386	2	167	57	510	213	319	24	97	100	2,148
Total Cash Disbursements	7,888	6,626	4,825	4,538	3,903	4,273	6,646	3,470	3,634	3,644	5,750	3,059	4,102	62,359
Beginning Debt Balance	36,118	38,745	41,111	41,676	39,955	37,596	36,611	38,464	37,142	36,942	36,752	40,051	40,045	36,118
Add: Cash Disbursements	7,888	6,626	4,825	4,538	3,903	4,273	6,646	3,470	3,634	3,644	5,750	3,059	4,102	62,359
														-
Less: Collections	(5,260)	(4,260)	(4,260)	(6,260)	(6,260)	(5,260)	(4,793)	(4,793)	(3,834)	(3,834)	(2,452)	(3,065)	(3,065)	(57,394)
Ending Debt Balance	38,745	41,111	41,676	39,955	37,598	36,611	38,464	37,142	36,942	36,752	40,051	40,045	41,083	41,083
Accounts Receivable:														
Eligible A/R (Not to exceed $50 MM)	37,142	37,142	35,464	33,037	30,619	29,034	27,854	27,857	27,407	27,157	28,040	28,427	28,814	
Inventory:														
Eligible Inventory (Not to exceed $25 MM)	11,739	11,210	11,775	11,973	12,027	12,082	12,211	12,267	12,323	12,380	12,275	12,181	12,087	
Eligible Fixed Assets	7,862	7,862	7,862	7,862	7,862	7,862	7,542	7,542	7,542	7,542	7,542	7,542	7,542	
Qualified Availability (Not to exceed $80 MM)	56,743	56,213	55,101	52,872	50,508	48,977	47,607	47,466	47,272	47,079	47,857	48,150	48,443	
Less: Total Revolver Balance	(36,745)	(41,111)	(41,676)	(39,955)	(37,596)	(36,611)	(38,464)	(37,142)	(36,942)	(36,752)	(40,051)	(40,045)	(41,083)	
Less: Existing LOC	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	(3,275)	
Less: Landlord Waivers	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	(23)	
Profession carve out	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(1,050)	(1,050)	(1,050)	(1,050)	-			
Less: Current Availability Block	(3,000)	(3,000)	(3,000)	(3,000)	-	-	-	-	-	-	-	-	-	
Remaining Availability	9,899	8,804	5,127	4,620	7,604	7,068	4,795	5,976	5,982	5,979	4,508	4,806	4,062	

EXHIBIT C
[SECTION 10.1 OF THE LOAN AGREEMENT]

10.1 **Events of Default.** The occurrence of one or more of the following events shall constitute an "Event of Default":

10.1.1 **Payment of Interest, Principal or Fees**. Borrower fails to pay any installment of principal, interest or premium, if any, due in respect to outstanding Revolving Credit Loans or fees payable in respect to unused Revolving Credit Loans or outstanding Letters of Credit or LC Guaranties on the due date thereof, whether as mandatory prepayments, as payments necessary to eliminate Overadvances or otherwise.

10.1.2 **Payment of Other Obligations**. Borrower shall fail to pay any of the Obligations not covered by Subsection 10.1.1 hereof on the due date thereof (whether due at stated maturity, on demand, upon acceleration or otherwise).

10.1.3 **Misrepresentations**. Any representation, warranty or other statement made or furnished to Agent and/or Lenders by or on behalf of Borrower, any Subsidiary of Borrower, or any Parent in this Agreement, any of the other Loan Documents or any instrument, certificate or financial statement furnished in compliance with or in reference thereto proves to have been false or misleading in manner which could reasonably be expected to have or evidence a Material Adverse Effect when made or furnished or when reaffirmed pursuant to Section 7.2 hereof.

10.1.4 **Breach of Specific Covenants**. Borrower shall fail or neglect to perform, keep or observe any covenant contained in Sections 5.2, 5.3, 5.4, 6.1.1, 6.1.2, 6.2.5, 6.2.6, 8.1.1, 8.1.2, 8.1.4, 8.1.7, 8.2 or 8.3 hereof on the date that Borrower is required to perform, keep or observe such covenant.

10.1.5 **Breach of Other Covenants**. Borrower shall fail or neglect to perform, keep or observe any covenant contained in this Agreement (other than a covenant which is dealt with specifically elsewhere in Section 10.1 hereof) and the breach of such other covenant is not cured to Agent's satisfaction within fifteen (15) days (five (5) days with respect to Section 8.1.3) after the sooner to occur of Borrower's receipt of notice of such breach from Agent or the date on which such failure or neglect first becomes known to any executive officer or the controller of Borrower or Parent.

10.1.6 **Default Under Security Documents/Other Agreements**. Any event of default shall occur under, or Borrower shall default in the performance or observance of any term, covenant, condition or agreement contained in, any of the Security Documents or the Other Agreements and such default shall continue beyond any applicable grace period.

