

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

WILSONS THE LEATHER EXPERTS INC

CIK: **1016607** | IRS No.: **411839933** | State of Incorporation: **MN** | Fiscal Year End: **1231**
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SIC: **5651** Family clothing stores

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ST LOUIS PARK
BROOKLYN PARK MN 55428
6123914000

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 3, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-21543

WILSONS THE LEATHER EXPERTS INC.

(Exact name of registrant as specified in its charter)

MINNESOTA
(State or other jurisdiction of
incorporation or organization)

41-1839933
(I.R.S. Employer
Identification No.)

7401 BOONE AVE. N.
BROOKLYN PARK, MN 55428
(Address of principal executive offices)

(763) 391-4000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of June 12, 2008, there were 39,893,039 shares of the Registrant's common stock, \$0.01 par value per share, outstanding.

WILSONS THE LEATHER EXPERTS INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

WILSONS THE LEATHER EXPERTS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share amounts)

	May 3, 2008	February 2, 2008(1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$9,313	\$ 7,362
Accounts receivable, net	2,750	3,462
Inventories	33,777	58,307
Prepaid expenses	3,007	6,821
Income taxes receivable	208	141
Total current assets	49,055	76,093
Property and equipment, net	14,789	13,681
Other assets, net	885	815
TOTAL ASSETS	\$64,729	\$ 90,589
LIABILITIES, PREFERRED STOCK AND COMMON SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$9,037	\$ 16,288
Accrued expenses	11,472	12,718
Deferred income taxes	430	723
Current liabilities of discontinued operations	8,918	–
Total current liabilities	29,857	29,729
Income taxes payable	1,398	1,367
Other long-term liabilities	11,962	15,441
Total liabilities	43,217	46,537
Commitments and contingencies		
Preferred stock, \$.01 par value; 200,000 shares authorized; 46,667 shares issued and outstanding on May 3, 2008 and February 2, 2008	40,232	39,033
Shareholders' equity (deficit):		
Common stock, \$.01 par value; 150,000,000 shares authorized; 39,372,209 and 39,336,903 shares issued and outstanding on May 3, 2008 and February 2, 2008, respectively	394	393
Additional paid-in capital	139,124	140,500
Accumulated deficit	(158,240)	(135,876)
Accumulated other comprehensive income	2	2
Total shareholders' equity (deficit)	(18,720)	5,019
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	\$64,729	\$ 90,589

(1) Derived from audited consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

WILSONS THE LEATHER EXPERTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except per share amounts)

	Three months ended	
	May 3, 2008	May 5, 2007
Net sales	\$36,435	\$42,364
Cost of goods sold, buying and occupancy costs	31,464	36,205
Gross margin	4,971	6,159
Selling, general and administrative expenses	17,155	19,060
Depreciation and amortization	1,026	2,066
Operating loss	(13,210)	(14,967)
Interest expense, net	171	431
Loss from continuing operations before income tax provision (benefit)	(13,381)	(15,398)
Income tax provision (benefit)	23	(73)
Loss from continuing operations	(13,404)	(15,325)
Loss from discontinued operations, net of income tax benefit of \$269 and \$0, respectively	(8,960)	(5,940)
Net loss	(22,364)	(21,265)
Preferred stock paid-in-kind dividends	1,373	-
Net loss attributable to common shareholders	<u>\$ (23,737)</u>	<u>\$ (21,265)</u>
Loss per common share – basic and diluted		
Loss from continuing operations	\$(0.38)	\$(0.39)
Loss from discontinued operations	(0.22)	(0.15)
Net loss	<u>\$(0.60)</u>	<u>\$(0.54)</u>
Weighted average common shares outstanding – basic and diluted	39,350	39,212

The accompanying notes are an integral part of these consolidated financial statements.

WILSONS THE LEATHER EXPERTS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three months ended	
	May 3, 2008	May 5, 2007
OPERATING ACTIVITIES:		
Net loss	\$(22,364)	\$(21,265)
Loss from discontinued operations, net of income tax benefit	(8,960)	(5,940)
Loss from continuing operations	(13,404)	(15,325)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities of continuing operations:		
Depreciation and amortization	1,026	2,066
Amortization of deferred financing costs	102	88
Stock-based compensation expense (benefit)	(184)	328
Deferred income taxes	(23)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	711	788
Inventories	2,744	12,434
Prepaid expenses	3,669	508
Accounts payable and accrued expenses	(9,025)	(5,098)
Income taxes payable and other liabilities	(502)	116
Net cash used in operating activities from continuing operations	(14,886)	(4,095)
Net cash provided by (used in) operating activities from discontinued operations	18,655	(5,167)
Net cash provided by (used in) operating activities	<u>3,769</u>	<u>(9,262)</u>
INVESTING ACTIVITIES:		
Additions to property and equipment	(1,652)	(1,187)
Net cash used in investing activities	<u>(1,652)</u>	<u>(1,187)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net	7	27
Debt issuance costs	(173)	(18)
Net cash provided by (used in) financing activities	<u>(166)</u>	<u>9</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,951	(10,440)
CASH AND CASH EQUIVALENTS, beginning of period	7,362	19,909
CASH AND CASH EQUIVALENTS, end of period	<u>\$9,313</u>	<u>\$9,469</u>
CASH PAID DURING THE PERIOD:		
Interest	\$142	\$602
Income taxes	82	(13)
SUPPLEMENTAL DISCLOSURES:		
Investing Activities – non-cash additions to property and equipment	\$529	\$1,012
Financing Activities – preferred stock paid-in-kind dividends	1,373	-

The accompanying notes are an integral part of these consolidated financial statements.

WILSONS THE LEATHER EXPERTS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Wilsons The Leather Experts Inc. (“Wilsons Leather” or the “Company”), a Minnesota corporation, and its direct and indirect subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The Company operates in one reportable segment as a specialty retailer of quality leather outerwear, accessories and apparel in the United States. At May 3, 2008, the Company operated 228 stores located in 39 states, including 100 mall stores, 114 outlet stores and 14 airport locations.

The accompanying consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) applicable to interim financial information. Accordingly, the significant accounting policies and certain financial information normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), but which are not required for interim reporting purposes, have been condensed or omitted. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation in accordance with GAAP. The Company’s business is highly seasonal, and accordingly, interim results are not necessarily indicative of results for the full fiscal year. These interim consolidated financial statements and the related notes should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 2, 2008, filed with the SEC on April 14, 2008.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Matters of significance in which management relies on these estimates relate primarily to the realizability of assets, such as inventories, property and equipment, and accounts receivable, and the adequacy of certain accrued liabilities and reserves. Ultimate results could differ from those estimates.

Fiscal year

The Company’s fiscal year ends on the Saturday closest to January 31. The periods that will end or have ended January 31, 2009, February 2, 2008 and February 3, 2007 are referred to herein as fiscal years 2008, 2007 and 2006, respectively. Fiscal years 2008 and 2007 are 52 week years. Fiscal 2006 consisted of 53 weeks.

2. Summary of Significant Risks and Uncertainties and Going Concern Assessment

Over the past few years, mall traffic has been trending downward, off-mall retail venues have gained popularity and competition has continued to increase from non-specialty discounters and mass merchandisers, as they have significantly expanded into leather outerwear at promotional price points. The declining mall traffic and increased competition has adversely affected the performance of the Company’s stores. Further compounding these issues for the Company was an extremely challenging retail environment for outerwear in 2007. In addition, the Company’s strategic initiative undertaken in 2006 and 2007 to transition its customer base to a more contemporary and upscale target customer is taking more time than anticipated, further negatively impacting store performance.

For the three months ended May 3, 2008 and May 5, 2007 and the years ended February 2, 2008 and February 3, 2007, the Company has incurred net losses of \$22.4 million, \$21.3 million, \$77.5 million and \$33.1 million, respectively, and generated (used) \$3.8 million, (\$9.3) million, (\$28.2) million and (\$14.6) million, respectively, in cash for operating activities. In addition, the Company’s \$45.6 million cash balance at the beginning of 2006 has decreased to \$9.3 million as of May 3, 2008. The Company executed amendments to its credit agreement in February 2008. These amendments, among other things, added a \$10.0 million reserve to the borrowing base for revolver borrowings; however, until the Company provides projections and a business plan that are acceptable to its lender, revolver borrowings are prohibited and the aggregate amount of letters of credit outstanding is limited to \$21.0 million. In addition, the amendments require a

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monthly appraisal of the Company's inventory, which is then used to establish borrowing limits under the credit agreement.

On February 15, 2008, the Company commenced the liquidation of 154 mall stores and four outlet stores. The February credit agreement amendments allowed for the store liquidations but limit the aggregate amount that can be paid to settle the leases of the liquidated stores. The store liquidations resulted in the closing of approximately 130 stores prior to the end of their respective lease terms. The remaining terms on these leases average approximately 40 months and range from less than one year to up to ten years. There is uncertainty as to when, and at what cost, the Company will fully settle all remaining lease obligations. The Company is currently in negotiations with its landlords to obtain settlements for these leases; however, the settlement negotiations may not result in terms that are acceptable to the Company or its lender and may have an adverse impact on the leases of the Company's remaining stores.

In order to execute its go forward plans, the Company will need to amend some of the restrictions in its current credit agreement, or find alternative sources of credit, and raise additional capital during the second quarter of 2008. The Company is pursuing possible sources of funding, including possible sales of existing assets. The Company is also considering additional store closures to optimize cash flow. As of May 3, 2008, all of the Company's assets were considered "held-and-used" as the criteria considered for "held-for-sale" accounting had not been met. As of May 3, 2008, the Company evaluated the potential for impairment of long-lived assets using a weighted average of estimated expected future cash flows by store and cash flows from the sale of assets. This analysis did not result in an impairment of long-lived assets as of May 3, 2008. If the criteria for "held-for-sale" accounting is met, the Company can only consider the expected cash flows from the sale of the assets, net of transaction costs, in its analysis, which may result in future impairment charges.

There can be no assurance that additional funding will be available or can be obtained on terms that are favorable to the Company, or at all. There is no assurance that the Company's current lender will agree to amend the terms of the credit agreement. If the Company is not able to obtain additional capital in the second quarter of 2008, it will not be able to continue its operations outside of bankruptcy. Under certain bankruptcy events, the Company may be required to redeem shares of its preferred stock at their liquidation value. As of May 3, 2008, the aggregate liquidation value was \$48.2 million, including accrued but unpaid dividends. However, the redemption would not be permitted by law, unless the Company is able to pay its debts as they come due, and would be prohibited by the terms of its existing credit agreement. The Company's financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 was effective for fiscal years beginning after November 15, 2007. Upon adoption, the Company did not elect the fair value option for any items within the scope of SFAS 159 and, therefore, the adoption of SFAS 159 did not have an impact on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair measurements. SFAS 157, as originally issued, was effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. However, in February 2008, the FASB issued FASB Staff Position No. FAS 157-2, which deferred the effective date of SFAS 157 for one year, as it relates to the fair value measurement requirements for non-financial assets and non-financial liabilities that are not required or permitted to be measured at fair value on a recurring basis. The adoption of SFAS 157 for the Company's financial assets and financial liabilities did not have a material impact on its consolidated financial statements. The Company is evaluating the impact that the implementation of SFAS 157 for its non-financial assets and non-financial liabilities will have on its consolidated financial statements.

4. Reorganization and Partial Store Liquidation and Discontinued Operations

On February 15, 2008, the Company announced that it would liquidate up to 160 stores (subsequently revised to 154 mall stores and four outlet stores – the "liquidation stores") and eliminate approximately 938 store-related positions. The Company entered into an Agency Agreement (the "Agreement") with a joint venture comprised of Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC and Hilco Real Estate, LLC (the "Hilco/Gordon Brothers Joint Venture") to liquidate the inventory in the 158 stores and assist in the discussions with landlords regarding early lease terminations in approximately 130 of these stores. The liquidation stores were selected based on strategic criteria, including negative sales and earnings trends, projected real estate costs and location.

The Company plans to remodel the 100 remaining mall stores to a new mall accessories store concept during 2008. As part of the launch of the new concept stores and ongoing cost reduction efforts, the Company realigned its organization to reflect its reduced store base and, as a result, eliminated 64 positions at its corporate headquarters, overseas offices and distribution center. Selling, general and administrative expenses of continuing operations for the three months ended May 3, 2008 include \$0.8 million of employee separation costs incurred by the Company in connection with these eliminated positions, of which \$0.6 million was paid in the period. The remaining balance of accrued employee separation costs at May 3, 2008 of \$0.4 million is included in accrued expenses of continuing operations. The Company expects to complete all payments by the third quarter of fiscal 2008.

In addition to the liquidation stores, the Company also closed five mall stores during the three months ended May 3, 2008, primarily related to natural lease terminations. The liquidation stores and other closings totaled 163 stores, of which 44 closings resulted in the exit from 38 of the Company's markets and the other 119 closings resulted in a significant reduction in stores in the Company's remaining 81 markets. The Company does not expect a significant migration of closed store customers to another of its existing stores or its e-commerce site. Accordingly, the results of operations for the 163 closed stores qualified for discontinued operations under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), and are presented separately in the accompanying statements of operations for all periods presented. No consolidated buying costs (which consist of merchandising and distribution expenses), indirect selling, general and administrative expenses (which include field sales management and loss prevention) or interest expense have been allocated to discontinued operations. The Company recorded asset impairment charges related to the liquidation stores of \$9.3 million during the fourth quarter of fiscal 2007, which eliminated most of the remaining net book value of assets located in the closed stores reported as discontinued operations.

