IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: QLESS, INC., Debtor. [1]	Chapter 11, Subchapter V Case No. 24-11395 (BLS) **Related to Docket Nos. 7, 27**

FINAL ORDER (I) AUTHORIZING AND APPROVING DEBTOR TO (A) OBTAIN DEBTOR IN POSSESSION FINANCING ON A JUNIOR SECURED BASIS AND (B) USE CASH COLLATERAL OF PRE-PETITION SECURED LENDER AND (II) GRANTING RELATED RELIEF

On June 21, 2024, the United States Bankruptcy Judge for the District of Delaware (the "**Court**") entered an interim order (ECF #29) (the "**Interim Order**") on an emergency basis approving the *Debtor's Emergency Motion for Interim and Final Orders (I) Authorizing and Approving Debtor to (A) Obtain Debtor in Possession Financing on a Junior Secured Basis and (B) Use Cash Collateral; (II) Scheduling a Final Hearing; and (III) Granting Related Relief* (the "**Motion**") (ECF #7) filed by QLess, Inc. (the "**Debtor**"), the debtor and debtor in possession in the above-referenced subchapter V chapter 11 bankruptcy case (the "**Case**"). Through the Interim Order, the Court set July 19, 2024, as the date of the final hearing on the Motion (the "**Final Hearing**"). No timely objections have been filed or asserted to the Motion prior to the Final Hearing. Accordingly, the Court is approving the Motion and entering this order on a final basis (this "**Final Order**") without a need for the Final Hearing.

The Court, having read and considered the Motion, the *Declaration of James Harvey in Support of Chapter 11 Petition and First Day Relief* (ECF #9), the *Declaration of Andrew De Camara of Sherwood Partners, Inc. in Support of Emergency Motion of the Debtor For Interim*

[1] The Debtor's principal place of business and service address is 21 Miller Alley, Suite 210, Pasadena, CA 91105.

and Final Orders (I) Authorizing and Approving Debtor to (A) Obtain Debtor in Possession Financing on a Junior Secured Basis and (B) Use Cash Collateral of Pre-Petition Secured Lender; (II) Scheduling a Final Hearing; and (III) Granting Related Relief (ECF #8), the initial budget (the "**Initial Budget**") (attached hereto as **Exhibit A**), the *Binding Debtor in Possession Credit Facility Term Sheet* (the "**DIP Loan Term Sheet**")[2] between the Debtor, as the borrower, Palisades Growth Capital Fund II, L.P. ("**Palisades**") and any other lenders, as the DIP lenders (the "**DIP Lenders**"), attached hereto as **Exhibit B**, and QLess Agency LLC, as collateral agent for the DIP Lenders (in such capacity, the "**DIP Agent**"), all papers filed in support of the Motion, the record in the Case, the docket in the Case, the lack of any timely objections, and for good cause appearing, therefor and,

HEREBY FINDS AS FOLLOWS:

A. On June 19, 2024 (the "**Petition Date**"), the Debtor filed a voluntary petition for relief pursuant to chapter 11 subchapter 5 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "**Bankruptcy Code**").

B. The Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a) and this Court may enter a final order consistent with Article III of the United States Constitution. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this district and in the Bankruptcy Court pursuant to 28 U.S.C. §§ 1408 and 1409.

C. The statutory bases for the relief requested in the Motion are (i) sections 361, 363(b), (c), and (e), and 364(c), (d), and (e) of the Bankruptcy Code; (ii) Rules 2002(a)(2), 4001(b) and (c), and 9014 of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"); and

[2] Capitalized terms used but not defined herein shall have the meanings set forth in the DIP Loan Term Sheet or the Motion, as applicable. The DIP Agent reserves the right to require the Debtor to execute definitive or additional documentation consistent with the terms of the DIP Loan Term Sheet or as otherwise agreed and/or as ordered by the Court.

(iii) Rules 2002-1(b), 4001-2, 9006-1, and 9013 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Delaware (the "**Local Bankruptcy Rules**")

D. Notice of the Motion and the relief sought in the Motion, and the time fixed for filing objections to the Motion was good and proper and adequate under applicable rules and the circumstances of the Case, and no further notice is necessary or appropriate prior to entry of this Final Order granting the Motion. A reasonable opportunity to object and be heard regarding the relief provided herein has been afforded to all parties-in-interest.

E. Approval of the relief requested in the Motion pursuant to this Final Order is appropriate and necessary, and approval of the relief pursuant to this Final Order is fair and reasonable and in the best interests of the Debtor, its estate, and all parties-in-interest, and is essential for the continued operation of the Debtor's business and the preservation of the value of the Debtor's assets.

F. Borrowing the DIP Loans (as defined below) pursuant to this Final Order is a sound and prudent exercise of the Debtor's business judgment.

G. The DIP Lender and DIP Agent are extending the DIP Loans in good faith and are entitled to the protections of 11 U.S.C. § 364(e).

H. The Debtor agrees, admits, represents and stipulates for itself and its estate, subject to the challenge rights of third parties set forth in paragraph 19 of this Final Order, the following (collectively, the "**Stipulations**"):

1. As of the Petition Date, the Debtor was party to that certain Business Loan Agreement dated as of February 21, 2023 (such agreement, as amended and existing immediately prior to the Petition Date, the "**Prepetition Loan Agreement**") with Celtic Bank Corporation (the "**Prepetition Lender**") and all other documents, instruments and

agreements executed in connection with the Prepetition Loan Agreement (such agreements, collectively with the Prepetition Loan Agreement, the "**Prepetition Loan Agreement Documents**");

2. As of the Petition Date, the Debtor under the Prepetition Loan Agreement was indebted to the Prepetition Lender, without defense, counterclaim, recoupment or offset of any kind, in the non-contingent liquidated amount of no less than $6,250,000.00, plus other fees, costs, expenses and other amounts arising in respect of the Prepetition Loan Agreement Documents obligation existing immediately prior to the Petition Date (such obligations, the "**Prepetition Loan Agreement Obligations**").

3. As of the Petition Date, the Prepetition Loan Agreement Obligations were secured by valid, enforceable, properly perfected and unavoidable liens on security interests (the "**Prepetition Liens**") encumbering substantially all assets of the Debtor existing immediately prior to the commencement of the Debtor's bankruptcy proceeding (the "**Prepetition Collateral**"), which Prepetition Liens are senior, first priority liens and security interests with respect to all Prepetition Collateral, subject to Permitted Liens (as defined in the Prepetition Loan Agreement Documents);[3]

[3] Under the Prepetition Loan Agreement Documents, the term "Permitted Liens" means (1) liens and security interests securing indebtedness owed by the Debtor to the Prepetition Lender; (2) liens for taxes, assessments, or similar charges either not yet due or being contested in good faith; (3) liens of materialmen, mechanics, warehousemen, or carriers, or other like liens arising in the ordinary course of business and securing obligations which are not yet delinquent; (4) purchase money liens or purchase money security interests upon or in any property acquired or held by the Debtor in the ordinary course of business to secure indebtedness or capital leases (in each case not to exceed $100,000 in aggregate each fiscal year) outstanding on the date of the Prepetition Loan Agreement or permitted thereunder; (5) liens and security interests which, as of the date of the Prepetition Loan Agreement, have been disclosed to and approved by the Prepetition Lender in writing, including unsecured business credit card programs; and (6) those liens and security interests which in the aggregate constitute an immaterial and insignificant monetary amount with respect to the net value of the Debtor's assets.

4. The Prepetition Liens were granted by the Debtor to, or for the benefit of, the Prepetition Lender for fair consideration and reasonably equivalent value;

5. The Debtor possesses no claims, counterclaim, cross-claims, offsets, challenges, objections, defenses, or other rights or cause of action of any kind or nature against the Prepetition Lender, including, without limitation, avoidance, disallowance, disgorgement, impairment, reduction, attachment, recoupment, defense, objection, recovery, recharacterization or subordination (equitable or otherwise) pursuant to the Bankruptcy Code or applicable non-bankruptcy law; and

6. The Prepetition Loan Agreement Obligations constitute valid, binding and legal obligations on the Debtor, enforceable in accordance with their terms, and the Debtor under the Prepetition Loan Agreement Documents will not assert any claims or defenses of any kind or nature that in any way would affect the validity and enforceability of any of the Prepetition Loan Agreement Obligations and/or the security interest or liens of the Prepetition Lenders upon the Prepetition Collateral, or which would in any way reduce the obligation of the Debtor to pay in full tall of the Prepetition Loan Agreement Obligations.