10.1.7 **Other Defaults**. There shall occur any default or event of default on the part of Borrower under any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its Property is bound, creating or relating to any Indebtedness (other than the Obligations and Indebtedness under Parent's

unsecured bond indenture), in a principal amount of One Hundred Thousand Dollars ($100,000) or more if the payment or maturity of such Indebtedness is accelerated in consequence of such event of default or demand for payment of such Indebtedness is made, provided that no such default or event of default shall occur as a result of these Chapter 11 Cases or the payment default under Parent's unsecured bond indenture.

10.1.8 **Uninsured Losses**. Any loss, theft, damage or destruction of any of the Collateral with a fair market value of Five Hundred Thousand Dollars ($500,000) or more not fully covered (subject to such deductibles and self-insurance retentions as Agent shall have permitted) by insurance.

10.1.9 **[Deleted]**

10.1.10 **Business Disruption; Condemnation**. There shall occur a cessation of a substantial part of the business of Borrower, any Subsidiary of Borrower or Parent for a period which significantly affects Borrower's or Parent's capacity to continue its business, on a profitable basis; or Borrower, any Subsidiary of Borrower or Parent shall suffer the loss or revocation of any license or permit now held or hereafter acquired by Borrower or Parent which is necessary to the continued or lawful operation of its business; or Borrower or Parent shall be enjoined, restrained or in any way prevented by court, governmental or administrative order from conducting all or any material part of its business affairs; or any material lease or agreement pursuant to which Borrower or Parent's leases, uses or occupies any Property shall be canceled or terminated prior to the expiration of its stated term; or any part of the Collateral shall be taken through condemnation or the value of such Property which event, with respect to all of the foregoing, could reasonably be expected to have a Material Adverse Effect.

10.1.11 **Change of Ownership**. (a) EGI or any of its Affiliates (as defined in clause (i) of the definition of such term) shall cease to own, as a result of a sale, transaction or other disposition, less than 75% of the amount of EGI's and said Affiliates' original pecuniary investment (as determined by reference to percentage of economic ownership rights) in Parent (either directly or indirectly through Purchaser) or EGI or Triyar collectively with their respective Affiliates (as defined in clause (i) of the definition of such term) shall cease to hold, as a result of a sale, transaction or other disposition, a larger economic interest in Parent (directly or indirectly through Purchaser) than any other Person (including such Person's Affiliates (as defined in clause (i) of the definition of such term); (b) Parent shall cease to own and control, beneficially and of record, all of the issued and outstanding capital stock of Borrower; or (c) a Change of Control shall occur.

10.1.12 **ERISA**. A Reportable Event shall occur which Agent, in its sole discretion, shall determine in good faith constitutes grounds for the termination by the Pension Benefit Guaranty Corporation of any Plan or for the appointment by the appropriate United States district court of a trustee for any Plan, or if any Plan shall be terminated or any such trustee shall be requested or appointed, or if Borrower, any Subsidiary of Borrower or Parent is in "default" (as defined in Section 4219(c)(5) of ERISA) with respect to payments to a Multi-employer Plan resulting from Borrower's,

such Subsidiary's or Parent's complete or partial withdrawal from such Plan and any such event could reasonably be expected to have or evidence a Material Adverse Effect.

10.1.13 **Challenge to Agreement.** Except as contemplated by the terms of the Interim Order, Borrower, any subsidiary of Borrower or Parent, or any Affiliate of any of them, shall challenge or contest in any action, suit or proceeding the validity or enforceability of this Agreement, or any of the other Loan Documents, the legality or enforceability of any of the Obligations or the perfection or priority of any Lien granted to Agent.

10.1.14 **Repudiation of or Default Under Guaranty Agreement**. Parent shall revoke or attempt to revoke the Guaranty Agreement signed by Parent, or shall repudiate Parent's liability thereunder or shall be in default under the terms thereof.

10.1.15 **Criminal Forfeiture**. Borrower, any Subsidiary of Borrower or Parent shall be criminally indicted or convicted under any law that could lead to a forfeiture of any Property of Borrower, any Subsidiary of Borrower or Parent.

10.1.16 **Judgments**. Final judgment or judgments (after the expiration of all times to appeal therefrom) for the payment of money in excess of Two Hundred Fifty Thousand Dollars ($250,000) with respect to any one judgment or Five Hundred Thousand Dollars ($500,000) with respect to all outstanding judgments in the aggregate shall be rendered against Borrower and the same shall not (i) be fully covered by insurance, or (ii) within thirty days after the entry thereof, have been discharged or paid or bonded over or execution thereof stayed pending appeal, or shall not have been discharged within five days after the expiration of any such stay.