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The components of loss from discontinued operations of the stores closed in 2008 were as follows:

(In thousands)	Three Months Ended	
	May 3, 2008	May 5, 2007
Net sales	\$30,161	\$15,231
Cost of goods sold and occupancy costs	28,966	14,939
Gross margin	1,195	292
Selling, general and administrative expenses	10,377	5,459
Depreciation and amortization	47	773
Loss before income tax benefit	(9,229)	(5,940)
Income tax benefit	(269)	–
Loss from discontinued operations, net of tax	<u>\$ (8,960)</u>	<u>\$ (5,940)</u>

The current liabilities of discontinued operations consisted of the following:

(In thousands)	May 3, 2008
Compensation and benefits	\$144
Taxes other than income taxes	292
Rent	2,346
Estimated fair value of remaining lease obligations	5,274
Due to Hilco/Gordon Brothers Joint Venture	701
Other	161
Current liabilities of discontinued operations	<u>\$8,918</u>

The store liquidations and vacating of the leased premises were substantially complete as of the end of the first quarter of fiscal 2008. Accordingly, the loss from discontinued operations for the three months ended May 3, 2008 includes the costs and charges related to the liquidation sales and estimated fair value of the remaining lease obligations of certain of the liquidation stores in accordance with SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS 146”). Pursuant to the Agreement, the Hilco/Gordon Brothers Joint Venture paid the Company a guaranteed amount of 77% of the cost value of the inventory, subject to certain adjustments. The Hilco/Gordon Brothers Joint Venture was responsible for all expenses related to the sale. The estimated fair value of the remaining lease obligations is preliminary and may vary materially depending on various factors, including the outcome of negotiations with landlords, the ability to obtain lease assignments or subtenants for the vacated premises and the accuracy of assumptions used by management in developing these estimates. The Company will adjust the estimated fair value of remaining lease obligations to the lease buyout amount plus negotiation costs in the period lease settlements are executed. A summary of the net cost of the liquidation included in loss from discontinued operations for the three months ended May 3, 2008 is as follows:

(In thousands)	Period from February 15, 2008 through May 3, 2008		
	Cash	Non-cash	Total
Net proceeds from inventory liquidation (1)	\$ (7,688)	\$4,613	\$ (3,075)
Store asset recovery (2)	(219)	–	(219)
Estimated fair value of remaining lease obligations (3)	5,319	–	5,319
Deferred rent credits (4)	–	(2,918)	(2,918)
Store closing, occupancy and selling expenses (5)	9,344	79	9,423
Other administrative costs (6)	–	–	–
Net cost of liquidation before income tax benefit	<u>\$6,756</u>	<u>\$1,774</u>	<u>\$8,530</u>

- (1) Represents the amount by which the gross proceeds from the inventory liquidation (total of the guaranteed amount, as adjusted, and reimbursed store operating expenses) exceeded the carrying value of the liquidated inventory.
- (2) An asset impairment charge for the unrecoverable net book value of leasehold improvements, display fixtures and other store related assets of \$9.3 million was recorded in the fourth quarter of fiscal 2007.
- (3) Includes the estimated fair value of the remaining lease obligations of 130 liquidation stores that are still in lease buyout negotiations with the landlords, accrued in accordance with SFAS 146.
- (4) Represents the write-off of the remaining unrecognized deferred rent credits related to the straight-line recognition of scheduled rent increases over the lease term.

(5) Represents store selling, occupancy and other operating expenses, including expenses reimbursed by the Hilco/Gordon Brothers Joint Venture.

(6) Excluded from store liquidation expenses are administrative costs, primarily employee separation costs, of \$0.8 million incurred in connection with the organizational realignment. These costs are included in selling, general and administrative expenses of continuing operations.

5. Cash and Cash Equivalents

Cash equivalents at May 3, 2008 and February 2, 2008 were \$11.3 million and \$11.7 million, respectively, and consisted entirely of money market funds. For the three months ended May 3, 2008 and May 5, 2007, interest income earned on money market funds of \$0.1 million and \$0.3 million, respectively, is included in interest expense, net.

6. Debt

The Company has a credit agreement with General Electric Capital Corporation (“GECC”) that provides for revolving loan commitments of up to \$115.0 million in aggregate principal amount, including a sublimit of \$75.0 million for letter of credit obligations. Amounts outstanding under the credit agreement are subject to limits, as defined, and are collateralized by the Company’s inventory, equipment, credit card and wholesale receivables and substantially all other personal property. The credit agreement expires June 30, 2010, at which time all amounts outstanding become due and payable. The Company executed amendments to its credit agreement in February 2008. These amendments, among other things, allowed for the store liquidations, but limit the aggregate amount that can be paid to settle the leases of the liquidated stores. The amendments added a \$10.0 million reserve to the borrowing base for revolver borrowings; however, until the Company provides projections and a business plan that are acceptable to its lender, revolver borrowings are prohibited and the aggregate amount of letters of credit outstanding is limited to \$21.0 million. The amendments also require a monthly appraisal of the Company’s inventory to determine the value of eligible inventory as if sold in an orderly liquidation, which is then used to establish borrowing limits under the credit agreement. The appraised inventory values are generally lower than the carrying value of inventory and fluctuate throughout the year due to a variety of factors, including seasonality. For the three months ended May 3, 2008 and May 5, 2007, the Company had no revolver borrowings outstanding. The Company had outstanding letters of credit at May 3, 2008 and February 2, 2008 of \$10.7 million and \$12.2 million, respectively.

As of May 3, 2008, the Company had not yet provided the projections and business plan required by the amendments. In addition, the Company is continuing to negotiate settlement agreements with the landlords of the liquidation stores. The final settlement amounts could vary from the Company’s estimates and could exceed the amount allowed by the credit agreement.

7. Other Long-Term Liabilities

Other long-term liabilities primarily consist of the deferred rent liability resulting from the straight-line recognition of scheduled rent increases over the lease term. Other long-term liabilities at February 2, 2008 included \$3.2 million related to stores subsequently reported as discontinued operations. The loss from discontinued operations for the three months ended May 3, 2008 includes a non-cash credit of \$2.9 million related to the elimination of the deferred rent liability. The remaining balance of \$0.3 million was reclassified to current liabilities of discontinued operations at May 3, 2008.

8. Preferred Stock and Warrant Financing

On June 15, 2007, the Company completed the sale of 45,000 shares of Series A Convertible Preferred Stock (the “Preferred Stock”) and warrants to purchase 15 million shares of common stock (the “Warrants”) for a total purchase price of \$45.0 million to four institutional investors (the “Preferred Stock and Warrant financing”). The Preferred Stock was initially convertible into shares of common stock at a conversion price of \$1.50 per share, or 30 million total shares of common stock. Going forward, the number of shares of common stock issuable upon conversion of the Preferred Stock at any time is equal to the stated value of each share of Preferred Stock (\$1,000) divided by the conversion price then in effect. As of May 3, 2008, there were 46,667 shares of Preferred Stock outstanding convertible into 31.1 million shares of common stock. The Preferred Stock is entitled to payment-in-kind cumulative dividends of 8.0% per year, issuable semi-annually on June 1 and December 1. As of May 3, 2008 the Company has accrued dividends representing an additional 1,571 shares of Preferred Stock since the December 1, 2007 dividend declaration, which include 928 shares accrued for the three months ended May 3, 2008. For the three months ended May 3, 2008, the fair value of the accrued dividends of \$1.2 million was recorded in preferred stock and charged to additional paid-in capital. The related beneficial conversion feature of the accrued dividend of \$0.2 million was recorded within additional paid-in capital.

The initial carrying value of the Preferred Stock, including allocated net proceeds, was \$36.0 million. As of May 3, 2008 and February 2, 2008, the carrying value of the Preferred Stock was \$40.2 million and \$39.0 million, respectively, which included payment-in-kind declared and accrued dividends to date of \$4.2 million and \$3.0 million, respectively, exclusive of the beneficial conversion feature accrued to date and recorded within additional paid-in capital of \$0.6 million and \$0.4 million respectively.

The Preferred Stock has certain redemption features that may require the Company to redeem the Preferred Stock at its liquidation value upon the occurrence of certain events. The value of the liquidation preference is equal to \$1,000 per share of Preferred Stock, the holders’ initial investment, plus all accrued and unpaid dividends. As of May 3, 2008, the aggregate liquidation value of the Preferred Stock was \$48.2 million. However, the redemption would not be permitted by law, unless the Company is able to pay its debts as they come due, and would be prohibited by the terms of the Company’s credit agreement. As of May 3, 2008, no such triggering events had transpired.

9. Stock-Based Compensation

The Company's Amended and Restated 2000 Long Term Incentive Plan (the "2000 Plan") provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, non-vested shares (restricted stock), performance share awards, and other stock-based awards. The Company also has options outstanding under its amended 1996 Stock Option Plan (the "1996 Plan") and the 1998 Stock Option Plan (the "1998 Plan"). No future awards may be granted under the 1996 Plan or 1998 Plan. There were no grants made under the 2000 Plan during the three months ended May 3, 2008.

The Company's stock-based compensation is primarily related to employee stock options. For the three months ended May 3, 2008 and May 7, 2007, the Company recognized stock-based compensation expense (benefit) of (\$0.2) million and \$0.3 million, respectively, net of adjustments for forfeitures of unvested shares of \$0.4 million and \$0.2 million, respectively. Stock-based compensation (benefit) is recognized as part of selling, general and administrative expenses.

During the three months ended May 3, 2008 and May 5, 2007, there were no options exercised. As of May 3, 2008, total unrecognized compensation costs related to unvested stock-based awards was \$0.4 million, which is expected to be recognized over a weighted average vesting period of approximately 1.9 years.

10. Income taxes

For the three months ended May 3, 2008, the Company's income tax provision on continuing operations was \$23 thousand, consisting of \$32 thousand related to an increase in the Company's liability for certain unrecognized state income tax benefits, \$14 thousand related to current state income taxes and a benefit of \$23 thousand related to a decrease in the Company's LIFO inventory deferred tax liability. The income tax benefit on loss from discontinued operations of \$0.3 million was related to a decrease in the Company's LIFO inventory deferred tax liability related to discontinued operations.

For the three months ended May 5, 2007, the Company's income tax benefit on continuing operations of \$0.1 million was related to a decrease in the Company's liability for certain unrecognized state income tax benefits. There was no income tax benefit on the loss from discontinued operations.

Due to the cumulative losses over the past five fiscal years and in the three months ended May 3, 2008, the Company believes that it is more likely than not that its deferred tax asset will not be realized. Accordingly, as of May 3, 2008 and February 2, 2008, a full valuation allowance has been recorded against the net deferred tax assets, including potentially unrealizable net operating losses.

The ability to utilize net operating loss carryforwards to reduce future taxable income is limited under various provisions of the Internal Revenue Code, including Section 382. Changes in ownership could severely limit the utilization of the federal and state net operating loss carryforwards, which could result in expiration of the loss carryforwards prior to their utilization.

11. Loss Per Common Share

Basic and diluted loss per share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding for the period. Pursuant to the treasury stock method, in periods with a loss, potentially dilutive common shares related to stock options, warrants and Preferred Stock have been excluded from the calculation of diluted loss per share, as their inclusion would have been anti-dilutive.

The following table presents the computation of basic and diluted loss per share:

	Three Months Ended	
	May 3, 2008	May 5, 2007
(In thousands, except per share amounts)		
Loss from continuing operations:		
Loss from continuing operations	\$(13,404)	\$(15,325)
Preferred stock paid-in-kind dividends	1,373	-
Loss from continuing operations attributable to common shareholders	<u>\$(14,777)</u>	<u>\$(15,325)</u>
Loss from discontinued operations, net of income tax benefit	\$(8,960)	\$(5,940)
Net loss attributable to common shareholders:		
Loss from continuing operations	\$(13,404)	\$(15,325)
Loss from discontinued operations, net of income tax benefit	<u>(8,960)</u>	<u>(5,940)</u>
Net loss	(22,364)	(21,265)
Preferred stock paid-in-kind dividends	1,373	-
Net loss attributable to common shareholders	<u>\$(23,737)</u>	<u>\$(21,265)</u>
Weighted average common shares outstanding – basic and diluted	39,350	39,212
Loss per common share – basic and diluted:		
Loss from continuing operations	\$(0.38)	\$(0.39)
Loss from discontinued operations	<u>(0.22)</u>	<u>(0.15)</u>
Net loss	<u>\$(0.60)</u>	<u>\$(0.54)</u>

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Potentially dilutive shares related to stock options, warrants and Preferred Stock excluded from the dilution calculations were as follows:

	Three Months Ended	
	May 3, 2008	May 5, 2007
Stock options	2,311,018	2,495,524
Warrants	20,022,364	4,000,000
Preferred Stock (1)	31,111,333	—
Total potentially dilutive shares	<u>53,444,715</u>	<u>6,495,524</u>

(1) Shares of Preferred Stock using an “as if converted” method.

12. Commitments and contingencies

As of May 3, 2008, the Company had \$10.7 million of standby and documentary letters of credit outstanding. The Company also has store operating leases that it has committed to in the ordinary course of business. Of the 163 stores closed by the Company during the first quarter of 2008, approximately 130 stores were closed prior to the end of their respective lease terms. The remaining lease terms average approximately 40 months and range from less than one year to up to ten years. The leases have a total of approximately \$40.0 million of future minimum payments due over their remaining terms. The Company is currently in negotiations with its landlords to obtain settlements for these leases. As of May 3, 2008, current liabilities of discontinued operations include \$2.3 million of accrued rent and \$5.3 million for the estimated fair value of remaining lease obligations accrued in accordance with SFAS 146. The Company will adjust the estimated fair value of remaining lease obligations to the lease buyout amount plus negotiation costs in the period lease settlements are executed.

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

13. Supplemental Balance Sheet Information

(In thousands)	May 3, 2008	February 2, 2008
Accounts receivable, net:		
Trade receivables	\$2,274	\$ 3,238
Other receivables	546	388
Total	2,820	3,626
Allowance for doubtful accounts	(35)	(48)
Deferred sales	(35)	(116)
Total accounts receivable, net	<u>\$2,750</u>	<u>\$ 3,462</u>
Inventories:		
Raw materials	\$1,389	\$ 1,348
Finished goods	32,388	56,959
Total inventories	<u>\$33,777</u>	<u>\$ 58,307</u>
Property and equipment, net:		
Equipment and furniture	\$53,884	\$ 66,324
Leasehold improvements	22,927	31,373
Total	76,811	97,697
Accumulated depreciation and amortization	(62,022)	(84,016)
Net property and equipment	<u>\$14,789</u>	<u>\$ 13,681</u>
Other assets, net:		
Debt issuance costs	\$4,751	\$ 4,578
Accumulated amortization	(3,866)	(3,763)
Total	<u>\$885</u>	<u>\$ 815</u>
Accrued expenses:		
Compensation and benefits	\$3,486	\$ 4,708

Taxes other than income taxes	1,782	1,893
Rent	3,550	2,722
Other	2,654	3,395
Total	<u>\$11,472</u>	<u>\$ 12,718</u>

ITEM 2. MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of Wilsons The Leather Experts Inc. and its wholly owned subsidiaries should be read in conjunction with our most recent audited consolidated financial statements and related notes included in our 2007 Annual Report on Form 10-K. When we refer to "we," "our," "us" or "Wilsons Leather," we mean Wilsons The Leather Experts Inc. and its subsidiaries, including its predecessor companies.