I. The Prepetition Loan Agreement remains in full force and effect, pursuant to its terms, subject to the terms hereof governing the DIP Loan Term Sheet. The Debtor and DIP Lenders' request that the Prepetition Lender reduce the minimum cash balance covenant contained in the Financial Covenants and Ratios provision of the Prepetition Loan Agreement from $1.5 million to $500,000. The Prepetition Lender has consented to that request until such time as a plan of reorganization has been confirmed by this Court and such plan is effective.

J. The Prepetition Lender does not object to the DIP Loans being secured by second-priority liens on and security interests in all assets of the Debtor subordinate to the Prepetition Lender pursuant to the terms of this Final Order.

There is good cause to grant the Motion as set forth in this Final Order; and

HEREBY ORDERS AS FOLLOWS:

1. The Motion is granted to the extent set forth in this Final Order.

2. Any objections, reservations of rights, or other statements with respect to entry of this Final Order, to the extent not withdrawn or resolved, are overruled on the merits.

3. The Debtor is authorized and empowered to execute and perform under the DIP Loan Term Sheet, which is approved on a final basis pursuant to this Final Order.

4. The Debtor is hereby authorized to borrow and incur up to **$3,500,000** in post-petition financing from the DIP Lenders in one or more draws (the "**DIP Loans**"). To borrow a DIP Loan, the Debtor must submit a borrowing notice to the DIP Lenders in form and substance reasonably satisfactory to the DIP Lenders, which notice shall include a statement from an authorized representative of the Debtor that the Debtor is in compliance with all of the provisions of this Final Order, no Events of Default (as defined below) have occurred that are continuing or would result from the requested borrowing, and, after giving effect to the requested borrowing, the outstanding DIP Loans would not exceed **$3,500,000**. The Debtor may not repay or prepay the DIP Loans prior to the Maturity Date (as defined below). The DIP Loans shall bear interest at the rate of 15% per annum, compounded monthly. All interest accruing on the DIP Loans shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day and last days). Interest shall accrue and be payable on the Maturity Date.

At all times that an Event of Default (as defined below) exists, the non-default interest rate shall be increased by 2.00% per annum and default interest shall be payable in cash, upon demand.

5. The Debtor shall pay on the Maturity Date all actual, documented out of pocket fees, costs and expenses of the DIP Lenders (including, without limitation, fees and disbursements of counsel, including local counsel, and financial and accounting advisors) in connection with (i) the negotiation, preparation, execution of and entry into the DIP Loans, as applicable, regardless of when incurred, (ii) all litigation, contests, disputes, suits, proceedings or actions (whether instituted by DIP Lenders, Debtor or any other person or entity) in any way relating to the DIP Loans or Debtor's affairs, and (iii) the enforcement of any rights and remedies related to the DIP Loans or applicable law. All such fees, costs and expenses that become due and owing after the Maturity Date shall be due and payable on demand.

6. The DIP Loans plus all accrued interest, as well as any and all fees, costs and expenses of the DIP Agent and/or DIP Lenders incurred in connection with enforcing their rights against the Debtor following an Event of Default or otherwise, if such fees, costs and expenses are subsequently approved by an order of this Court (collectively, the "**DIP Obligations**"), are hereby immediately secured (without the need or requirement of any filings), pursuant to section 364 of the Bankruptcy Code, subject to the Carve-Out (as defined below), the Permitted Liens, and any valid, perfected, unavoidable liens or security interests in existence as of the Petition Date, or that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code, by valid, binding, continuing, enforceable, fully-perfected, and unavoidable liens on and security interests granted in favor of the DIP Agent, for itself and the benefit of the DIP Lenders, in all of the assets and property of the Debtor of every kind, nature and description, wherever located and whether now owned or hereafter acquired (collectively, the "**DIP Collateral**"), as

follows (collectively, the "**DIP Liens**"): (i) second-priority liens on and security interests in all assets of the Debtor subordinate to the Prepetition Lender's liens and security interests and the Permitted Liens and (ii) first-priority liens on and security interests in all assets of the Debtor that are not subject to existing liens, including proceeds of avoidance actions claims arising under chapter 5 of the Bankruptcy Code.

7. In addition, the DIP Agent, for itself and the benefit of the DIP Lenders, is hereby granted superpriority administrative expense claims pursuant to section 364(c)(1) of the Bankruptcy Code (the "**DIP Superpriority Claims**"), provided that such DIP Superpriority Claims shall be subject to the Carve-Out.

8. Subject to the Carve-Out, solely to the extent of and in an amount equal to the aggregate diminution in value (if any) of the interests of the Prepetition Lender in the Prepetition Collateral from and after the Petition Date, pursuant to sections 361, 363(e), and 364 of the Bankruptcy Code, the Prepetition Lender is hereby granted the following adequate protection: (i) additional and replacement, valid, binding, enforceable, non-avoidable, and effective and automatically perfected postpetition security interests in and liens on the DIP Collateral effective as of the Petition Date (together, the "**Adequate Protection Liens**"), senior to the DIP Liens and (ii) superpriority administrative expense claims pursuant to section 364(c)(1) of the Bankruptcy Code (the "**Adequate Protection Superpriority Claims**"), senior to the DIP Superpriority Claims, provided that such Adequate Protection Superpriority Claims shall be subject to the Carve-Out. In addition, the Prepetition Lender shall be entitled to reimbursement of its actual and necessary professional fees by the Debtor up to $50,000 per month; *provided, however*, that copies of all invoices reflecting the Prepetition Lender's expenses shall be served by email on the Debtor, the U.S. Trustee, counsel to any official committee appointed in the Chapter 11 Case, and the

subchapter v trustee (collectively the "**Fee Notice Parties**"), who shall have ten (10) business days to review and to assert any objections thereto. Such invoices shall include a general description of the nature of the matters worked on, a list of professionals who worked on the matter, their hourly rate (if such professionals bill at an hourly rate), the number of hours each professional billed and, with respect to the invoices of law firms, the year of law school graduation for each attorney; *provided, however*, that the U.S. Trustee reserves the right to seek copies of invoices containing the detailed time entries of any professional.

9. Each of the DIP Liens, DIP Superpriority Claims, DIP Obligations, Prepetition Liens, Prepetition Loan Agreement Obligations, Adequate Protection Liens, Adequate Protection Superpriority Claims, and all other claims and liens granted pursuant to the Interim Order and this Final Order (as applicable), shall each be subject to and subordinate to payment of the Carve-Out. The Carve-Out shall have such priority claims and liens over all assets of the Debtor, including the DIP Collateral and Prepetition Collateral. As used here, the "**Carve-Out**" means the sum of (i) all fees required to be paid to the Clerk of the Court and all statutory fees payable to the Office of the United States Trustee under section 1930(a) of title 28 of the United States Code plus interest at the statutory rate, which amounts shall not be limited by any budget (without regard to the notice set forth in (iii) below); (ii) all reasonable fees and expenses up to $25,000 incurred by a trustee under section 726(b) of the Bankruptcy Code (without regard to the notice set forth in (iii) below); (iii) to the extent allowed at any time, whether by interim order, procedural order, or otherwise, all unpaid fees and expenses (and any monthly, restructuring, or sale fees to the extent earned prior to the date of the Carve-Out Trigger Notice (as defined below)) (the "**Allowed Professional Fees**") incurred by (or payable to) persons or firms retained by the Debtor pursuant to sections 327, 328, or 363 of the Bankruptcy Code (the "**Debtor Professionals**") and the subchapter V trustee at any