Our fiscal year ends on the Saturday closest to January 31. The periods that will end or have ended January 31, 2009, February 2, 2008 and February 3, 2007 are referred to herein as fiscal years 2008, 2007 and 2006, respectively. Fiscal years 2008 and 2007 are 52 week years. Fiscal 2006 consisted of 53 weeks.

Overview

We are a specialty retailer of quality leather outerwear, accessories and apparel in the United States. Our multi-channel store locations are designed to target a broad customer base with a superior level of customer service. At May 3, 2008, we operated 228 stores located in 39 states, including 100 mall stores, 114 outlet stores and 14 airport locations. Through our international leather sourcing network and relationships with vendors of nationally recognized designer brands, we are able to consistently provide our customers with quality, fashionable merchandise at attractive prices. Our business structure results in shorter lead times, allowing us to react quickly to popular and emerging fashion trends and customer preferences, rapidly replenish fast-selling merchandise and minimize fashion risk.

We measure performance using such key operating statistics as comparable store sales, net sales per square foot, gross margin percentage, and store operating expenses, with a focus on labor, as a percentage of net sales. These results translate into store operating contribution and store cash flow, which we use to evaluate overall performance on an individual store basis. Store operating contribution is calculated by deducting a store's operating expenses from its gross margin and is measured as a percentage of net sales. Store operating contribution gives us an overall measure as to whether or not individual locations and markets are meeting our financial objectives.

In addition, general and administrative expenses are monitored in absolute amount, as well as on a percentage of net sales basis. We continue to monitor product costing and promotional activity and their impact on margin levels. In 2007, our inventory markdowns were higher than in the past as we aggressively liquidated certain merchandise and repositioned our inventory mix pursuant to our strategic initiatives of offering designer brand merchandise and a greater mix of accessories. Our gross margins are influenced by the mix of merchandise between accessories and outerwear in our total net sales.

We also measure and evaluate investments in our retail locations, including inventory and property and equipment. Inventory performance is primarily measured by inventory turns, or the number of times store inventory turns over in a given period, and amounts of owned inventory at various times based on payment terms from our vendors. The most significant investments in property and equipment are made at the time we open a store.

We generate a significant portion of our net sales from October through January, which includes the holiday selling season. We generated 50.4% of our annual net sales in that time period in 2007, and 23.5% in December alone. As part of our strategy to improve operating margins, maximize revenue and minimize losses during non-peak selling seasons, we have increased the number of outlet locations since 2000, which are less seasonal, and modified our product mix to emphasize accessories.

Comparable store sales from continuing operations decreased 8.8% for the three months ended May 3, 2008, compared to a 20.8% decrease in comparable store sales in the same period of last year. A store is included in the comparable store sales calculation after it has been open and operated by us for more than 52 weeks. The percentage change is computed by comparing total net sales for comparable stores as thus defined at the end of the applicable reporting period with total net sales from comparable stores for the comparable period in the prior year.

Our strategic goals for 2008 are to aggressively reduce costs and working capital needs and to launch a new mall accessories store concept.

Reorganization and Partial Store Liquidation. On February 15, 2008, we announced that we would liquidate up to 160 mall stores (subsequently revised to 154 mall stores and four outlet stores – the “liquidation stores”) and eliminate approximately 938 store-related positions. We retained a third party liquidator and real estate firm to assist in this process. The liquidation is part of a strategy aimed at reducing our mall store base, aggressive cost cutting measures and the launch of a new mall accessories store concept. Concurrent with these store closures and using the liquidation sale proceeds, our 100 remaining mall stores will be remodeled to a new mall accessories store concept that has been tested in four different regions of the country. As part of the launch of the mall accessories store concept and ongoing cost reduction efforts, we have also realigned our organization to reflect the reduced store base and decreased overseas sourcing needs. As a result, we eliminated 64 positions at our corporate headquarters, overseas offices and distribution center. Our net sales and expenses will be significantly reduced going forward as a result of the liquidation.

In addition to the liquidation stores, we also closed five mall stores during the three months ended May 3, 2008, primarily related to lease terminations. The liquidation stores and other closings totaled 163 stores, and we have presented their results of operations separately as discontinued operations in the accompanying statements of operations for all periods presented in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “Accounting for the Impairment and Disposal of Long-Lived Assets” (“SFAS 144”).

New Mall Accessories Store Concept. Our current focus is on the new mall accessories store concept instead of other selling channels. During the 2007 holiday season, we began testing a new mall accessories store concept in four stores to address our customer traffic issues and elevate our designer brand positioning. With that test, we identified an accessories centered offering that appeals to an important buying demographic.

This new accessories concept will be a designer brand driven store for women, focusing on fashion accessories with a limited selection of outerwear. We have kept only our best mall stores in the best locations for this concept. Our plan is to remodel every remaining mall store to this new concept during 2008. With handbags generally priced from \$100 - \$400, this new concept will provide an upscale boutique feel for customers in the emerging or mass luxury category and will be an alternative to the department store homogenization that has occurred in this category.

In order to execute our go forward plans, we will need to amend some of the restrictions in our current credit agreement, or find alternative sources of credit, and raise additional capital during the second quarter of 2008. We are pursuing possible sources of funding, including possible sales of existing assets. As of May 3, 2008, all of our assets were considered “held-and-used,” as the criteria considered for “held-for-sale” accounting had not been met. As of May 3, 2008, we evaluated the potential for impairment of long-lived assets using a weighted average of estimated expected future cash flows by store and cash flows from the sale of assets. This analysis did not result in an impairment of long-lived assets as of May 3, 2008. If the criteria for “held-for-sale” accounting is met, we can only consider the expected cash flows from the sale of the assets, net of transaction costs, in our analysis, which may result in future impairment charges.

There can be no assurance that additional funding will be available or can be obtained on terms that are favorable to us, or at all. See “Liquidity and Capital Resources” and Note 2 of Notes to Consolidated Financial Statements for additional information.

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In June 2007, we completed a \$45.0 million private placement of a newly created series of convertible preferred stock and warrants to purchase our common stock (the "Preferred Stock and Warrant financing"). The net proceeds were used to repay our outstanding \$20.0 million Term B promissory note and to fund general working capital requirements going forward, including the rollout of our designer brand merchandise initiative. This transaction is described in greater detail below in "Liquidity and Capital Resources–Capital Resources." In addition to the influx of capital, the private placement brought us a large new investor, Goldner Hawn Private Equity, to assist in setting our long-term strategic direction.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist in understanding our current liquidity, consolidated financial statements, the changes in certain key items in those consolidated financial statements from period to period and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our consolidated financial statements.

Critical Accounting Policies

We consider our critical accounting policies to be those related to inventories and property and equipment impairment as discussed in the section with this title in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" that begins on page 23 of our 2007 Annual Report on Form 10-K. No material changes occurred to these policies in the periods covered by this quarterly report.

Results of Operations

Unless otherwise noted, the tables and discussion that follow relate only to results from continuing operations.

The following table sets forth items from our consolidated statements of operations as a percentage of net sales:

	Three months ended	
	May 3, 2008	May 5, 2007
Net sales	100.0%	100.0%
Cost of goods sold, buying and occupancy costs	86.4	85.5
Gross margin	13.6	14.5
Selling, general and administrative expenses	47.1	45.0
Depreciation and amortization	2.8	4.9
Operating loss	(36.3)	(35.3)

A summary of certain operational data for the periods listed is presented below:

	Three months ended	
	May 3, 2008	May 5, 2007
Net sales (in thousands)	\$36,435	\$42,364
Comparable store sales (1)		
Total	(8.8) %	(20.8) %
By division		
Mens	(21.7)	(28.2)
Womens	(27.1)	(25.2)
Accessories	7.8	(12.1)
By channel		
Mall stores	(27.1)	(25.1)
Outlet stores	(1.4)	(15.4)
Airport stores	8.3	(16.2)
Number of stores:		
Beginning of period	228	254
Opened	–	–
Closed	–	(3)
End of period	228	251
Discontinued operations	163	163

(1) Comparable store sales for 2007 include discontinued operations.

Net Sales. Net sales for the three months ended May 3, 2008 decreased 14.0% to \$36.4 million compared to net sales of \$42.4 million for the three months ended May 5, 2007. The decrease was primarily due to a comparable store sales decline for the quarter of 8.8%. In addition, we had 25 fewer average stores in continuing operations during the first quarter of 2008 compared to the same period in 2007. Comparable store sales improved each month of the first quarter of 2008 and were positive in the last month of the quarter. Comparable store sales results by division for the first quarter of 2008 reflect our strategic shift toward a predominantly accessories based assortment. Our accessories division had a 7.8% comparable store sales increase for the first quarter of 2008, driven by a 28.1% increase in handbag comparable store sales.

Cost of Goods Sold, Buying and Occupancy Costs. Cost of goods sold, buying and occupancy costs decreased \$4.7 million, or 13.1%, for the three months ended May 3, 2008, compared to the three months ended May 5, 2007. This

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decrease was primarily attributable to a \$2.2 million decrease in markdowns. Our overall inventory levels were lower during the first quarter of 2008, which contributed to less slow-moving inventory. We also transferred certain unwanted inventory to the liquidation stores that was sold as part of the liquidation. Any markdowns on this inventory are included in the loss from discontinued operations. Markdowns during the first quarter of 2007 were impacted by actions taken to move certain unwanted spring/summer outerwear and certain accessories merchandise including oversized handbags.

Our product costs decreased by \$1.1 million for the first quarter of 2008 compared to the first quarter of 2007, primarily due to lower sales volume in the first quarter of 2008, and total buying and occupancy costs decreased by \$1.2 million. Buying costs decreased by \$0.6 million in the first quarter of 2008 compared to the first quarter of 2007. This decrease was primarily attributable to staff reductions related to the closure of 163 stores. Occupancy costs decreased by \$0.6 million, primarily due to 25 fewer average stores in continuing operations during the first quarter of 2008 compared to the same period in 2007.

Gross margin as a percentage of net sales decreased 90 basis points to 13.6% for the first quarter of 2008 compared to 14.5% for the first quarter of 2007. This decrease in gross margin rate was primarily driven by a 150 basis point increase in buying and occupancy costs as a percentage of net sales. As our occupancy costs are relatively fixed, comparable store sales performance will have a positive or negative impact on these costs as a percentage of net sales. The gross margin decrease was partially offset by a net improvement to gross margin of 30 basis points as a result of lower markdowns, net of lower initial markups. In addition, delivery and other costs of goods sold as a percentage of net sales decreased by 30 basis points.

Selling, General and Administrative Expenses. Selling, general and administrative (“SG&A”) expenses decreased \$1.9 million to \$17.2 million for the first quarter of 2008 from \$19.1 million for the first quarter of 2007. As a percentage of net sales, SG&A expenses increased to 47.1% from 45.0%, reflecting the decrease in comparable store sales.

As a result of staff reductions in connection with ongoing cost reduction efforts and the realignment of our organization to reflect the reduced store base, we experienced savings in payroll, related taxes and benefits of \$2.0 million, consisting of \$1.5 million in administrative, \$0.4 million in store supervisory and \$0.1 million related to our wholesale operations. In addition, stock-based compensation decreased by \$0.5 million in the first quarter of 2008, primarily due to the staff reductions. The savings related to staff reductions were partially offset by employee separation costs incurred during the first quarter of 2008 of \$0.8 million.

During the first quarter of 2008, we incurred design and promotion expenses in connection with our new accessories concept of \$0.8 million. These expenses were offset by decreases in store payroll and related taxes and benefits of \$0.3 million and other store expenses of \$0.1 million due to lower sales and an average of 25 fewer stores in continuing operations, a decrease of \$0.1 million in supervisory expense related to travel and outside services due to the lower store base and \$0.3 million of other cost reductions, primarily related to professional fees and other outside services.

Depreciation and Amortization. Depreciation and amortization decreased to \$1.0 million for the three months ended May 3, 2008, from \$2.1 million in the comparable period last year. Depreciation and amortization as a percentage of net sales was 2.8% for the first quarter of 2008 compared to 4.9% for the first quarter of 2007. The \$1.0 million decrease was primarily due to asset impairment charges related to continuing operations of \$10.4 million, recognized in accordance with SFAS 144 during the fourth quarter of 2007. The asset impairment charges eliminated the remaining net book value of assets located in all of our mall stores and in four of our outlet stores.

Operating Loss. Operating loss for the three months ended May 3, 2008 was \$13.2 million, or 36.3% of net sales, compared to an operating loss of \$15.0 million, or 35.3% of net sales, for the comparable period last year. The \$1.8 million decrease in operating loss in the first quarter of 2008 was due to decreases of \$1.9 million in SG&A expense and \$1.0 million in depreciation expense, partially offset by \$1.2 million in lower gross margin dollars as compared to the first quarter of 2007.

Interest Expense, Net. Net interest expense decreased to \$0.2 million in the first quarter of 2008 from \$0.4 million in the first quarter of 2007. We incurred \$0.5 million of interest expense on our Term B promissory note during the first quarter of 2007. We repaid this debt during the second quarter of 2007 with proceeds from the Preferred Stock and Warrant financing. We had no outstanding revolver borrowings during the first three months of 2008 and 2007. The lower interest expense was partially offset by a \$0.2 million decrease in interest income earned on lower average cash balances during the first quarter of 2008 compared to the first quarter of 2007.

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Income Tax Provision (Benefit). For the first three months of 2008, the income tax provision, primarily related to an increase in certain state income tax reserves, was partially offset by an income tax benefit related to a decrease in our LIFO inventory deferred tax liability. The \$0.1 million income tax benefit for the first three months of 2007 related to a reduction in certain state income tax reserves.

Due to cumulative losses sustained over the past five fiscal years and in the current year-to-date period ended May 3, 2008, we believe that it is more likely than not that our deferred tax assets will not be realized. Accordingly, a full valuation allowance has been recorded against the net deferred tax assets including potentially unrealizable net operating losses. The ability to utilize net operating loss carryforwards is limited under various provisions of the Internal Revenue Code. See Note 10 of Notes to Consolidated Financial Statements for additional information.

Loss from Continuing Operations. Loss from continuing operations for the three months ended May 3, 2008 was \$13.4 million compared to a loss of \$15.3 million for the three months ended May 5, 2007. Loss from continuing operations attributable to common shareholders for the first quarter of 2008 was \$0.38 per basic and diluted share, compared to a loss of \$0.39 per basic and diluted share for the first quarter of 2007. The loss from continuing operations attributable to common shareholders for the first quarter of 2008 was \$14.8 million and includes paid-in-kind dividends on our Preferred Stock of \$1.4 million. As we issued the Preferred Stock in the second quarter of 2007, there were no Preferred Stock dividends in the first quarter of 2007.

Discontinued Operations. The loss from discontinued operations for the three months ended May 3, 2008, net of income tax benefit of \$0.3 million, was \$9.0 million, or \$0.22 per basic and diluted share, compared to a loss of \$5.9 million, or \$0.15 per basic and diluted share, for the three months ended May 5, 2007. There was no tax benefit on the loss from discontinued operations for the first quarter of 2007. The loss from discontinued operations for the first quarter of 2008 includes a charge for the estimated fair value of remaining lease obligations of \$5.3 million, partially offset by a non-cash credit of \$2.9 million related to the elimination of the deferred rent liability associated with the recognition of scheduled rent increases on a straight-line basis over the lease term. Our estimated fair value of remaining lease obligations will be adjusted to the lease buyout amount plus negotiation costs in the period lease settlements are executed. Loss from discontinued operations for the first quarter of 2007 included \$0.8 million of depreciation expense. Asset impairment charges during the fourth quarter of 2007 eliminated nearly all of the remaining net book value of assets located in the closed stores reported as discontinued operations.

Net Loss Attributable to Common Shareholders. Net loss attributable to common shareholders for the first quarter of 2008 was \$23.7 million, or \$0.60 per basic and diluted share, compared to a net loss for the first quarter of 2007 of \$21.3 million, or \$0.54 per basic and diluted share. The net loss attributable to common shareholders for the first quarter of 2008 includes loss from continuing operations of \$13.4 million, paid-in-kind dividends on our Preferred Stock of \$1.4 million and loss from discontinued operations of \$9.0 million. The loss attributable to common shareholders for the first quarter of 2007 includes loss from continuing operations of \$15.3 million and loss from discontinued operations of \$5.9 million.

Liquidity and Capital Resources

Liquidity. For the three months ended May 3, 2008 and May 5, 2007 and the years ended February 2, 2008 and February 3, 2007, we have incurred net losses of \$22.4 million, \$21.3 million, \$77.5 million, and \$33.1 million, respectively, and generated (used) \$3.8 million, (\$9.3) million, (\$28.2) million, and (\$14.6) million, respectively, in cash for operating activities. In addition, our \$45.6 million cash balance at the beginning of 2006 has decreased to \$9.3 million as of May 3, 2008. In connection with our reorganization and partial store liquidation, we stopped making payments under certain of our licensing and lease agreements. We executed amendments to our credit agreement in February 2008. These amendments, among other things, allowed for the liquidation of 158 stores, but limit the amount that can be paid to settle the leases of the liquidated stores. The amendments added a \$10.0 million reserve to the borrowing base for revolver borrowings; however, until we provide projections and a business plan that are acceptable to our lender, revolver borrowings are prohibited and the aggregate amount of letters of credit outstanding is limited to \$21.0 million. The amendments also require a monthly appraisal of our inventory. As of May 3, 2008, we had not yet provided the projections and business plan required by the amendments. In addition, we are continuing to negotiate settlement agreements with the landlords of the liquidation stores. The final settlement amounts could vary from our estimates and could exceed the amount allowed by our credit agreement.

In order to execute our go forward plans, we will need to amend some of the restrictions in our current credit agreement, or find alternative sources of credit, and raise additional capital during the second quarter of 2008. We are pursuing possible sources of funding, including possible sales of existing assets. However, there can be no assurance

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that additional funding will be available or can be obtained on terms that are favorable to us, or at all. There is no assurance that the lender in our current credit agreement will agree to amend the terms of the credit agreement. If we are not able to obtain additional capital in the second quarter of 2008, we will not be able to continue our operations outside of bankruptcy. Under certain bankruptcy events, we may be required to redeem shares of our Preferred Stock at their liquidation value. As of May 3, 2008, the aggregate liquidation value of our Preferred Stock, including accrued but unpaid dividends, was \$48.2 million. However, the redemption would not be permitted by law, unless we are able to pay our debts as they come due, and would be prohibited by the terms of our existing credit agreement. Our financial statements do not include any adjustments that might result from the outcome of these uncertainties. See Note 2 of Notes to Consolidated Financial Statements for additional information.

Capital resources. Our capital requirements are primarily driven by our seasonal working capital needs, investments in new stores, remodeling existing stores, enhancing information systems, and increasing efficiency for our distribution center. In addition, implementation of our key initiatives relating to our new mall accessories store concept will require significant resources, including capital dollars. We plan to largely fund the remodel of our 100 remaining mall stores to the new accessories store concept with proceeds from the liquidation sale; however, we will need additional capital in order to complete this project. Our peak working capital needs typically occur during the period from August through early December as inventory levels are increased in advance of our peak selling season from October through January.

Our future capital requirements depend on the sustained demand for our leather and accessories products. Many factors affect the level of consumer spending on our products, including, among others, general economic conditions, including rising energy prices, customer shopping patterns, interest rates, the availability of consumer credit, weather, the outbreak of war, acts of terrorism or the threat of either, other significant national and international events, taxation, and consumer confidence in future economic conditions. Consumer purchases of discretionary items such as our products tend to decline during periods when disposable income is lower. Consumer spending habits have shifted toward large discount retailers, which has decreased mall traffic, resulting in lower net sales on a quarterly and annual basis.

Our credit agreement, as amended, with General Electric Capital Corporation (“GECC”) provides for revolving loan commitments of up to \$115.0 million in aggregate principal amount, including a sublimit of \$75.0 million for letter of credit obligations. Revolving credit borrowings are currently prohibited under the credit agreement until we provide projections and a business plan that are acceptable to GECC. Upon our satisfaction of these requirements, provided we are in compliance with the covenants to the credit agreement, the aggregate amount of available revolving credit borrowings is limited to:

100% of the book value of credit card receivables;

plus the lesser of \$10 million or 100% of the book value of eligible wholesale accounts receivable;

plus 102.5% of the then applicable discount rate applied in appraising eligible retail inventories times the appraised eligible retail inventories, plus 102.5% of such discount rate times our future retail inventories subject to trade letters of credit;

plus the lesser of \$10 million, or 60% of the book value of our wholesale inventory, including in-transit inventory but minus the book value of in-transit inventory in excess of \$5 million;

plus 60% of the book value of our future wholesale inventories related to trade letters of credit;

minus a reserve equal to 10% of the lesser of \$115.0 million and the maximum amount calculated under the formula described above, plus \$10.0 million, plus other reserves as set forth by GECC;

plus the amount of cash deposited in certain banks under the control of GECC;

minus the aggregate of letter of credit obligations and certain other advances;

In addition, GECC requires a monthly appraisal of our inventory to determine the value of eligible inventory as if sold in an orderly liquidation, which is then used to establish borrowing limits under the credit agreement. The appraised inventory values are generally lower than the carrying value of inventory and fluctuate throughout the year due to a variety of factors, including seasonality.

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During the three months ended May 3, 2008 and as of February 2, 2008, we had no outstanding revolving credit borrowings. We had \$10.7 million in outstanding letters of credit at May 3, 2008.

Interest is currently payable on revolving credit borrowings at variable rates determined by the applicable LIBOR plus 1.25% to 1.75%, or the prime rate plus 0.0% to 0.5% (commercial paper rate plus 1.25% to 1.75% if the loan is made under the “swing line” portion of the revolver). The applicable margins will be adjusted quarterly on a prospective basis as determined by the previous quarters’ ratio of borrowings to borrowing availability.

We pay monthly fees of 0.25% per annum on the unused portion of the revolving credit commitments, as defined, and per annum fees on the average daily amount of letters of credit outstanding during each month ranging from .625% to .875% in the case of trade letters of credit and from 1.25% to 1.75% in the case of standby letters of credit. Such fees are subject to quarterly adjustment in the same manner as our interest rate margins. The credit agreement expires June 30, 2010, at which time all revolving credit borrowings become due and payable. Any reduction of the revolving credit portion of the credit agreement is subject to prepayment fees under most circumstances. Any such reduction would be subject to a 0.37% prepayment fee if the reduction is made on or prior to June 30, 2008, and 0.185% prepayment fee if prepayment were made after June 30, 2008 but on or prior to December 31, 2008. After December 31, 2008, the revolving credit portion of the credit agreement is prepayable without penalty.

Prior to an amendment dated June 15, 2007, the credit agreement also provided for a \$20.0 million Term B promissory note. Interest was payable on the Term B promissory note at a variable rate equal to the LIBOR plus 4.0%. We repaid the \$20.0 million balance on June 15, 2007, without a prepayment fee per the consent of the senior lenders, with proceeds from our Preferred Stock and Warrant financing.

The credit agreement, as amended, contains certain restrictions and covenants, which, among other things, restrict our ability to acquire or merge with another entity; make investments, loans or guarantees; incur additional indebtedness; create liens or other encumbrances; or pay cash dividends or make other distributions. Effective with amendments to the credit agreement in February 2008, we are required to provide a daily borrowing base certificate and a monthly appraisal of the inventory value. These amendments also limit the aggregate amount that can be paid to settle the leases of the liquidated stores. Our ability to fund our future working capital requirements are dependent on the availability of revolving credit borrowings and our ability to obtain letters of credit under our credit agreement. As described above, we will need to amend some of the restrictions in our current credit agreement, or find alternative sources of credit, and raise additional capital during the second quarter of 2008 in order to fund our working capital needs and continue our operations outside of bankruptcy. The Preferred Stock has certain redemption features that may require us to redeem the Preferred Stock at its liquidation value upon the occurrence of certain events, including certain bankruptcy events. The liquidation value is equal to \$1,000 per share of Preferred Stock, the holders’ initial investment, plus all accrued and unpaid dividends. As of May 3, 2008, the aggregate liquidation value of the Preferred Stock was \$48.2 million. However, the redemption would not be permitted by law, unless we are able to pay our debts as they come due, and would be prohibited by the terms of our existing credit agreement. As of May 3, 2008, no such triggering events had transpired.

On June 15, 2007, we completed the sale of shares of Series A Convertible Preferred Stock (the “Preferred Stock”) and warrants to purchase common stock (the “Warrants”) for a total purchase price of \$45.0 million to four institutional investors. The Preferred Stock was initially convertible into shares of common stock at a conversion price of \$1.50 per share, or 30 million total shares of common stock. Going forward, the number of shares of common stock issuable upon conversion of the Preferred Stock at any time is equal to the stated value of each share of Preferred Stock (\$1,000) divided by the conversion price then in effect. As of May 3, 2008, we had 46,667 shares outstanding of Preferred Stock convertible into 31.1 million shares of common stock. The Preferred Stock is entitled to payment-in-kind cumulative dividends of 8.0% per year, issuable semi-annually on June 1 and December 1. As of May 3, 2008, we have accrued dividends representing an additional 1,571 shares of Preferred Stock since the December 1, 2007 declaration, which include 928 shares accrued for the three months ended May 3, 2008.

Cash Flow Analysis

Cash and Cash Equivalents. We ended the first quarter of 2008 with \$9.3 million of cash and cash equivalents, compared with \$7.4 million at the end of fiscal 2007. This increase was primarily attributable to the timing of payment of certain expenses of the liquidation sales, net of expense reimbursements from the liquidator.

Operating Activities. For the three months ended May 3, 2008, cash generated by operating activities of \$3.8 million included the first quarter net loss of \$22.4 million, comprised of loss from continuing operations of \$13.4 million and loss from discontinued operations of \$9.0 million. The first quarter loss from continuing operations included non-cash

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depreciation and amortization from continuing operations of \$1.0 million and a stock-based compensation benefit of \$0.2 million.

Cash generated related to changes in operating assets and liabilities included a \$2.7 million decrease in inventory, a \$0.7 million decrease in net accounts receivable, primarily driven by lower credit card sales volume during the quarter, and a \$3.7 million decrease in prepaid expenses, primarily due to the timing of rent payments. The decrease in inventory is net of \$21.8 million of inventory attributable to discontinued operations.

Uses of cash related to changes in operating assets and liabilities of continuing operations included a \$9.0 million decrease in accounts payable and accrued expenses, primarily driven by lower inventory levels, the reduction in store count, and timing of payments, and a \$0.5 million decrease in income taxes payable and other liabilities.

The first quarter 2008 loss from discontinued operations included a non-cash deferred tax credit of \$0.3 million, a decrease in inventory of \$21.8 million, accrued expenses related to discontinued operations of \$8.9 million and a rent credit of \$2.9 million related to the write-off of the remaining unrecognized deferred rent credits associated with the straight-line recognition of scheduled rent increases over the lease term. The decrease in inventory included the sale of approximately \$21.4 million of inventory through the liquidation sales during the first quarter of 2008. The accrued expenses of discontinued operations consist primarily of \$5.3 million for the estimated fair value of the remaining lease obligations, \$2.3 million of other accrued rents and a payable of \$0.7 million related to the liquidation sales. See Note 4 of Notes to Consolidated Financial Statements for additional information about the liquidation sales.