time before the date of delivery of the Carve-Out Trigger Notice by the DIP Agent (at the direction of the DIP Lenders), whether allowed by the Court prior to or after delivery of a Carve-Out Trigger Notice; and (iv) Allowed Professional Fees of Debtor Professionals and the subchapter V trustee in an aggregate amount not to exceed $250,000 incurred on or after the date of delivery of the Carve-Out Trigger Notice, to the extent allowed at any time, whether by interim order, procedural order, or otherwise (the amounts set forth in this clause (iv) being the "**Post Carve-Out Trigger Notice Cap**"). For purposes of the foregoing, "**Carve-Out Trigger Notice**" shall mean a written notice delivered by email (or other electronic means) by the DIP Agent (at the direction of the DIP Lenders) to the Debtor, its restructuring counsel (Pachulski Stang Ziehl & Jones LLP), the U.S. Trustee, and the subchapter V trustee, which notice may be delivered following the occurrence and during the continuation of an Event of Default (as defined below), stating that the Post Carve-Out Trigger Notice Cap has been invoked. The Debtor shall, on a weekly basis commencing after the first week of the Initial Budget, transfer cash proceeds of the DIP Loan Term Sheet or cash on hand into a segregated account (which may be the trust account of Debtor's counsel), not subject to the control of the DIP Agent, the DIP Lenders, or the Prepetition Lender (the "**Professional Fees Account**") in an amount equal to the amount budgeted for Debtor Professionals for the preceding week in the Initial Budget. Upon the delivery of the Carve-Out Trigger Notice, the Debtor shall deposit all available cash on hand into the Professional Fees Account until such amounts therein equal the Carve-Out. The Professional Fees Account, and all funds held therein, shall remain property of the Debtor's estate unless and until they are paid to the Debtor Professionals or the subchapter V trustee following Court approval of a fee application seeking approval of the same (if required), and shall be available only to satisfy obligations benefitting from the Carve-Out, and the DIP Agent, the DIP Lenders, and the Prepetition Lender (i) shall not

sweep or foreclose on any such available cash of the Debtor until the Professional Fees Account is fully funded, and (ii) shall have a security interest on any residual interest in the Professional Fees Account available following satisfaction in cash of all Carve-Out expenses.

10. The DIP Agent and DIP Lenders are entitled to the protections under section 364(e) of the Bankruptcy Code.

11. The Debtor shall not amend or revise the Initial Budget without the prior written approval of the DIP Lenders.

12. Subject to the terms and conditions set forth in this Final Order, the Debtor is authorized to use the DIP Loans solely in accordance with the Initial Budget through the earlier to occur of (a) September 13, 2024, (b) the occurrence of an Event of Default (as defined below), (c) the consummation of a sale of all or substantially all of the assets of the Debtor, and (d) the effective date of a confirmed chapter 11 plan (such date, the "**Maturity Date**"). The DIP Obligations shall not be due and payable prior to the Maturity Date; provided, however, that if the Maturity Date is triggered as a result of a sale of the Debtor's assets to a bidder other than the DIP Lenders, the DIP Loans shall be repaid in full, in cash at the closing of such sale, which closing shall occur not later than the date referenced in item (a) above.

13. The occurrence of any of the following events shall constitute an "Event of Default" under this Final Order:

a) the Debtor shall fail to comply with the provisions of this Final Order; or

b) the Debtor shall have made any representation or warranty in the DIP Financing Term Sheet that proves to have been incorrect in any material respect; or otherwise materially breached the DIP Financing Term Sheet; or

c) the Debtor shall have made any payment of principal or interest or otherwise on account of any prepetition indebtedness or payables, except as otherwise contemplated in the Initial Budget; or

d) there shall exist a material impairment of the rights provided by the Debtor under the DIP Loan Term Sheet or this Final Order; or

e) (i) the dismissal of the Case, (ii) the conversion of the Case to a chapter 7 case, (iii) the Debtor is denied subchapter V election, or (iv) the Debtor files or fails to oppose a motion (other than one filed by the DIP Lenders) seeking any such relief; or

f) a trustee (other than a subchapter V trustee), responsible officer or examiner with enlarged powers relating to the operation of the Debtor's business is appointed; or

g) the granting of relief from any stay proceeding so as to allow a third party to proceed against any assets of the Debtor in excess of $250,000; or

h) the filing of a motion seeking entry of an order, or entry of an order, confirming a plan of reorganization that does not require indefeasible repayment of the DIP Loans in full in cash as of the effective date; or

i) a change of control with respect to the Debtor shall occur; or

j) any material provision of the DIP Loan Term Sheet or this Final Order cease to be valid and binding on the Debtor; or

k) an order shall be entered determining that (i) any of the Debtor's material assets are not property of its bankruptcy estate, (ii) the Debtor's assets are not capable of being sold pursuant to section 1112 of the Bankruptcy Code or otherwise and/or (iii) the Debtor's assets cannot be sold free and clear of any liens, claims or other encumbrances; or

l) the Debtor shall make payment to or grant adequate protection other than to the Prepetition Lender in its capacity as a pre-petition secured lender with respect to any prepetition debt (other than as approved by DIP Lenders and the Bankruptcy Court); or

m) the entry of an order denying or terminating use of cash collateral by the Debtor; or

n) the cessation of the DIP Liens and/or DIP Superpriority Claims to be valid, perfected and enforceable in all respects with the priorities set forth in this Final Order; or

o) the rejection of any executory contract or unexpired lease identified as material by the DIP Lenders without the DIP Lender's consent; or

p) the Debtor shall fail to comply with milestones under the DIP Financing Term Sheet; or

q) the Debtor files, or supports any person filing, a motion seeking standing to assert a claim or challenge the DIP Lenders' liens and claim.

14. Upon the occurrence of an Event of Default, the DIP Agent, acting at the direction of the DIP Lenders may, by written notice to the Debtor, declare all DIP Obligations to be due and payable. Following or in conjunction with the DIP Agent giving notice of an Event of Default to the Debtor, the DIP Agent and the DIP Lenders shall have the right to file a motion seeking relief, from the automatic stay to exercise any or all remedies available hereunder and/or available to a secured creditor under applicable law, subject to full funding of the Carve-Out.

15. Except as set forth herein, no claim or lien having a priority senior to or pari passu with those granted by this Final Order to the DIP Agent and DIP Lenders other than with respect to the Prepetition Lender shall be granted or allowed while any portion of the DIP Obligations remain outstanding, and the DIP Liens shall not be (a) subject or junior to any lien or security

interest that is avoided and preserved for the benefit of the Debtor's estate under section 551 of the Bankruptcy Code or (b) subordinated to or made pari passu with any other lien or security interest, whether under section 364(d) of the Bankruptcy Code or otherwise.

16. If an order dismissing the Case is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code), to the fullest extent permitted by law, that (a) the DIP Liens and DIP Superpriority Claims shall continue in full force and effect and shall maintain their relative priorities as provided in this Final Order until all DIP Obligations shall have been paid and satisfied in full and that such DIP Liens and DIP Superpriority Claims shall, notwithstanding such dismissal, remain binding on all parties in interest and (b) this Court shall retain jurisdiction, to the extent allowed by applicable law, notwithstanding such dismissal, for the purposes of enforcing the claims, liens and security interests referred to and provided for in this Final Order.

17. If any or all of the provisions of this Final Order are hereafter reversed, modified, vacated or stayed, such reversal, stay, modification or vacation shall not affect the validity or enforceability of the DIP Liens, or their priority authorized pursuant to this Final Order. The DIP Agent and DIP Lenders shall be entitled to all the rights, remedies, privileges and benefits granted in section 364(e) of the Bankruptcy Code and this Final Order.