For the first three months of 2007, the \$9.3 million of cash used in operating activities included the first quarter net loss of \$21.3 million, comprised of loss from continuing operations of \$15.3 million and loss from discontinued operations of \$5.9 million. Uses of cash related to changes in operating assets and liabilities included a \$5.1 million decrease in accounts payable and accrued expenses, primarily due to the timing of inventory receipts and related payments as well as decreases in gift card liabilities and other volume related expense accruals.

These uses of cash were somewhat offset by non-cash adjustments of \$2.1 million for depreciation and amortization of continuing operations and \$0.3 million related to stock-based compensation. Cash generated related to changes in operating assets and liabilities included a \$12.4 million decrease in inventory, a \$0.8 million decrease in net accounts receivable, including a volume driven decrease in credit card receivables and a \$0.5 million decrease in prepaid expenses, primarily related to prepaid insurance premiums, marketing programs and store supplies.

The first quarter 2007 loss from discontinued operations included \$0.8 million of non-cash expense related to depreciation and amortization.

Investing Activities. Cash used in investing activities of \$1.7 million and \$1.2 million for the three months ended May 3, 2008 and May 5, 2007, was entirely for capital expenditures. Our capital expenditures for the first three months of 2008 were primarily related to the renovation and improvement of our outlet and mall stores. We will need additional capital in order to continue our capital expenditure plans for the remainder of fiscal 2008, which include the completion of the remodel of our remaining mall stores. See "Liquidity and Capital Resources" for additional information.

Our capital expenditures for the first three months of 2007 included \$0.7 million primarily related to the renovation and improvement of existing stores and leasehold improvements for new mall stores, \$0.4 million for certain information systems projects, primarily new point-of-sale software, and \$0.1 million in other administrative fixed assets.

Financing Activities. Cash used in financing activities for the first three months of 2008 of \$0.2 million was primarily attributable to costs incurred related to amendments to our credit agreement executed in February 2008. The first quarter 2008 issuance of common stock from our employee stock purchase plan was a nominal amount.

Cash used in financing activities for the first three months of 2007 was negligible as the first quarter 2007 issuance of common stock from our employee stock purchase plan was mostly offset by costs incurred related to amending our credit agreement.

Contractual obligations

At May 3, 2008, we had \$0.8 million and \$0.6 million of unrecognized tax benefits and related accrued interest and penalties, respectively, recognized as long-term liabilities. We are uncertain as to how much, if any, of these contingent liabilities may ultimately be settled in cash. We had \$10.7 million of standby and documentary letters of credit outstanding

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at May 3, 2008. We also have store operating leases that we have committed to in the ordinary course of business. Of the 163 stores we closed during the first quarter of 2008, approximately 130 stores were closed prior to the end of their respective lease terms. The remaining lease terms average approximately 40 months and range from less than one year to up to ten years. The leases have a total of approximately \$40.0 million of future minimum payments due over their remaining terms. The Company is currently in negotiations with its landlords to obtain settlements for these leases. As of May 3, 2008, current liabilities of discontinued operations include \$2.3 million of accrued rent and \$5.3 million for the estimated fair value of remaining lease obligations accrued in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." We will adjust the estimated fair value of remaining lease obligations to the lease buyout amount plus negotiation costs in the period lease settlements are executed.

Off-balance sheet arrangements

We have operating lease commitments as noted above. There are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Seasonality and inflation

A majority of our net sales and operating profit is generated in the peak selling period from October through January, which includes the holiday selling season. As a result, our annual operating results have been, and will continue to be, heavily dependent on the results of our peak selling period. Net sales are generally lowest during the period from April through July, and we typically do not become profitable, if at all, until the fourth quarter of a given year. Most of our stores are unprofitable during the first three quarters. Conversely, in a typical year nearly all of our stores are profitable during the fourth quarter, even those that may be unprofitable for the full year. During the fourth quarter of 2007, most of our mall stores were not profitable due to poor operating performance and asset impairment charges. Historically, we have opened most of our stores during the last half of the year. As a result, new mall stores opened just prior to the fourth quarter produce profits in excess of their annualized profits since the stores typically generate losses in the first nine months of the year.

We do not believe that inflation has had a material effect on the results of operations during the past three years; however, there can be no assurance that our business will not be affected by inflation in the future.

Recently issued accounting pronouncements

For information regarding recent accounting pronouncements and their expected impact on our future consolidated results of operations and financial condition, see Note 3 of Notes to Consolidated Financial Statements.

Forward-looking statements

Except for historical information, matters discussed in Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve risks and uncertainties, and actual results may be materially different. Because actual results may differ, readers are cautioned not to place undue reliance on forward-looking statements. Such statements are based on information available to management as of the time of such statements and include statements related to, among other things, future comparable store sales results, business strategies, changes to merchandise mix, and future sales results. Factors that could cause actual results to differ include: our ability to obtain necessary funding during the second quarter of 2008, which may also require an amendment to our credit agreement; potential delisting of our common stock if we are unable to satisfy the Nasdaq listing requirements; our ability to exit store leases for 130 of the liquidation stores on terms acceptable to us and our lender; our ability to utilize our tax net operating loss carryforwards; our ability to expand our accessories business and acquire suitable accessories brands; risks associated with our ability to strengthen our existing store base and develop our accessories concept; continued declines in comparable store sales; dependence on our key suppliers to implement our designer brand merchandise strategy; changes in customer shopping patterns; the potential for additional impairment losses if our operating performance does not improve; competition in our markets; uncertainty in general economic conditions; unseasonably warm weather; our ability to effectively respond to changes in fashion trends and consumer demands; decreased availability and increased cost of leather; risks associated with foreign sourcing and international business; seasonality of our business; the public sale into the market of common stock issued pursuant to options granted under our employee benefit plans or shares issued in our 2004 equity financing or issuable upon exercise

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of warrants delivered in connection with our 2004 equity financing, as well as shares issuable upon conversion and exercise of the preferred stock and warrants issued in connection with the financing that was completed on June 15, 2007; risks associated with estimates made by management based on our critical accounting policies; changes to financial accounting standards that may affect our results of operations; loss of key members of our senior management team; concentration of ownership of our common stock; volatility of the market price of our common stock; reliance on third parties for upgrading and maintaining our management information systems; war, acts of terrorism or the threat of either; and interruption in the operation of our corporate offices and distribution center. For a further description of our risk factors, please see “Risk Factors” as detailed in Part I, Item 1A. that begins on page 10 of our 2007 Annual Report on Form 10-K and the changes to our risk factors detailed in Part II, Item 1A. “Risk Factors.”

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Outstanding borrowings under our credit agreement carry interest rate risk that is generally related to LIBOR, the commercial paper rate or the prime rate. If any of those rates were to change while we were borrowing under the credit agreement, interest expense would increase or decrease accordingly. As of May 3, 2008, we had no outstanding revolver borrowings and had \$10.7 million in outstanding letters of credit.

ITEM 4T. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have established and maintain disclosure controls and procedures that are designed to ensure that material information relating to us and to our subsidiaries required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our interim chief executive officer and our chief financial officer as appropriate to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including our interim chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our interim chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the date of such evaluation.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Refer to Note 12 of Notes to Consolidated Financial Statements for information about legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors we disclosed under Part I, Item 1A. “Risk Factors” that begins on page 10 of our 2007 Annual Report on Form 10-K, except for the modifications reflected in the risk factors listed below:

We may not be able to maintain our listing on The Nasdaq Global Market if we are unable to demonstrate our ability to achieve and sustain compliance over an extended period and, if we fail to do so, the price and liquidity of our common stock may decline.

On June 3, 2008, we received a Nasdaq Staff Determination indicating that our securities are subject to delisting from The Nasdaq Global Market. We have requested a hearing before a Nasdaq Listing Qualifications Panel (“Panel”) to review the Staff Determination. On April 15, 2008, Nasdaq advised us that we failed to comply with the minimum \$10.0 million stockholders’ equity requirement for continued listing on The Nasdaq Global Market as set forth in Marketplace Rule 4450(a)(3). We subsequently responded to Nasdaq on April 30, 2008, outlining a plan for regaining compliance and requesting an additional period of time to execute our plan before facing possible delisting from The

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Nasdaq Global Market. The June 3rd Nasdaq letter reported the Nasdaq Staff's determination that our plan did not demonstrate a definitive plan to achieve near term compliance or sustain compliance over an extended period.

Furthermore, on February 15, 2008, the Staff notified us that the closing bid price of our common stock had been below \$1.00 for 30 consecutive trading days, and accordingly, that we did not comply with Marketplace Rule 4450(a)(5). In addition, on May 1, 2008, the Staff notified us that the minimum market value of our publicly held common shares had been below \$5.0 million for 30 consecutive trading days, and accordingly, that we did not comply with Marketplace Rule 4450(a)(2).

We cannot provide any assurance that the Panel will decide to allow us to remain listed or that our actions will prevent the delisting of our common stock from The Nasdaq Global Market. Our common stock will remain listed under the symbol "WLSN" on The Nasdaq Global Market until the Panel makes a formal decision following the appeal hearing. Delisting of our common stock would have a negative effect on the market price for our shares and could limit our ability to raise additional capital.

Our comparable store sales declined during each of the last three fiscal years.

Our comparable store sales decreased 8.8% in the three months ended May 3, 2008. Our comparable store sales decreased by 10.4% in fiscal 2007, including a 2.4% decrease in the fourth quarter. In fiscal 2006, our comparable store sales declined 17.2%, including a 21.6% decrease in the fourth quarter. Our comparable store sales declined 2.9% in fiscal 2005. Our comparable store sales are affected by a variety of factors, including:

- general economic conditions and, in particular, the retail sales environment;
- consumer shopping preferences;
- transition of our target customer base;
- level of acceptance of our designer brand merchandise offerings;
- acceptance of the *Wilsons Leather* brand;
- actions by competitors or mall anchor tenants;
- weather conditions;
- fashion trends;
- changes in our merchandise mix;
- the timing of new store openings and the relative proportion of new stores to mature stores;
- maintaining appropriate inventory levels;
- calendar shifts of seasonal periods; and
- timing of promotional events.

A continued inability to generate comparable store sales increases in the future would erode operating margins if we were unable to implement additional cost reductions and could have a material adverse effect on our business, financial condition and results of operations.

We may need to record additional impairment charges in the future.

We continually review our stores' operating performance and evaluate the carrying value of their assets in relation to their expected future cash flows. In those cases where circumstances indicate that the carrying value of the applicable assets may not be recoverable, we record an impairment loss related to the long-lived assets. In order to execute our go forward plans, we are pursuing possible sources of funding, including possible sales of existing assets. We are also considering additional store closures to optimize cash flow. As of May 3, 2008, all of our assets were considered "held-and-used" as the criteria considered for "held-for-sale" accounting had not been met. As of May 3, 2008, we evaluated the potential for impairment of long-lived assets as "held-and-used" and our analysis did not result in an impairment of long-lived assets as of May 3, 2008. If the criteria for "held-for-sale" accounting is met, we can only consider the expected cash flows from the sale of the assets, net of transaction costs, in our analysis, which may result in future impairment charges.

ITEM 6. EXHIBITS

The exhibits listed on the accompanying exhibit index are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILSONS THE LEATHER EXPERTS INC.

/s/ STACY A. KRUSE

By: Stacy A. Kruse

Chief Financial Officer and Treasurer

Date: June 17, 2008

INDEX TO EXHIBITS

Exhibit No	Description	Method of Filing
3.1	Amended and Restated Articles of Incorporation of Wilsons The Leather Experts Inc. adopted June 16, 1998, as amended by the Articles of Amendment dated February 17, 2000, and the Articles of Amendment dated May 23, 2002. (1)	Incorporated by Reference
3.2	Restated Bylaws of Wilsons The Leather Experts Inc. as amended June 16, 1998, January 25, 2000, May 23, 2002, and February 5, 2004. (2)	Incorporated by Reference
4.1	Specimen of common stock certificate. (3)	Incorporated by Reference
4.2	Registration Rights Agreement dated as of May 25, 1996, by and among CVS New York, Inc. (formerly known as Melville Corporation), Wilsons The Leather Experts Inc., the Managers listed on the signature pages thereto, Leather Investors Limited Partnership I and the Partners listed on the signature pages thereto. (4)	Incorporated by Reference
4.3	Amendment to Registration Rights Agreement dated as of August 12, 1999, by and among Wilsons The Leather Experts Inc. and the Shareholders listed on the attachments thereto. (5)	Incorporated by Reference
4.4	Common Stock and Warrant Purchase Agreement, dated as of April 25, 2004, by and among Wilsons The Leather Experts Inc. and the Purchasers identified on the signatory pages thereto (the "Purchase Agreement"). (6)	Incorporated by Reference
4.5	Registration Rights Agreement, dated as of April 25, 2004, by and among Wilsons The Leather Experts Inc. and the Investors identified therein. (7)	Incorporated by Reference
4.6	Form of Warrant issued to the Purchasers named in the Purchase Agreement on April 25, 2004. (8)	Incorporated by Reference
10.1†	Agency Agreement dated as of February 14, 2008 between a joint venture composed of Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC and HRE Holdings, LLC and Rosedale Wilsons, Inc., Wilsons Leather Holdings Inc. and the other parties thereto.	Electronic Transmission
10.2	Third Amendment to Fifth Amended and Restated Credit Agreement dated as of February 14, 2008, among Wilsons Leather Holdings Inc., General Electric Capital Corporation, as Lender, Term Lender, Swing Line Lender and Agent, the Credit Parties signatory thereto and the Lenders signatory thereto.	Electronic Transmission
10.3	Fourth Amendment to Fifth Amended and Restated Credit Agreement dated as of February 25, 2008, among Wilsons Leather Holdings Inc., General Electric Capital Corporation, as Lender, Term Lender, Swing Line Lender and Agent, the Credit Parties signatory thereto and the Lenders signatory thereto.	Electronic Transmission
10.4	Separation Agreement dated March 28, 2008 by and between Michael Searles and Wilsons The Leather Experts Inc.	Electronic Transmission
31.1	Rule 13a-14(a)/15d-14(a) Certification of Interim Chief Executive Officer.	Electronic Transmission
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Electronic Transmission
32.1	Certification of Interim Chief Executive Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Electronic Transmission

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Exhibit No	Description	Method of Filing
32.2	Certification of Chief Financial Officer pursuant to Section 1350, Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Electronic Transmission
1.	Incorporated by reference to the same numbered exhibit to the Company' s Report on Form 10-Q for the quarter ended May 4, 2002 (File No. 000-21543).	
2.	Incorporated by reference to the same numbered exhibit to the Company' s Report on Form 10-K for the year ended January 31, 2004 (File No. 000-21543).	
3.	Incorporated by reference to the same numbered exhibit to Amendment No. 1 to the Company' s Registration Statement on Form S-1 (333-13967) filed with the Commission on December 24, 1996.	
4.	Incorporated by reference to Exhibit 4.8 to the Company' s Registration Statement on Form S-1 (333-13967) filed with the Commission on October 11, 1996.	
5.	Incorporated by reference to Exhibit 4.5 to the Company' s Report on Form 10-K for the fiscal year ended January 29, 2000, filed with the Commission (File No. 000-21543).	
6.	Incorporated by reference to Exhibit 4.1 to the Company' s Report on Form 8-K filed with the Commission on April 27, 2004.	
7.	Incorporated by reference to Exhibit 4.2 to the Company' s Report on Form 8-K filed with the Commission on April 27, 2004.	
8.	Incorporated by reference to Exhibit 4.3 to the Company' s Report on Form 8-K filed with the Commission on April 27, 2004.	
†	Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.	