18. The DIP Liens and DIP Superpriority Claims and all other rights and remedies of the DIP Agent and the DIP Lenders granted by the provisions of this Final Order shall survive, and shall not be modified, impaired or discharged by (a) the entry of an order converting the Case to a case under chapter 7 of the Bankruptcy Code, or (b) the entry of an order confirming a plan of reorganization or liquidation in the Case and, pursuant to section 1141(d)(4) of the Bankruptcy Code, the Debtor waives any discharge as to any remaining DIP Obligations. The terms and

provisions of this Final Order shall continue in this Case or in any superseding chapter 11 case or chapter 7 case under the Bankruptcy Code, and the DIP Liens and DIP Superpriority Claims and all other rights and remedies of the DIP Agent and DIP Lenders granted pursuant to this Final Order shall continue in full force and effect.

19. Subject to the Challenge Period (as defined herein), the Stipulations, admissions, waivers, and releases in favor of the Prepetition Lender contained in this Final Order shall be binding upon the Debtor and its estate in all circumstances and for all purposes and the Debtor is deemed to have irrevocably waived and relinquished all Challenges (as defined below) as of the Petition Date. The Stipulations, admissions, and waivers contained in this Final Order shall be binding upon all other parties in interest, including any person acting on behalf of the Debtor's estate, unless and to the extent that a party in interest with proper standing granted by order of the Court, has timely and properly filed an adversary proceeding or contested matter under the Bankruptcy Rules: (i) seeking to avoid, object to, or otherwise challenge the findings or Debtor's Stipulations herein, including regarding, (a) the validity, enforceability, extent, priority, or perfection of the security interests and liens of the Prepetition Lender, (b) the validity, enforceability, allowability, priority, secured status, or amount of the Prepetition Loan Agreement Obligations, and (c) asserting or prosecuting any so-called "lender liability" claims, avoidance actions or any other claim, counter claim, cause of action, objection, contest or defense, of any kind or nature whatsoever, whether arising under the Bankruptcy Code, applicable law or otherwise, against the Prepetition Lender or its representatives (any such claim, a "**Challenge**") setting forth the particular basis for such Challenge; and (ii) in which the Court enters a final non-appealable order in favor of the plaintiff sustaining any such Challenge in any such timely filed Challenge. A Challenge must be filed on or prior to seventy-five (75) days following entry of the

Interim Order (*i.e.*, by **September 4, 2024**) (the "**Challenge Period**" and the date of expiration of the Challenge Period, the "**Challenge Period Termination Date**"); *provided, however*, that if a chapter 11 trustee is appointed or the Case is converted to a case under chapter 7 prior to the Challenge Period Termination Date, the chapter 11 or chapter 7 trustee, as applicable, shall have until the later of (1) the Challenge Period Termination Date or (2) the fourteenth (14th) day after the appointment of the chapter 11 trustee or the conversion of the Case to a case under chapter 7, as applicable, to commence a Challenge; *provided, further*, that the timely filing of a motion seeking standing to file a Challenge before the expiration of the Challenge Period, which attaches a draft complaint or other pleading setting forth the legal and factual bases of the proposed Challenge, shall toll the Challenge Period only as to the party that timely filed such standing motion until two (2) business days after such standing motion is resolved or adjudicated by the Court, or such other time period ordered by the Court in approving the standing motion, and solely as to the Challenges for which standing is sought (as set forth in such motion). For the avoidance of doubt, a chapter 7 trustee has automatic standing to pursue a Challenge pursuant to section 323 of the Bankruptcy Code. To the extent the Stipulations, admissions, waivers and releases contained in this Final Order are (x) not subject to a Challenge timely and properly commenced prior to the expiration of the Challenge Period Termination Date or (y) subject to a Challenge timely and properly commenced prior to the expiration of the Challenge Period Termination Date, but such Challenge does not result in a final and nonappealable judgment or order of the Court that is inconsistent with the stipulations, admissions, waivers and releases contained in this Final Order, then, without further notice, motion, or application to, or order of, or hearing before, this Court and without the need or requirement to file any proof of claim: (a) any and all such Challenges by any party (including any chapter 11 trustee, and/or any examiner or other estate representative

appointed or elected in this case, and any chapter 7 trustee and/or examiner or other estate representative appointed or elected in any successor case) shall be deemed to be forever barred; (b) the Prepetition Loan Agreement Obligations shall constitute allowed claims, not subject to counterclaim, setoff, recoupment, reduction, subordination, recharacterization, defense, or avoidance for all purposes in the Debtor's chapter 11 case and any successor case; (c) the Prepetition Liens shall be deemed to have been, as of the Petition Date, legal, valid, binding, and perfected liens and security interests, not subject to recharacterization, subordination, or avoidance; and (d) all of the Debtor's stipulations and admissions contained in this Final Order as to the priority, extent, and validity as to the Prepetition Lender's claims, liens, and interests contained in this Final Order shall be of full force and effect and forever binding upon the Debtor, its estate, and all creditors, interest holders, and other parties in interest in this Chapter 11 case and any successor case. For the avoidance of doubt, any trustee appointed or elected in this Chapter 11 Case shall, until the expiration of the period provided herein for asserting Challenges, and thereafter for the duration of any adversary proceeding or contested matter commenced pursuant to this paragraph (whether commenced by such trustee or commenced by any other party in interest on behalf of the Debtor's estates), be deemed to be a party other than the Debtor and shall not, for purposes of such adversary proceeding or contested matter, be bound by the acknowledgments, admissions, confirmations and stipulations of the Debtor in this Final Order. Nothing in this Final Order vests or confers on any person (as defined in the Bankruptcy Code) standing or authority to pursue any cause of action belonging to the Debtor or its estate, including any Challenge.

20. Notwithstanding anything in this Final Order or in any other order by this Court to the contrary, no portion of cash, if any, of the DIP Loans or the DIP Collateral may be used: (a) for any purpose that is prohibited under the Bankruptcy Code; (b) to finance any action which with

the giving of notice or passing of time would result in an Event of Default under the this Final Order; (c) to make any payment in settlement of any claim, action or proceeding, before any court, arbitrator or other governmental body without the prior written consent of the DIP Lenders and the approval of this Court; and/or (d) for any purpose or in any manner not approved in the Initial Budget.

21. This Final Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable to the Petition Date immediately upon entry hereof. Notwithstanding Bankruptcy Rules 6004(h), 6006(d), 7062, or 9014 or any other Bankruptcy Rule, this Final Order shall be immediately effective and enforceable upon its entity and there shall be no stay of execution or effectiveness of this Final Order.

22. The DIP Lenders shall have no obligation to extend any DIP loans or other financing, as the case may be, to any trustee or similar responsible person appointed for the estate of the Debtor or after the Maturity Date (subject only to paragraph 11 of this Final Order).

23. Nothing in this Final Order shall in any way be construed or interpreted to impose or allow the imposition upon the DIP Agent or DIP Lenders any liability for any claims arising from the pre-petition or post-petition activities of the Debtor in the operation of its business, or in connection with its Case.

24. Nothing in this Final Order shall in any way be construed or interpreted to constitute the Court's approval of any chapter 11 plan terms or provisions.

Dated: July 17th, 2024
Wilmington, Delaware

BRENDAN L. SHANNON
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT A

Initial Budget

QLESS, INC.
EXHIBIT A: INITIAL BUDGET

$000s	INTERIM PERIOD													
	Petition Date = 6/19/2024													From
Week	1	2	3	4	5	6	7	8	9	10	11	12	13	Petition Date
Week ending	21-Jun	28-Jun	5-Jul	12-Jul	19-Jul	26-Jul	2-Aug	9-Aug	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	Total
Cash Receipts														
Customer	$150	$150	$151	$151	$151	$151	$154	$154	$154	$154	$154	$228	$228	$2,127
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	$0
DIP Loan Financing	-	1,000	-	-	-	2,000	-	-	-	-	-	-	-	3,000
Total Cash Receipts	**$150**	**$1,150**	**$151**	**$151**	**$151**	**$2,151**	**$154**	**$154**	**$154**	**$154**	**$154**	**$228**	**$228**	**$5,127**
Cash Disbursements														
Operating Expenses														
Cost of Revenue	-	(25)	(122)	(2)	(31)	(16)	(163)	(3)	(32)	(3)	(50)	(133)	(34)	(614)
Sales & Marketing	-	(59)	(99)	(3)	(66)	(49)	(163)	(3)	(65)	(3)	(103)	(75)	(64)	(752)
Research & Development	-	(23)	(10)	(216)	(14)	(41)	(37)	(1)	(137)	(1)	(43)	(10)	(126)	(659)
General & Administrative	-	(30)	(143)	(13)	(39)	(22)	(133)	(1)	(28)	(1)	(33)	(112)	(46)	(601)
Contingency	-	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(10)	(120)
Other Non-Operating Expenses														
Director Fees	-	-	(40)	-	-	-	(40)	-	-	-	-	(40)	-	(120)
Non-Bankruptcy Professionals	-	-	-	-	-	-	(150)	-	-	-	-	(150)	-	(300)
Secured Interest (Adequate Protection)	-	-	(77)	-	-	-	(77)	-	-	-	-	(76)	-	(230)
Secured Lender Expense Reimbursement	-	-	(50)	-	-	-	(50)	-	-	-	-	(50)	-	(150)
Ch 11 Expenses														
DIP Commitment Fee	-	-	-	-	-	-	-	-	-	-	-	-	(45)	(45)
DIP Loan Interest	-	-	-	-	-	-	-	-	-	-	-	-	(77)	(77)
DIP Lender Fees	-	-	-	-	-	-	-	-	-	-	-	-	(200)	(200)
Debtor's Bankruptcy Counsel (Pachulski)	-	(150)	(75)	(75)	(30)	(30)	(30)	(30)	(30)	(75)	(75)	(75)	(75)	(750)
Debtor's CRO/Financial Advisor (Sherwood)	-	(50)	(44)	(19)	(10)	(10)	(35)	(10)	(10)	(10)	(10)	(35)	(10)	(253)
Sub Ch V Trustee		(35)	-	-	-	-	-	-	-	-	-	-	-	(35)
Claims/Noticing Agent (KCC)		(23)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(150)
Other Bankruptcy Expenses		(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(24)
Total Cash Disbursements	**$0**	**($407)**	**($683)**	**($352)**	**($214)**	**($191)**	**($902)**	**($70)**	**($326)**	**($115)**	**($337)**	**($780)**	**($701)**	**($5,079)**
Beginning Cash Balance	**$115**	**$265**	**$1,008**	**$476**	**$274**	**$211**	**$2,170**	**$1,422**	**$1,505**	**$1,333**	**$1,372**	**$1,189**	**$636**	**$115**
Net Cash Flow	$150	$743	($533)	($201)	($63)	$1,959	($748)	$83	($172)	$38	($183)	($553)	($473)	$48
Ending Cash Balance	**$265**	**$1,008**	**$476**	**$274**	**$211**	**$2,170**	**$1,422**	**$1,505**	**$1,333**	**$1,372**	**$1,189**	**$636**	**$163**	**$163**

EXHIBIT B

DIP Term Sheet

Execution Version

BINDING DEBTOR IN POSSESSION CREDIT FACILITY TERM SHEET

EFFECTIVE AS OF JUNE 19, 2024

Borrower:	QLess, Inc. ("**Borrower**").
Case:	The bankruptcy case (the "**Bankruptcy Case**") of Borrower to be filed under Subchapter V of chapter 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").
DIP Lenders:	Palisades Growth Capital II, L.P., and/or one or more of its affiliates who also own or control approximately 35% of the Borrower's shares and other shareholders of the Debtor also may participate as DIP Lenders (collectively, the "**DIP Lenders**").
DIP Agent:	A newly formed entity owned and controlled by the DIP Lenders (the "**DIP Agent**"). The DIP Agent shall act as collateral agent for the DIP Lenders. The DIP Agent shall take direction provided by the holders of the majority (greater than 50%) of the outstanding principal amount of the DIP Loans.
DIP Loan:	DIP Lenders will make loans (the "**DIP Loans**") available to Borrower in an aggregate amount up to $3,500,000 (the "**DIP Facility**").
Availability:	Subject to entry by the Bankruptcy Court of an interim order satisfactory in form and substance to DIP Lenders in their sole but reasonable discretion approving the DIP Facility on an interim basis (the "**Interim DIP Order**"), up to $1,000,000 (the "**Initial DIP Borrowing**") for the purposes set forth below and in accordance with the Budget (as defined below) and Interim DIP Order. Subject to entry of a final order satisfactory in form and substance to DIP Lenders in their sole but reasonable discretion approving the DIP Facility on a final basis (the "**Final DIP Order**," and together with the Interim DIP Order, the "**DIP Orders**"), Borrower shall be permitted to borrow up to an additional $2,500,000 (subject to approval of the Budget (as defined below) by the DIP Lenders as to any amount in excess of $2,000,000, the "**Subsequent Borrowing**") for the purposes set forth below and in accordance with the Budget (as defined below) and Final DIP Order. All orders entered by the Bankruptcy Court in connection with the DIP Facility shall be satisfactory in form and substance to DIP Lenders in their sole but reasonable discretion. This term sheet, the

DIP Orders, and any documents executed in connection therewith are referenced herein as the "**DIP Facility Documents**".

Term of DIP Facility: Unless otherwise extended in writing by DIP Lenders in their sole discretion, the period from the date on which the Initial DIP Borrowing Conditions (as described below) shall have been met to the earliest of: (i) September 13, 2024; (ii) the occurrence of an Event of Default (as defined below); (iii) the consummation of a sale of substantially all of the Borrower's assets to any entity other than the DIP Lenders, and (iv) the effective date of a confirmed chapter 11 plan (such date, the "**Maturity Date**"); *provided, however*, that if the Maturity Date is triggered as a result of a sale to a bidder other than DIP Lenders, the DIP Loans shall be repaid in full, in cash at the closing of such sale, which closing shall occur not later than the date referenced in item (i) above.

Use of Proceeds: Proceeds of the DIP Loans shall be used by Borrower solely to: (i) fund day-to-day working capital needs of Borrower and expenditures during the Bankruptcy Case, in accordance with the Budget; and (ii) to pay reasonable fees and expenses of restructuring legal and financial advisors or other similar advisors, in each case in accordance with the Budget (collectively, "**Permitted Uses**").

Interest Rates: The rate of 15% per annum on the outstanding principal amount of the DIP Loans, compounded monthly. Interest shall accrue and be payable on the Maturity Date (whether at stated maturity, by acceleration or otherwise). At all times that an Event of Default exists, the non-default interest rate shall be increased by 2.00% per annum. Default interest shall be payable in cash, upon demand.

Fees: A commitment fee of 1.50% of the aggregate DIP Facility amount would be fully-earned, due and payable on the Maturity Date.

Credit Bidding If the Borrower contemplates a sale of substantially all of the Borrower's assets to any entity other than the DIP Lenders, through a restructuring plan or otherwise, then the DIP Lenders shall have the right to credit bid any or all of the obligations owing by Borrower to DIP Lenders under the DIP Facility, including any outstanding accrued interest and fees thereunder. In the event DIP Lenders are not the successful bidders in any sale of the Purchased Assets, the proceeds of any sale of the Purchased Assets to such other successful bidder shall be applied *first* to the repayment in full, in cash of the loan from Celtic, then *second* to the repayment in full, in cash of the DIP Facility at the closing of such transaction.