AGENCY AGREEMENT

This Agency Agreement is made as of this 14th day of February, 2008, by and between a joint venture composed of HILCO MERCHANT RESOURCES, LLC, GORDON BROTHERS RETAIL PARTNERS, LLC and HILCO REAL ESTATE, LLC (the "Agent") and ROSEDALE WILSONS, INC., WILSONS LEATHER HOLDINGS INC., AND THOSE ENTITIES LISTED ON EXHIBIT 1A HERETO, all with a principal place of business at 7401 Boone Avenue North, Brooklyn Park, Minnesota 55428 (jointly and severally, the "Merchant").

R E C I T A L S

WHEREAS, the Merchant desires that the Agent act as the Merchant's exclusive agent for the limited purpose of (a) selling the Merchandise (as hereinafter defined) in Merchant's retail store locations listed on Exhibit 1B attached hereto (each, individually, a "Store", and, collectively, the "Stores"), by means of a promotional, store closing or similar sale (the "Store Closing Sale"), (b) selling the FF&E located at the Stores (the "FF&E Sale"), and (c) selling, assigning, terminating or otherwise mitigating Merchant's damages with respect to, the leases (each, a "Lease" and, collectively, the "Leases") of the properties listed on Exhibit 1C attached hereto (each, a "Leased Property" and, collectively, the "Leased Properties") (collectively with the Store Closing Sale and the FF&E Sale, the "Comprehensive Sale").

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Agent and the Merchant hereby agree as follows:

Section 1. Defined Terms. All capitalized terms used herein shall have the meanings ascribed to them in this Agreement:

*** Material has been omitted pursuant to a request for confidential treatment and such material has been filed separately with the Securities and Exchange Commission. A series of three asterisks within brackets denotes omissions.

Section 2. Appointment of Agent. The Merchant hereby appoints the Agent, and the Agent hereby agrees to serve, as the Merchant's exclusive agent for the limited purpose of conducting the Comprehensive Sale in accordance with the terms and conditions of this Agreement.

Section 3. Consideration to Merchant and Agent for Store Closing Sale.

3.1 Payment(s) to Merchant.

(a) (i) As a guaranty of Agent's performance hereunder, Merchant shall receive from Agent the sum of 77% of the aggregate Cost Price of the Merchandise, except for Transfer Merchandise and Warehouse Merchandise received at the Stores on and after the Cutoff Date, as to which such percentage shall be the product of 77% times the complement of the then prevailing Store Closing Sale discount at the time of the receipt of such Merchandise at the Stores (the "Guaranteed Amount"). The "Cutoff Date" shall mean twenty-one (21) days after the Sale Commencement Date, provided that, the aggregate Cost Price of Transfer Merchandise, On-Order Merchandise, and Warehouse Merchandise received at the Stores between the 14th and 21st day after the Sale Commencement Date shall not exceed \$1,000,000. In addition, Agent guarantees that Proceeds shall be no less than the sum of the Guaranteed Amount and Expenses hereunder.

(ii) To the extent that Proceeds exceed the sum of the Guaranteed Amount, plus all Expenses, plus the Agent's Fee ("Sharing Threshold"), Merchant shall receive from Agent 50% of such excess Proceeds (the "Recovery Amount").

(iii) Agent shall pay to Merchant the Guaranteed Amount and the Recovery Amount, if any, in the manner and at the times specified in Section 3.3 below. The Guaranteed Amount, the Recovery Amount and the Agent's Fee will be calculated based upon (A) the aggregate Cost Price of items of Merchandise established in accordance with Section 5.1

hereof and (B) reconciliation by Merchant and Agent of Transfer Merchandise and Warehouse Merchandise received at the Stores in the manner provided herein.

(b) The Guaranteed Amount and Recovery Amount have been calculated and agreed upon based upon Merchant' s representation that (i) the aggregate Cost Price of the Merchandise in the Stores on the Sale Commencement Date will not be more than 20.8 million (the "Merchandise Ceiling") and (ii) all such Merchandise will conform to Merchant' s representations and warranties contained herein, and that no representations, warranties or covenants of Merchant hereunder have been breached. Merchant and Agent agree that in the event that the Cost Price of Merchandise is more than the Merchandise Ceiling, then the percentage on which the Guaranteed Amount is based shall be reduced as provided in Exhibit 3.1 attached hereto.

3.2 Compensation to Agent. Agent shall receive as its base compensation for services rendered to Merchant in connection with the Store Closing Sale, excess Proceeds of the Store Closing Sale after payment of the Guaranteed Amount and all Expenses, in an amount up to 7.3% of the aggregate Cost Price of the Merchandise (the "Agent' s Fee"). In addition, following payment of the Guaranteed Amount, all Expenses and the Agent' s Fee, if any, Agent shall receive and/or retain 50% of any excess Proceeds of the Store Closing Sale above the Sharing Threshold ("Agent' s Additional Fee").

Provided that no Event of Default has occurred and continues to exist on the part of the Agent, all Merchandise remaining at the conclusion of the Store Closing Sale shall become the property of Agent, free and clear of all liens, claims and encumbrances of any kind or nature; provided, however, that Agent shall use commercially reasonable efforts to sell all Merchandise to the piece by the conclusion of the Store Closing Sale.

3.3 Time of Payments. Immediately following the weekly Store Closing Sale reconciliation by Merchant and Agent pursuant to Section 8.8 below, until the Guaranteed Amount has been paid in full, Merchant shall retain the Proceeds from sales of Merchandise during the prior week (i.e., Sunday through Saturday) less the Expenses incurred during such week (the “Weekly Net Proceeds”), which Weekly Net Proceeds shall be applied to and credited against the Guaranteed Amount. After the amount of Weekly Net Proceeds applied and credited against the Guaranteed Amount equals the Guaranteed Amount, all Weekly Net Proceeds collected by Merchant shall be paid by Merchant to Agent. Any Expenses incurred directly by Agent shall be paid by Merchant to Agent by wire transfer of immediately available funds on such weekly basis.

The Guaranteed Amount attributable to Transfer Merchandise, Warehouse Merchandise and Returned Merchandise received at the Stores after the Cutoff Date shall be reconciled on a weekly basis for all such items received during the prior week (i.e., Sunday through Saturday). Any such payment shall be made immediately following the weekly Store Closing Sale reconciliation by Merchant and Agent pursuant to Section 8.8 below.

Within ten (10) days after completion by Merchant and Agent of the final Store Closing Sale reconciliation pursuant to Section 8.8 below, Agent shall pay to Merchant any unpaid portion of the Guaranteed Amount and the Recovery Amount due hereunder, if any.

All payments by Merchant to Agent or Agent to Merchant hereunder shall be by wire transfer of immediately available funds; provided, however, Merchant agrees that any amounts due by Agent to Merchant pursuant to this Section 3 may in Agent’ s discretion be offset by the amount of Proceeds which have not, as of the applicable date of payment by Agent to Merchant, been transferred by Merchant to Agent.

3.4 Agent Letter of Credit. To secure payment of the Guaranteed Amount, Expenses, and any other amounts due from Agent to Merchant hereunder, Agent shall deliver to Merchant an irrevocable standby letter of credit in the original face amount of \$5,000,000 naming Merchant as beneficiary, substantially in the form of Exhibit 3.4 attached hereto (the "Agent Letter of Credit"). Agent shall use its best efforts to cause the Agent Letter of Credit to be delivered no later than two (2) business days following the Sale Commencement Date. The Agent Letter of Credit shall be issued by a bank selected by Agent and reasonably acceptable to Merchant, and shall contain terms, provisions and conditions mutually acceptable to Agent and Merchant. In the event that Agent shall fail to pay to Merchant any amount required to be paid hereunder, Merchant shall be entitled to draw on the Agent Letter of Credit to fund such amount following five (5) days' written notice to Agent of Merchant's intention to do so, provided that no material default or Event of Default has then occurred on the part of the Merchant hereunder and is continuing. The Agent Letter of Credit shall expire on June 30, 2008, provided that in the event that Agent shall have paid to Merchant the Guaranteed Amount prior to such date, Merchant agrees to surrender the original Agent Letter of Credit to the issuer thereof together with written notification that the Agent Letter of Credit may be terminated. Merchant and Agent agree that the face amount of the Agent Letter of Credit may be reduced from time to time after payment of amounts due hereunder upon mutual agreement of Agent and Merchant in good faith.

3.5 Merchant Letter of Credit. To secure payment of the Agent's Fee, Agent's Additional Fee, Expenses paid by Agent and any other amounts due from Merchant to Agent hereunder, including, without limitation, amounts paid by Agent or required to be paid to Agent under Section 17 hereof, Merchant shall deliver to Agent an irrevocable standby letter of

credit in the original face amount of \$3,000,000 naming Agent as beneficiary, substantially in the form of Exhibit 3.5 attached hereto (the “Merchant Letter of Credit”). Merchant shall use its best efforts to cause the Merchant Letter of Credit to be delivered no later than two (2) business days following the Sale Commencement Date. The Merchant Letter of Credit shall be issued by a bank selected by Merchant and reasonably acceptable to Agent, and shall contain terms, provisions and conditions mutually acceptable to Agent and Merchant. In the event that Merchant shall fail to pay to Agent any amount required to be paid hereunder, Agent shall be entitled to draw on the Merchant Letter of Credit to fund such amount following five (5) days’ written notice to Merchant of Agent’ s intention to do so, provided that no material default or Event of Default has then occurred on the part of the Agent hereunder. On the day that is five (5) days after the final reconciliation of the Store Closing Sale pursuant to Section 8.8 hereof, but in no event later than June 30, 2008, the face amount of the Merchant Letter of Credit shall be reduced to \$1,000,000, provided, that, as of such date, the Agent’ s Fee, Agent’ s Additional Fee, and the Expenses have been paid to or escrowed on behalf of Agent. The Merchant Letter of Credit shall expire on January 31, 2009, provided that in the event that the final reconciliation of the Store Closing Sale pursuant to Section 8.8 hereof shall have been completed and all amounts paid by Agent or required to be paid to Agent under Section 17 hereof shall have been paid prior to such date, Agent agrees to surrender the original Merchant Letter of Credit to the issuer thereof together with written notification that the Merchant Letter of Credit may be terminated.

Section 4. Expenses of the Store Closing Sale.

4.1 Expenses. Agent shall be solely responsible for all Expenses incurred in conducting the Store Closing Sale; provided, however, that Expenses shall be paid by

Merchant as provided in Section 3.3 hereof. Notwithstanding the foregoing, Agent shall be responsible for all Expenses, even if Proceeds are insufficient. To the extent the incurrence of any Expense is discretionary, Agent shall consult with Merchant with respect to the amount and type of such Expense utilized during the Sale Term. Agent shall provide an accounting to Merchant of all Expenses from time to time upon Merchant's request during the Sale Term and as part of the final reconciliation. As used herein, "Expenses" shall mean Store-level operating expenses of the Store Closing Sale that arise during the Sale Term at the Stores limited to the following:

(a) base payroll and commissions for Retained Employees for actual days/hours worked during the Sale Term;

(b) amounts actually payable in respect of FICA, unemployment taxes, worker's compensation and health care insurance benefits for Retained Employees (excluding vacation days or vacation pay, sick days or sick leave, maternity leave or other leaves of absence, termination or severance pay, union dues, pension benefits, ERISA coverage and similar contributions), in an amount not to exceed 22% of base payroll (exclusive of Retention Bonuses) for the Retained Employees in the aggregate (the "Benefits Cap");

(c) Agent's commercially reasonable supervision fees and expenses (including, without limitation, travel costs and bonuses);

(d) advertising and signage expenses (at Agent's actual documented cost);

(e) long distance telephone expenses incurred in the conduct of the Store Closing Sale;

- (f) credit card and bank card fees and discounts (at Merchant' s actual costs), chargebacks and costs of returned checks;
- (g) costs of security personnel in the Stores and for armored car service;
- (h) a pro-rata portion of Merchant' s casualty insurance premiums attributable to the Merchandise;
- (i) costs of transfers of Merchandise during the Sale Term between the Stores, excluding any cost associated with transferring Transfer Merchandise, On-Order Merchandise and Warehouse Merchandise to the Stores;
- (j) Retention Bonuses as described in Section 9.4 below;
- (k) Agent' s documented letter of credit fees for the Agent Letter of Credit;
- (l) Agent' s reasonable legal fees and expenses and other transaction reasonable costs, including, without limitation, Agent' s out-of-pocket costs, such as travel and other incidental costs incurred by Agent in connection with performance of the transactions contemplated hereby and in accordance with Merchant' s Travel Policy, which shall be provided to Agent;
- (m) costs and expenses of additional Supplies as provided in Section 8.4;
- (n) Occupancy Expenses, limited on a per diem per Store basis and limited to those amounts and categories as described in Exhibit 4.1 attached hereto;
- (o) Actual costs incurred by Agent of obtaining all permits, licenses, consents and approvals required under Section 10(a) hereof;

(p) the costs and expenses of providing such additional services that the Agent in its reasonable discretion deems appropriate; and

(q) 50% of the fees and costs of the inventory taking service to conduct the Inventory Taking.