Optional Prepayments and Commitment Reductions:	No early repayment or prepayment of any obligations permitted under the DIP Facility.
Priority:	Subject to the Carve-Out (as defined in the DIP Orders), all obligations of Borrower under the DIP Facility shall be secured by (i) second-priority liens on and security interests in all assets of the Debtor subordinate to Celtic Bank Corporation ("**Celtic**") and any permitted liens under the loan agreements therewith, (ii) first-priority liens on and security interests in all assets of the Debtor that are not subject to existing liens, including subject to entry of the Final DIP Order, proceeds of avoidance actions, and (iii) superpriority administrative expense claims against Borrower's bankruptcy estate having priority over all administrative expenses of the kind specified in sections 364(c)(1), 503(b) and 507(b) of the Bankruptcy Code, pursuant to the applicable provisions of section 364 of the Bankruptcy Code, provided that such superpriority administrative expense claims shall not be payable from the proceeds of avoidance actions pending entry of the Final DIP Order.
Conditions Precedent to Effectiveness and Initial DIP Borrowing:	The DIP Facility is subject to the following conditions (the "**Initial DIP Borrowing Conditions**") precedent, which must be satisfied by Borrower or waived or modified by DIP Lenders in their sole but reasonable discretion: 1. The filing of the Bankruptcy Case with the Bankruptcy Court on or before June 19, 2024 (such date, the "**Petition Date**"). 2. Receipt and approval by DIP Lenders in their sole but reasonable discretion of the initial Budget. 3. The filing on the Petition Date of a motion for entry of the Interim DIP Order and Final DIP Order (in two stages) (the "**DIP Motion**"). 4. The satisfaction of all Milestones (as defined below). 5. The entry of the Interim DIP Order by the Bankruptcy Court on or before three (3) business days following the Petition Date, which Interim DIP Order shall be in full force and effect, and shall not have been amended, vacated, reversed, modified, rescinded or subject to a presently effective stay pending appeal. 6. All of the "first day orders" entered around the time of commencement of the Bankruptcy Case shall be consistent with

the DIP Facility and the Interim DIP Order and be reasonably satisfactory in form and substance to DIP Lenders in all respects.

7. Receipt of a borrowing notice from Borrower in form and substance reasonably satisfactory to DIP Lenders.

8. Each of the Borrower's representations and warranties shall be true and correct in all material respects on and as of the date of the borrowing, except to the extent such representations and warranties specifically relate to an earlier date.

9. After giving effect to a request for, and the borrowing of, such DIP Loan, the aggregate amount of all DIP Loans would not exceed the commitment amount under the DIP Facility.

10. No Event of Default and no condition which would constitute an Event of Default with the giving of notice or lapse of time or both shall exist.

Conditions Precedent to Each Subsequent Borrowing:

Unless otherwise indicated, the obligation to provide each DIP Loan (including the Initial DIP Borrowing) shall be subject to the satisfaction of the Initial DIP Borrowing Conditions and each of the following, which must be satisfied by Borrower or waived or modified by DIP Lenders in their sole but reasonable discretion:

1. If after giving effect to a request for, and the borrowing of, such DIP Loan, the maximum DIP Lenders' commitment under the DIP Facility would not be exceeded, and the DIP Lenders have approved any increase in the Budget, if any, from the initial Budget

2. For any Subsequent Borrowing, the Final DIP Order shall have been entered, shall be in full force and effect, and shall not have been amended, vacated, reversed, modified or rescinded or subject to a presently effective stay pending appeal.

3. No Event of Default and no condition which would constitute an Event of Default with the giving of notice or lapse of time or both shall exist.

4. Representations and warranties shall be true and correct in all material respects on and as of the date of each DIP Loan, except to the extent such representations and warranties specifically relate to an earlier date.

5. Receipt of a borrowing notice from Borrower in form and substance reasonably satisfactory to DIP Lenders.

6. All orders entered by the Bankruptcy Court in connection with the DIP Loans shall be satisfactory in form and substance to the DIP Lenders in their sole but reasonable discretion.

Representations and Warranties:

The DIP Facility is subject to the following representations and warranties by Borrower (in each case subject to customary materiality, knowledge and other qualifiers), unless waived or modified by DIP Lenders in their sole discretion:

1. The Borrower is duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation and has all requisite power and authority to (x) own its properties and to carry on its business in the state of its incorporation and in each other jurisdiction where it transacts business, (y) to enter into this term sheet and the transactions contemplated hereby, and (z) to carry out the provisions and conditions of this term sheet.
2. Subject to entry of the DIP Orders, the Borrower has the corporate power and authority, and the legal right and authority, to make, deliver and perform this term sheet and each of the other DIP Facility Documents, to borrow and grant the DIP Liens hereunder and to consummate all of the other transactions contemplated hereby and thereby.
3. Subject to entry of the DIP Orders, the execution, delivery and performance of this term sheet are not, and the execution, delivery and performance of each of the other DIP Facility Documents when signed by a duly authorized signatory of the Borrower shall not be, in conflict with nor constitute a breach of any provision contained in the Borrower's organizational documents, nor will it constitute an event of default under any material agreement or instrument to which the Borrower is a party or by which the Borrower is bound or violate any requirement of law.
4. Subject to entry of the DIP Orders, no consent or authorization of, filing with, notice to or other act by or in respect of, any governmental authority or any other person is required in connection with the execution, delivery, performance, validity or enforceability of this term sheet or the other DIP Facility Documents, the borrowing of the DIP Loans hereunder, the granting of security hereunder or the consummation of any of the other transactions contemplated hereby or thereby.
5. Subject to entry of the DIP Orders, this term sheet has been duly executed and delivered on behalf of the Borrower and constitutes, and each other DIP Facility Document, when signed by a duly authorized signatory of the Borrower, shall

constitute, the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms.

6. Absent relief from stay in the Bankruptcy Case, there are no unstayed actions or proceedings pending by or against the Borrower before any court or administrative agency in which an adverse decision could reasonably be expected to result in damages or costs to the Borrower of greater than $250,000.
7. Subject to entry of the DIP Orders, the security interest granted pursuant to this term sheet creates a valid, enforceable, continuing, fully perfected security interest in favor of the DIP Agent, for the benefit of itself and the DIP Lenders, in all of the collateral in the priorities set forth herein. In addition, subject to entry of the DIP Orders, the DIP Agent and DIP Lenders shall be granted Superpriority Claims pursuant to section 364(c)(1) of the Bankruptcy Code.
8. No tax lien has been filed against assets of the Borrower, and no written claim is being asserted, with respect to any such tax, fee or other charge, which could reasonably be expected to result in damages or costs to the Borrower of greater than $250,000. The Borrower is not overdue in the filing of any tax returns or in the payment of any material amount in respect of taxes.
9. The Borrower has (i) good, sufficient and legal title to (in the case of fee interests in real property), (ii) valid leasehold interests in (in the case of leasehold interests in real or personal property), and (iii) good and marketable title to (in the case of all other personal property, including, but not limited to, intellectual property) all of its properties and assets.
10. The Borrower is in compliance with the requirements of all applicable laws, except for such laws the noncompliance with which could not reasonably be expected to result in damages or costs to the Borrower of greater than $250,000 in the aggregate. Without limiting the generality of the foregoing, the Borrower has met the minimum funding requirements of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") with respect to any employee benefit plans subject to ERISA, and no event has occurred resulting from the Borrower's failure to comply with ERISA that could result in the Borrower incurring any material liability. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940. The Borrower is not engaged principally, or as one of the important activities, in the business of extending

credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulations T and U of the Board of Governors of the Federal Reserve System). The Borrower has complied with all the provisions of the Federal Fair Labor Standards Act.

11. The Borrower owns or possesses, or could obtain ownership or possession of, on terms not materially adverse to it, all intellectual property necessary for the present conduct of its business, without any known conflict with the rights of others, and free from any burdensome restrictions, except where such conflicts and restrictions could not, individually or in the aggregate, reasonably be expected to have a material adverse effect.

Budget: A 13-week rolling cash budget as approved by DIP Lenders in its sole but reasonable discretion prior to the entry of the Interim DIP Order (and any subsequent approved budget, the "**Budget**"), shall be attached to the DIP Motion and shall reflect on a line-item basis Borrower's anticipated aggregate cash receipts and aggregate working capital expenses for each week covered by the Budget. The Budget will include items for each of the Permitted Uses. For each rolling three-week period in the Budget, aggregate disbursements, on a cumulative basis, shall not exceed 15% of the aggregate amount of projected disbursements for such three-week period. DIP Lenders may also, in writing, authorize the Debtor to exceed the permitted variances. On each monthly anniversary of the Petition Date (as defined below) (or, if such anniversary is not a business day, then on the next succeeding business day), Borrower shall provide DIP Lenders with an updated Budget, including a detailed report of variances on a line-item basis. Subsequent Budgets shall be subject to prior review and approval by DIP Lenders.