“Expenses” shall not include: (i) Excluded Benefits; (ii) any rent or occupancy expenses related to the Stores other than Occupancy Expenses; (iii) Central Service Expenses; (iv) any rent, occupancy and other expenses relating to the Warehouse or for the transfer of Transfer Merchandise, On-Order Merchandise or Warehouse Merchandise to the Stores; (v) any costs, expenses and liabilities that would otherwise constitute “Expenses” hereunder but that were not disclosed to Agent prior to the date of this Agreement and (vi) except for costs, expenses or liabilities subject to bona fide disputes, any other costs, expenses or liabilities payable by Merchant, all of which shall be paid by Merchant promptly when due for and during the Sale Term. Notwithstanding anything herein to the contrary, to the extent that any Expense listed in Section 4.1 is also included on Exhibit 4.1, then Exhibit 4.1 shall control and such Expense shall not be double counted.

As used herein, the following terms have the following respective meanings:

“Central Service Expenses” means costs and expenses for Merchant’ s central administrative services necessary for the Store Closing Sale, including, but not limited to, sales audit, MIS services, POS systems, payroll processing, cash reconciliation, inventory processing and handling and data processing and reporting.

“Excluded Benefits” means (i) vacation days or vacation pay, sick days or sick leave, maternity leave or other leaves of absence, termination or severance pay, union dues,

pension benefits, ERISA coverage and similar contributions and (ii) payroll taxes, worker' s compensation and health insurance benefits in excess of the Benefits Cap.

“Occupancy Expenses” means base rent, percentage rent, HVAC, utilities, CAM, real estate and use taxes, merchant' s association dues, merchant' s marketing and promotional funds, merchant' s sprinkler fees and building insurance relating to the Stores, limited on a per diem, per Store basis and limited to those amounts and categories as described on Exhibit 4.1 attached hereto.

4.2 Payment of Expenses. All Expenses incurred during each week of the Store Closing Sale (i.e., Sunday through Saturday) shall be paid by Merchant out of Proceeds as provided in Section 3.3 above, immediately following the weekly Store Closing Sale reconciliation by Merchant and Agent pursuant to Section 8.8 below, based upon invoices and other documentation reasonably satisfactory to Agent and Merchant.

Section 5. Inventory Valuation; Merchandise.

5.1 Inventory Taking

Merchant and Agent shall cause to be taken a SKU or “scan” price inventory of the Merchandise and an audit of the Ticketed Price of the Merchandise (the “Inventory Taking”) commencing at the close of business at each of the Stores on a date mutually agreed upon by Agent and Merchant (the date of the Inventory Taking at each Store being the “Inventory Date” for such Store). Merchant and Agent shall jointly employ RGIS, WIS or another mutually acceptable inventory taking service to conduct the Inventory Taking. Agent shall be responsible for 50% of the costs and fees of the inventory taking service as an Expense hereunder, and the balance of such costs and fees shall be paid by Merchant, provided, however, that Merchant shall not be responsible for out-of-pocket costs (which costs shall be treated as an Expense hereunder)

incurred by Agent in connection with the presence of Agent's employees or representatives at the Inventory Taking. Except as provided in the immediately preceding sentence, Merchant and Agent shall bear their respective costs and expenses relative to the Inventory Taking. Merchant and Agent shall each have representatives present during the Inventory Taking, and shall each have the right to review and verify the listing and tabulation of the inventory taking service. Merchant agrees that during the conduct of the Inventory Taking at each Store such Store shall be closed to the public and no sales or other transactions shall be conducted. The procedures to be used in the conduct of the Inventory Taking and its verifications are set forth on Exhibit 5.1 attached hereto. In order to facilitate the Inventory Taking, Merchant agrees to make its SKU data files and related computer hardware and software available to Agent and the inventory taking service commencing prior to the Inventory Date. In connection with the Inventory Taking, but prior to the final verification thereof, Agent and Merchant shall perform an audit of the Ticketed Price by comparing a sample of SKU selling prices of items of Merchandise ascertained from the Inventory Taking with the actual prices at which such items of Merchandise were offered to the public at the Stores as of the Inventory Date. The procedures for this audit shall be agreed upon between Merchant and Agent in good faith. If the SKU selling price is greater than the actual price at which items of Merchandise were offered to the public as of the Inventory Date, Merchant and Agent shall agree on an adjustment to the Cost Price to account for such discrepancy in good faith.

5.2 In the event that the Store Closing Sale commences at any Store prior to the completion of the Inventory Taking at such Store, then for the period from the Sale Commencement Date for such Store until the Inventory Date for such Store, Agent and Merchant shall jointly keep (i) a strict count of gross register receipts less applicable Sales Taxes ("Gross

Rings”) and (ii) cash reports of sales within such Store. Register receipts shall show for each item sold, the SKU and price paid for such item in connection with such sale. All such records and reports, including the master inventory file, shall be made available to Agent and Merchant during regular business hours upon reasonable notice. Merchant and Agent will reconcile each item of Merchandise reflected in the Gross Rings against the master inventory file of Merchant as of the Sale Commencement Date to establish the unadjusted Retail Price, Ticketed Price and Cost Price of such item of Merchandise. The unadjusted Retail Price, Ticketed Price, and Cost Price determined in accordance with the above, will each be adjusted (i) to account for shrinkage by multiplying them by 101.3% and (ii) to address Defective Merchandise by a process to be agreed to by Merchant and Agent..

5.3 Merchandise Subject to this Agreement. (a) For purposes of this Agreement, “Merchandise” shall mean all: (i) first quality finished goods inventory that is located at the Stores as of the Sale Commencement Date saleable in the ordinary course of business; (ii) Repair and Special Order Merchandise that is not picked up by customers prior to the Cutoff Date; (iii) Transfer Merchandise; (iv) Warehouse Merchandise; and (v) On-Order Merchandise. Notwithstanding the foregoing, “Merchandise” shall not include: (1) Defective Merchandise; (2) goods that belong to third party sublessees, licensees or concessionaires of Merchant other than Merchant; (3) goods held by Merchant on memo, on consignment or as bailee for a third party other than Merchant; (4) furnishings, trade fixtures, equipment and improvements to real property which are located in the Stores or the Warehouse (collectively, “FF&E”); (5) Transfer Merchandise, On-Order Merchandise and Warehouse Merchandise received at any Store after the Cutoff Date, unless Agent in its discretion elects to include such goods in Merchandise; (6) goods so damaged that they are not saleable in the ordinary course of

business at any price; (7) Returned Defective Merchandise; and (8) Repair and Special Order Merchandise picked up by customers prior the Cutoff Date.

(b) As used in this Agreement, the following terms have the respective meanings set forth below:

“Defective Merchandise” means any item of Merchandise that is agreed upon and identified by Agent and Merchant as defective or otherwise not saleable in the ordinary course because it is dented, worn, scratched, broken, faded, torn, mismatched or affected by other similar defects rendering it not first quality, but that is not so damaged that it is not saleable in the ordinary course of business at any price. Sample merchandise and merchandise on display shall not per se be deemed to be Defective Merchandise so long as (x) the original packaging (including warranty information, if any warranty applies, and all supplied accessories) for such Merchandise is intact and available if needed to make the item saleable in the ordinary course, and (y) such Merchandise remains subject to its original warranty, if applicable.

“Repair and Special Order Merchandise” means all items of Merchandise held at the Stores for repair, or customer-specific special orders for goods, in each case where (i) the documentation is clear as to the name, address, telephone number, date of last payment and balance due from the customer, and (ii) the goods subject to repair or special order are properly identified, segregated and in a condition as described in the documentation.

“Transfer Merchandise” means first quality seasonal store Merchandise, outlet distribution center Merchandise, and closing store Merchandise (i) received at the Stores no later than the Cutoff Date, (ii) ticketed at Merchant’s expense and in accordance with Merchant’s historic ticketing practices upon delivery to the Warehouse or the Stores, and (iii) set forth on Exhibit 5.2(b) attached hereto. The Cost Price for Transfer Merchandise received at the

Stores on or after Cutoff Date shall be reduced by a number equal to the Cost Price multiplied by the complement of the prevailing discount at the Store on the day on which such Transfer Merchandise is received by such Store.

“Warehouse Merchandise” means first-quality, in season goods located at Merchant’s warehouse in Minneapolis, Minnesota (the “Warehouse”) on the Sale Commencement Date and which (i) at Merchant’s cost (including, without limitation, costs of labor, freight and supplies) are transferred to the Stores from the Warehouse on or before the Cutoff Date, (ii) are ticketed by Merchant at its expense and in accordance with Merchant’s historic ticketing practices prior to or upon delivery to the Stores, (iii) are consistent as to type, quality and assortment as Merchandise presently located at the Stores, and (iv) are set forth on Exhibit 5.2(b) attached hereto. The Cost Price for Warehouse Merchandise received at the Stores on or after Cutoff Date shall be reduced by a number equal to the Cost Price multiplied by the complement of the prevailing discount at the Store on the day on which such Warehouse Merchandise is received by such Store.

“On-Order Merchandise” means first-quality, in season goods, ordered by Merchant for sale in the Stores in the ordinary course of business prior to the Sale Commencement Date and listed on Exhibit 5.2(b), but that have not been received at the Stores by the Cutoff Date. The Cost Price for On Order Merchandise received at the Stores on or after Cutoff Date shall be reduced by a number equal to the Cost Price multiplied by the complement of the prevailing discount at the Store on the day on which such On Order Merchandise is received by such Store.

5.4 Valuation.

(a) For purposes of this Agreement, “Retail Price” shall mean, with respect to each item of Merchandise, the file price of such item identified as “Retail” on Merchant’ s books and records as provided during the due diligence period.

(b) For purposes of this Agreement, “Cost Price” shall mean, with respect to each item of Merchandise, the current weighted average cost for such item reflected in any of Merchant’ s books and records.

(c) For purposes of this Agreement, “Ticketed Price” shall mean the lowest ticketed or marked price set forth on each item of Merchandise identified as “Ticket” on Merchant’ s books and records as provided during the due diligence period.

The Ticketed Price, Retail Price and the Cost Price of any item of Merchandise shall exclude all Sales Taxes, and Merchant represents that (a) the ticketed prices of all items of Merchandise do not and shall not include any Sales Taxes and (b) all registers located at the Stores are programmed to correctly compute all Sales Taxes required to be paid by the customer under applicable law. If an item of Merchandise has more than one Ticketed Price or Retail Price, as applicable, or if multiple items of the same SKU are marked at different prices, the lowest Retail Price on any such item shall prevail for such item or for all such items within the same SKU, as the case may be, unless it is clear that the lowest Ticketed Price or Retail Price, as applicable, was mismarked.

5.5 Excluded Goods. Merchant shall retain all responsibility for any goods not included as “Merchandise” hereunder. Defective Merchandise will be segregated and

transferred out of the Stores at Merchant's sole cost and expense. Agent shall have no cost, expense or responsibility in connection with any goods not included in Merchandise.

Section 6. Store Closing Sale Term.

6.1 Term. Subject to satisfaction of the conditions precedent set forth in Section 10 hereof, the Store Closing Sale shall commence at each Store on February 15, 2008 (such date with respect to each Store being the "Sale Commencement Date"). The Agent shall complete the Store Closing Sale at each Store no later than May 31, 2008, unless the Store Closing Sale is extended pursuant to Section 8.10 hereof or by mutual written agreement of Agent and Merchant (the "Sale Termination Date;" the period from the Sale Commencement Date to the Sale Termination Date as to each Store being the "Sale Term"). The Agent may, in its discretion, terminate the Store Closing Sale at any Store or Stores at any time or from time to time within the Sale Term (a) upon the occurrence of an Event of Default by Merchant that continues beyond any applicable period for cure or (b) upon not less than ten (10) days' prior written notice to Merchant.

6.2 Vacating the Stores. At the conclusion of the Store Closing Sale, Agent agrees to leave the Stores in "broom clean" condition, ordinary wear and tear excepted, except for remaining Supplies and unsold items of FF&E.

6.3 Intentionally Omitted.

Section 7. Store Closing Sale Proceeds.

7.1 Proceeds. For purposes of this Agreement, "Proceeds" shall mean the aggregate of: (a) the total amount (in dollars) of all sales of Merchandise made under this

Agreement, exclusive of (i) Sales Taxes and (ii) returns, allowances and customer credits and (b) all proceeds of Merchant' s insurance for loss or damage to Merchandise or loss of Store cash arising from events occurring during the Sale Term.

7.2 Deposit of Proceeds. All cash Proceeds shall be deposited in existing accounts of Merchant (such accounts, the "Agency Accounts"). Merchant and its lender, General Electric Capital Corporation ("GECC") shall exercise sole signatory authority and control with respect to the Agency Accounts. Proceeds collected in the Agency Accounts shall be reconciled weekly in accordance with Section 8.8 hereof and, immediately after such reconciliation, Merchant shall pay to Agent any amounts due under Section 3.3 hereof. After payment of the Guaranteed Amount, (a) Agent shall have the right (but not the obligation) to open new accounts for which Agent shall exercise sole signatory authority into which all cash Proceeds of the Store Closing Sale shall be deposited, and (b) to the extent that Agent shall elect to continue to use the Agency Accounts, (i) all Proceeds deposited in such accounts will constitute the property of Agent and shall be held in trust by Merchant for Agent, and (ii) commencing on the first business day following the date upon which the Guaranteed Amount is paid in full, and on each business day thereafter, Merchant shall pay to Agent by wire funds transfer all collected funds constituting Proceeds deposited in such accounts. At any time during the Sale Term, upon request by Agent, Merchant shall deliver to Agent documentation reflecting the deposit and wire transfers of such Proceeds. Merchant shall not be responsible for and Agent shall pay as an Expense hereunder, all bank fees and charges, including wire transfer charges, related to the Agency Accounts, whether received during or after the Sale Term.