Affirmative Covenants: The DIP Facility is subject to the following affirmative covenants (including exceptions) by Borrower, unless waived by DIP Lenders in their sole but reasonable discretion:

1. The Borrower shall: (i) maintain its existence (and will not materially change the nature of its business, dispose of all or a substantial portion of its assets or merge or consolidate with another party), (ii) comply with all applicable requirements of law, including all applicable environmental laws and all anti-corruption, anti-bribery, anti-money laundering and anti-terrorism laws, except for such laws the noncompliance with which could not reasonably be expected to result in damages or costs to the Borrower of greater than $250,000; and (iii) remain qualified to do business in all applicable jurisdictions.

2. Proceeds of the DIP Loans shall be used by Borrower solely: (i) to fund day-to-day working capital needs of the Borrower and expenditures during the Bankruptcy Case in accordance with the Budget; (ii) to pay reasonable fees and expenses of restructuring legal and financial advisors or other similar advisors, in each case in accordance with the Budget; and (iii) provide required funding to the Subchapter V Trustee. No portion of the proceeds of the DIP Loans will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, for purchasing or carrying margin stock or for any other purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the Board of Governors of the Federal Reserve System, including Regulation T, U, or X of the Federal Reserve Board.
3. The Borrower agrees that (i) its obligations hereunder shall not be discharged by the entry of an order confirming a Chapter 11 plan (and the Borrower, pursuant to section 1141(d)(4) of the Bankruptcy Code, hereby waives any such discharge), dismissing the Bankruptcy Case or converting the Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code, and (ii) the Superpriority Claims and the DIP Liens granted to the DIP Agent and DIP Lenders hereunder and pursuant to the DIP Orders shall not be affected in any manner by the entry of an order confirming a Chapter 11 plan dismissing the Bankruptcy Case or converting the Bankruptcy Case to a case under Chapter 7 of the Bankruptcy Code.
4. Promptly upon, and in any event within three (3) business days of, becoming aware of the occurrence of any event which constitutes a default or Event of Default, the Borrower shall deliver written notice thereof to the DIP Agent together with a detailed statement by a responsible officer of the Borrower outlining the steps being taken to cure such default or Event of Default.
5. The Borrower shall pay and discharge all post-petition taxes, assessments and governmental charges or levies imposed upon it, or upon its income and profits, prior to the date on which penalties might attach thereto and all lawful claims which, if unpaid, might become a lien upon the assets of the Borrower; provided, however, that the Borrower shall not be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the legality thereof shall be contested in good faith and by appropriate proceedings and for which adequate provision in accordance with GAAP has been made, except that the Borrower shall pay or cause to be paid all such taxes, assessments and governmental charges forthwith upon the commencement of proceedings to sell,

seize or collect any assets attached as security therefor, unless such sale, seizure or collection is stayed by the filing of an appropriate bond.

6. The Borrower shall promptly pay and discharge all post-petition (i) trade accounts payable in accordance with usual and customary business practices, and (ii) claims for work, labor or materials which if unpaid might become a lien upon any of its assets; provided, however, that the Borrower shall not be required to pay any such account payable or claim the payment of which is being contested in good faith and, if necessary, by appropriate proceedings and for which adequate provision as determined in accordance with GAAP has been made, except that the Borrower shall pay or cause to be paid all such accounts payable and claims forthwith upon the commencement of proceedings to foreclose any lien which is attached as security therefor, unless such foreclosure is stayed by the filing of an appropriate bond.
7. The Borrower shall maintain (i) casualty insurance on all real and personal property on an all risks basis (including the perils of flood, windstorm and quake), covering the repair and replacement cost of all such property and coverage, business interruption and rent loss coverages with extended period of indemnity and indemnity for extra expense, (ii) general and professional liability insurance, and (iii) such other insurance coverage in each case against loss or damage of the kinds customarily insured against by persons engaged in the same or similar business of such types and in such amounts as are customarily carried under similar circumstances by such other persons. The Borrower shall deliver to the DIP Agent and DIP Lenders (i) upon the request of the DIP Agent or any DIP Lender from time to time, full information as to the insurance carried, (ii) within five (5) days of receipt of notice from any insurer, a copy of any notice of cancellation, nonrenewal or material change in coverage from that existing on the date hereof, (iii) forthwith, notice of any cancellation or nonrenewal of coverage by the Borrower, and (iv) at least sixty (60) days prior to expiration of any policy of insurance, evidence of renewal of such insurance upon the terms and conditions herein required.
8. The Borrower shall at any time upon the reasonable request of the DIP Agent, at the sole expense of the Borrower, execute or deliver to the DIP Agent any and all financing statements, security agreements, pledges, collateral assignments, amendments to this term sheet or any other DIP Facility Document and all other documents that the DIP Agent may reasonably request in form and substance reasonably

satisfactory to the DIP Agent, to create, perfect, and continue perfected or to better perfect the DIP Liens on the Collateral (whether now owned or hereafter arising or acquired, tangible or intangible, real or personal), to create and perfect the DIP Liens in the Collateral in favor of the DIP Agent and DIP Lenders and in order to fully consummate all of the transactions contemplated under this term sheet. In furtherance and not in limitation of the foregoing, the Borrower shall take such actions as the DIP Agent may reasonably request from time to time to ensure that the DIP Obligations are secured by the collateral.

9. Without limiting Borrower's other obligations under this term sheet and each other DIP Facility Document, all Bankruptcy Court orders, and all other orders entered by the Bankruptcy Court in the Bankruptcy Case, pleadings, motions, applications, judicial information, financial information and other documents to be filed with the Bankruptcy Court that affect or could reasonably be expected to affect the DIP Agent, the DIP Lenders, the DIP Loan facility, the Collateral, the DIP Liens, the Superpriority Claims, Celtic or the Borrower's loan obligations thereto, shall be in form and substance acceptable to the DIP Agent in its reasonable sole discretion.

Negative Covenants: The DIP Facility is subject to the following negative covenants (including exceptions) by Borrower, unless waived by DIP Lenders in their sole but reasonable discretion:

1. Limitations on Indebtedness. The Borrower shall not incur or be obligated on any indebtedness other than: (i) the DIP Obligations; (ii) [reserved]; (iii) current liabilities of the Borrower incurred in the ordinary course of the Borrower's business (including credit card charges or reimbursements for budgeted business expenses incurred postpetition in the ordinary course) or in connection with the Borrower's prosecution of the Bankruptcy Case and not incurred through (A) the borrowing of money, or (B) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services; (iv) endorsements for collection, deposits or negotiation and warranties of products or services, in each case incurred in the ordinary course of business; (v) indebtedness in respect of performance, surety or appeal bonds obtained in the ordinary course of the Borrower's business; and (vi) indebtedness existing as of the Petition Date, including the loan from Celtic.

2. Consolidation, Merger, Sale of Assets, Dissolution, etc. The Borrower shall not (i) directly or indirectly merge into or with or consolidate with any other person or permit any other person to merge into or with or consolidate with it or (ii) sell, assign, lease, transfer, abandon or otherwise dispose of any of its assets, except as otherwise permitted under this term sheet.
3. Changes in Nature of Business. The Borrower shall not engage in any business if, as a result, the general nature of the business which would then be engaged in by the Borrower, considered as a whole, would be substantially changed from the Borrower's business.
4. Organizational Changes. The Borrower shall not, directly or indirectly, amend or otherwise modify any of its organizational documents in a manner materially adverse to the DIP Lenders without the prior written consent of the DIP Lenders, or allow any change in control to occur.
5. Subsidiaries. The Borrower will not acquire or cause to be formed any subsidiaries without the prior written consent of the DIP Lenders.
6. Liens. Except with respect to the DIP Liens, the liens of Celtic and any permitted liens thereunder, Borrower will not mortgage or encumber any of its assets or suffer any liens to exist on any of its assets without the prior written consent of the DIP Lenders.
7. No Contest. The Borrower will not contest the validity, legality, binding effect or priority of the DIP Liens, the DIP Loans, the DIP Facility Documents or the Superpriority Claims.
8. Restricted Investments. Borrower will not, directly or indirectly, make any investments in any person without the prior written consent of the DIP Lenders.
9. Critical Vendors. The Borrower shall not pay any critical vendors for pre-petition claims without (i) the prior written consent of the DIP Lenders, (ii) inclusion of such payments in the Budget, and (iii) an appropriate order from the Bankruptcy Court.
10. Change in Senior Management. Without the prior written consent of the DIP Lenders, the Borrower shall not terminate or make any substantial change in the management duties or discretionary authority of any senior executives of the Borrower.
11. Executive Compensation. The Borrower shall not increase the gross compensation or benefits paid to, for or on behalf of any executive officer or senior management employee of the Borrower without the prior written consent of the DIP Lenders.

12. State of Organization; Location of Chief Executive Office. The Borrower shall not change its state of organization, principal place of business or chief executive office, unless the Borrower has obtained the DIP Agent's prior written consent and has taken such action as is necessary to cause the DIP Liens in the collateral to continue to be a first or second priority, as applicable, fully perfected security interest subject only to Celtic's liens and any permitted liens thereunder.

Event of Default: The DIP Facility is subject to the following events of default (each an "**Event of Default**"), unless waived or modified by DIP Lenders in their sole but reasonable discretion:

1. Borrower's failure to make any payment when due;

2. Borrower's noncompliance with covenants, or breaches of representations and warranties in the DIP Facility Documents;

3. any representation or warranty made by Borrower in the DIP Facility Documents shall prove to have been incorrect in any material respect when made or at any other times specified therein;

4. any other material breach of the DIP Facility Documents;

5. Borrower's failure to satisfy or stay execution of judgments in excess of $250,000;

6. except as otherwise contemplated by the Budget and approved by an order of the Bankruptcy Court, Borrower shall make any payment (whether by way of adequate protection or otherwise) of principal or interest or otherwise on account of any prepetition indebtedness or payables;

7. the existence of certain materially adverse employee benefit or environmental liabilities;

8. material impairment of the rights provided Borrower under the DIP Facility Documents or DIP Orders;

9. dismissal of the Bankruptcy Case or conversion of the Bankruptcy Case to a Chapter 7 case or denial of Subchapter V election, or Borrower files or fails to oppose a motion (other than one filed by DIP Lenders) seeking such relief;

10. appointment of a trustee (other than the Subchapter V trustee), responsible officer or examiner with enlarged powers relating to the operation of the business of Borrower;

11. granting of relief from any stay of proceeding (including, without limitation, the automatic stay) so as to allow a third party to proceed against any assets of Borrower in excess of $250,000;

12. filling of motion seeking entry of an order, or entry of an order, confirming (or the filing of any motion or pleading requesting confirmation of) a plan of reorganization that does not require indefeasible repayment in full in cash of the DIP Facility as of the effective date of the plan and/or that does not otherwise comply with the provisions of the DIP Facility Documents or the DIP Orders;

13. entry of an order staying, reversing, vacating or otherwise modifying, without the prior consent of DIP Lenders, the DIP Facility or the DIP Orders;

14. Borrower's failure to comply with the DIP Orders;

15. a change of control with respect to Borrower shall occur;

16. any material provision of the DIP Facility Documents or the DIP Orders shall cease to be valid and binding on Borrower, or Borrower shall so assert publicly or in any pleading filed in any court;

17. an order is entered determining that (i) any of the Borrower's assets are not property of its bankruptcy estate, (ii) the Borrower's assets are not capable of being sold pursuant to section 1123 of the Bankruptcy Code or otherwise, and/or (iii) the Borrower's assets cannot be sold free and clear of any liens, claims or other encumbrances;

18. payment or granting of adequate protection other than to any DIP Lender or Celtic in its capacity as a pre-petition secured lender with respect to any prepetition debt (other than as approved by DIP Lenders and the Bankruptcy Court);

19. entry of an order denying or terminating use of cash collateral by Borrower;

20. cessation of liens or superpriority claims granted with respect to the DIP Facility to be valid, perfected and enforceable in all respects with the priority described herein;

21. rejection of any executory contract or unexpired lease identified as material by DIP Lenders without DIP Lender consent;

22. Borrower's failure to comply with any Milestones (as defined below); and

23. Borrower files, or supports any person filing, a motion seeking standing to assert a claim or challenge to DIP Lenders' liens and claims.

24. Termination or reduction of the exclusivity period for Borrower to file a Chapter 11 plan in the Bankruptcy Case;

Milestones: The DIP Facility and the DIP Orders require Borrower to comply with the following milestones (collectively, the "Milestones"), unless waived or modified by DIP Lenders in their sole but reasonable discretion:

1. On or before the date that is three (3) business days after the Petition Date, the Interim DIP Order shall have been entered by the Bankruptcy Court;

2. On or before July 1, 2024, the Subchapter V Plan shall have been filed;

3. On or before the date that is twenty-eight (28) days after the Petition Date, the Final DIP Order shall have been entered by the Bankruptcy Court; and

4. On or before the date that is seventy-five (75) days after the Petition Date, the Bankruptcy Court shall have entered the Confirmation Order.

Costs and Expenses: Borrower shall pay all reasonable actual, documented out of pocket fees, costs and expenses of DIP Lenders (including, without limitation, fees and disbursements of counsel, including local counsel, and financial and accounting advisors) in connection with (i) the negotiation, preparation, execution and entry of the DIP Facility Documents, as applicable, regardless of when incurred, (ii) all litigation, contests, disputes, suits, proceedings or actions (whether instituted by DIP Lenders, Borrower or any other person or entity) in any way relating to the DIP Facility or Borrower's affairs, and (iii) the enforcement of any rights and remedies under the DIP Facility Documents, DIP Orders or applicable law. All such fees, costs and expenses that become due and owing after maturity of the DIP Loans

	(whether at stated maturity, by acceleration or otherwise) shall be due and payable on demand.
Indemnification:	Borrower shall indemnify DIP Lenders and their affiliates, successors and assigns against any liability arising in connection with the transactions contemplated hereby (other than in the case of the gross negligence, bad faith or willful misconduct of any indemnified person).
Assignments and Participations:	The DIP Facility Documents shall contain usual and customary assignment provisions subject to Borrower's prior written consent, not to be unreasonably withheld or delayed, except that no such consent shall be required if an Event of Default has occurred and is continuing, or in the case of any such assignment to any affiliate of the DIP Lenders. DIP Lenders shall have free participation rights without the prior written consent of or prior notice to Borrower.
Release:	Upon entry of the Interim DIP Order, as of the Petition Date, Borrower for itself, its affiliates, directors, employees, representatives and assigns, forever and irrevocably discharges and releases the DIP Lenders and each of the DIP Lenders' principals, predecessors, successors, assigns, agents, employees, representatives, attorneys, subsidiaries, affiliates, solely in their capacities as such, from any and all claims, complaints, and lawsuits of any nature whatsoever, known or unknown, suspected or unsuspected, that Borrower (or any of such other persons) has against the DIP Lenders or any of such other persons, in their capacities as such.
Governing Law and Submission to Jurisdiction:	New York except as governed by the Bankruptcy Code.

[signature page follows]

AGREED:

QLESS, INC.

_____

Name: Andrew De Camara
Title: Chief Restructuring Officer

PALISADES GROWTH CAPITAL II, L.P.

_____

Name:
Title:

AGREED:

PALISADES GROWTH CAPITAL II, L.P.
By: Palisades Growth Capital, LLC, its general partner

DocuSigned by:
Anders Richardson
4A568538C57A4E3...

Name: Anders Richardson
Title: Authorized Signatory