7.3 Credit Card Proceeds. Prior to the payment of the Guaranteed Amount, Agent shall use Merchant' s credit card facilities (including Merchant' s credit card

terminals and processor(s), credit card processor coding, merchant identification number(s) and existing bank accounts) for credit card Proceeds. Merchant shall continue to process credit card transactions applying customary practices and procedures. Without limiting the foregoing, Merchant shall cooperate with Agent to down-load data from all credit card terminals each day during the Sale Term and to effect settlement with Merchant' s credit card processor(s), and shall take such other actions necessary to process credit card transactions under Merchant' s merchant identification number(s). Prior to payment in full of the Guaranteed Amount, Merchant and Agent shall reconcile credit card Proceeds weekly as provided in Section 8.8 of this Agreement. After payment in full of the Guaranteed Amount, (a) all credit card Proceeds will constitute the property of the Agent and shall be held by Merchant in trust for Agent and (b) Merchant shall deposit all credit card Proceeds into a designated account and shall transfer such Proceeds to Agent daily (on the date received by Merchant if received prior to 12:00 noon, or otherwise within one business day) by wire transfer of immediately available funds. In addition, after payment in full of the Guaranteed Amount, at Agent' s request, Merchant shall cooperate with Agent to establish merchant identification numbers under Agent' s name to enable Agent to process all credit card Proceeds for Agent' s account. Merchant shall not be responsible for and Agent shall pay as an Expense hereunder, all credit card fees, charges and chargebacks related to the Store Closing Sale, whether received during or after the Sale Term; provided, however, the Merchant shall inform Agent of any chargebacks as promptly as practicable.

Section 8. Conduct of the Store Closing Sale.

8.1 Rights of Agent. Subject to the terms of all leases, reciprocal easement agreements and other similar agreements relating to the occupancy of the Stores and/or the Warehouse (collectively, "Occupancy Agreements"), Agent shall be permitted to conduct the

Store Closing Sale as a “store closing” or similar sale throughout the Sale Term; provided, however, that notwithstanding anything set forth in any Occupancy Agreement, Agent shall attempt to conduct the Store Closing Sale as a “store closing” or similar sale throughout the Sale Term,; provided further, in no event shall Agent be precluded from using the “Everything Must Go” handle during the Sale Term with industry standard signage reflecting such message. To the extent that Agent is precluded from using the “Everything Must Go” handle during the Sale Term, Agent and Merchant shall mutually agree on a remedy to address such a situation. Merchant shall use its best efforts to assist Agent in connection with implementing the Store Closing Sale as contemplated by this Agreement. Agent shall conduct the Comprehensive Sale in the name of and on behalf of Merchant in a commercially reasonable manner and in compliance with (i) the terms of this Agreement and (ii) provisions of applicable laws, regulations and ordinances. In addition to any other rights granted to Agent hereunder, in conducting the Store Closing Sale, Agent, in the exercise of its sole discretion, shall have the right, subject to the immediately preceding sentence:

(a) to establish and implement advertising, signage and promotion programs consistent with the “store closing” theme (including, without limitation, by means of media advertising, banners, A-frame and similar interior and exterior signs and use of sign walkers), provided, that Agent shall not use the term “going out of business” in any signage and, subject to the preamble to this Section, be responsive to Merchant’ s reasonable requests regarding alteration or modification of any signage;

(b) to establish Store Closing Sale prices and Store hours;

(c) to use without charge during the Sale Term all FF&E, advertising materials, bank accounts, Store-level customer lists and mailing lists, computer hardware and

software, Supplies, intangible assets (including Merchant' s name, logo and tax identification numbers), Store keys, case keys, security codes, and safe and lock combinations required to gain access to and operate the Stores and any other assets of Merchant located at the Stores or the Warehouse (whether owned, leased or licensed); and

(d) to have the benefit of, without charge, (i) Merchant' s central office facilities, POS systems, central and administrative services and personnel to process payroll, perform MIS services, sales audit and cash reconciliation and provide other central office services, necessary for the Comprehensive Sale and (ii) one office located at Merchant' s central office facility.

8.2 Terms of Sales to Customers. All sales of Merchandise will be "final sales" and "as is," and all advertisements and sales receipts will reflect the same. In addition, Agent shall indicate on any Merchandise sold that such sale is "final," "as is," and shall be marked in such a way as to prevent consumers from returning the goods at other of Merchant' s stores. Agent shall not warrant the Merchandise in any manner, but will, to the extent legally permissible, pass on all manufacturer' s warranties to customers. All sales will be made only (a) for cash, or (b) by bank credit cards currently accepted by Merchant. Agent shall accept Merchant gift certificates/gift cards, Store credits, and other promotional items providing the customer with an additional discount on Store Merchandise that have been issued by Merchant prior to the Sale Commencement Date, provided that Merchant agrees to reimburse Agent in cash for the face amount of any such items within five (5) days after Agent' s request therefor.

8.3 Sales Taxes. During the Sale Term, all sales, excise, gross receipts and other taxes attributable to sales of Merchandise (other than taxes on income) payable to any

taxing authority having jurisdiction (collectively, "Sales Taxes") shall be added to the sales price of Merchandise and collected by Agent on behalf of Merchant at the time of sale. The Agent shall draw checks on the Agency Accounts payable to the applicable taxing authorities in the amount so collected, which shall be delivered together with accompanying schedules to Merchant on a timely basis for payment of taxes when due. Merchant shall promptly pay all Sales Taxes and file all applicable reports and documents required by the applicable taxing authorities. Merchant will be given access to the computation of gross receipts for verification of all such tax collections.

8.4 Supplies. Agent shall have the right to use, without charge, all existing supplies located at the Stores and the Warehouse, including, without limitation, boxes, bags, paper, twine and similar sales materials (collectively, "Supplies"). In the event that additional Supplies are required in any of the Stores during the Store Closing Sale, Merchant agrees promptly to provide the same to Agent, if available, for which Agent shall reimburse Merchant at Merchant's cost therefor. Merchant does not warrant that the existing Supplies in the Stores as of the Sale Commencement Date are adequate for the purposes of the Store Closing Sale. Supplies have not been since January 1, 2008, and shall not be prior to the Sale Commencement Date, transferred by Merchant between or among the Stores and/or the Warehouse, so as to alter the mix or quantity of Supplies at the Stores from that existing on such date, other than in the ordinary course of business.

8.5 Returns of Merchandise. During the Sale Term, the Agent shall accept returns only of defective goods sold by Merchant from the Stores prior to the Sale Commencement Date ("Returned Merchandise"), provided such goods are accompanied by the original Store receipt. Merchant shall reimburse Agent in cash for the amount of any store credit

or refund given to any customer in respect of Returned Defective Merchandise. Any Returned Defective Merchandise shall be disposed of by Agent in accordance with instructions received from Merchant and at Merchant's sole cost and expense. Any reimbursements due to Agent as result of Returned Defective Merchandise shall be accounted for and paid by Merchant immediately following the weekly Store Closing Sale reconciliation pursuant to Section 8.8 hereof.

8.6 Repair and Special Order Merchandise. Promptly after the execution of this Agreement, Merchant shall notify each customer for which Merchant holds Repair and Special Order Merchandise of the Store Closing Sale and request such customers to pick up and pay for the applicable item(s) by the Cutoff Date. Any amounts paid for Repair and Special Order Merchandise on or before the close of business on the Cutoff Date shall be for the sole account of Merchant. Subject to applicable law, any Repair and Special Order Merchandise unclaimed by customers by the Cutoff Date shall be included in Merchandise and the Guaranteed Amount shall be adjusted to account for such items in accordance with this Agreement. Prior to the Cutoff Date, Agent shall administer all Repair and Special Order Merchandise in accordance with the documents and agreements relating thereto, provisions of applicable law and Merchant's historic policies. In the event that Agent is required to issue refunds to customers in respect of Repair and Special Order Merchandise, Merchant shall reimburse Agent in cash for all such amounts. At the end of the Sale Term, Agent shall transfer responsibility for any remaining items of Layaway, Repair and Special Order Merchandise back to Merchant after appropriate and legally required communications to customers and reconciliation between Agent and Merchant. All payments by Agent and Merchant required under this Section 8.6 shall be made

immediately following the weekly Store Closing Sale reconciliation by Agent and Merchant pursuant to Section 8.8 hereof.

8.7 Compliance with Law. Agent shall comply in the conduct of the Comprehensive Sale with (i) all applicable statutes, rules, regulations and orders of, and applicable restrictions imposed by, governmental authorities, including, without limitation, all so called “going out of business laws” and all laws and regulations relating to treatment of employees and (ii) all of Merchant’ s employee rules, regulations, guidelines and policies, which have been provided to Agent in writing and which are listed in Exhibit 8.7 attached hereto. Merchant agrees to cooperate with Agent to facilitate Agent’ s obtaining all required permits and otherwise comply with such laws and regulations.

8.8 Store Closing Sale Reconciliation. On each Wednesday during the Sale Term, commencing on the second Wednesday after the Sale Commencement Date, Agent and Merchant shall cooperate to reconcile sales, Expenses, credit card Proceeds, receipts of Transfer Merchandise, On-Order Merchandise, Warehouse Merchandise and Returned Defective Merchandise at the Stores (including quantities and Cost Price thereof), Gross Rings and such other Store Closing Sale-related items as either party shall reasonably request, in each case for the prior week or partial week (i.e., Sunday through Saturday), all pursuant to procedures agreed upon by Merchant and Agent. Immediately thereafter, Merchant shall pay to Agent all amounts due to Agent pursuant to Section 3.3 hereof. Within thirty (30) days after the end of the Sale Term, Agent and Merchant shall complete a final reconciliation of the Store Closing Sale, the written results of which shall be certified by representatives of each of Merchant and Agent as a final settlement of accounts between Merchant and Agent with respect to the Store Closing Sale.

8.9 Force Majeure. If any casualty or act of God prevents or substantially inhibits the conduct of business in the ordinary course at any Store, such Store and the Merchandise located at such Store shall, in Agent's discretion, be eliminated from the Comprehensive Sale and considered to be deleted from this Agreement as of the date of such event (unless Agent and Merchant otherwise agree in writing), and Agent and Merchant shall have no further rights or obligations hereunder with respect thereto; provided, however, that (i) the proceeds of any insurance attributable to such Merchandise shall constitute Proceeds hereunder and (ii) the Guaranteed Amount shall be reduced to account for any Merchandise eliminated from the Store Closing Sale which is not the subject of insurance proceeds, and Merchant shall reimburse Agent for the amount the Guaranteed Amount is so reduced prior to the end of the Sale Term.

8.10 Extraordinary Events. If any extraordinary external event occurs that may be reasonably expected to have a material adverse effect upon the Store Closing Sale (e.g., terrorist attack), notwithstanding anything set forth in this Agreement to the contrary, Agent shall have the right, but not the obligation, to extend the Sale Term for any Store (provided, Agent pays all Expenses during such extended Sale Term in accordance with the provisions hereof) and/or to remove Merchandise from the Stores and sell it through other channels (provided, all proceeds of such sales through other channels shall be treated as Proceeds of the Store Closing Sale hereunder).

8.11 Early Closures. If Agent is unable to operate the Sale for the Sale Term due to lease expirations for the Stores set forth on Exhibit 8.11 or if Agent is unable to operate the Sale for the Sale Term at any Store due to an action by a landlord, such Store and the

Merchandise located at such Store shall, in Agent's discretion, be eliminated from the Comprehensive Sale and considered to be deleted from this Agreement as of the date of such lease expiration or order precluding the Sale (unless Agent and Merchant otherwise agree in writing), and Agent shall have no further rights or obligations hereunder with respect thereto, provided, however, that Agent will use commercially reasonable efforts to remain in the Store premises for the Sale Term, provided further, in the event that 66% of the Cost Price of the Merchandise located at such Store as of the Cutoff Date has been sold by the date of such lease expiration or order precluding the Sale, Agent shall have the right, but not the obligation, to remove Merchandise from the Store and sell it through other Stores (provided, all proceeds of such sales through other Stores shall be treated as Proceeds of the Store Closing Sale hereunder) and/or to extend the Sale Term for any other Store (provided, Agent pays all Expenses during such extended Sale Term in accordance with the provisions hereof and such extension does not extend beyond the Sale Termination Date).

Section 9. Employee Matters.

9.1 Merchant's Employees. Agent may use Merchant's employees in the conduct of the Comprehensive Sale to the extent Agent in its sole discretion deems expedient, and Agent may select and schedule the number and type of Merchant's employees required for the Comprehensive Sale. Agent shall identify any such employees to be used in connection with the Comprehensive Sale (each such employee, a "Retained Employee") prior to the Sale Commencement Date; provided, however, that Agent acknowledges that all Store-level employees shall be Retained Employees. Retained Employees shall at all times remain employees of Merchant, and shall not be considered or deemed to be employees of Agent. Merchant and Agent agree that except to the extent that wages and benefits of Retained

Employees constitute Expenses hereunder, nothing contained in this Agreement and none of Agent's actions taken in respect of the Comprehensive Sale shall be deemed to constitute an assumption by Agent of any of Merchant's obligations relating to any of Merchant's employees including, without limitation, Excluded Benefits, Worker Adjustment Retraining Notification Act ("WARN Act") claims and other termination type claims and obligations or any other amounts required to be paid by statute or law; nor shall Agent become liable under any collective bargaining or employment agreement or be deemed a joint or successor employer with respect to such employees. Merchant shall not, without Agent's prior written consent, raise the salary or wages or increase the benefits for, or pay any bonuses or make any other extraordinary payments to, any of its employees on or after the date of this Agreement.

9.2 Termination of Employees. Agent may in its discretion stop using any Retained Employee at any time during the Comprehensive Sale. In the event of termination of any Retained Employee, Agent will use all reasonable efforts to notify Merchant at least five (5) days prior thereto, except for termination "for cause" (such as dishonesty, fraud or breach of employee duties), in which event no prior notice to Merchant shall be required, provided Agent shall notify Merchant as soon as practicable after such termination. From and after the date of this Agreement, Merchant shall not transfer or dismiss employees of the Stores outside the ordinary course of business without Agent's prior consent except "for cause". Without limiting the foregoing, Merchant has not distributed, and shall not distribute, any notice to its employees under the WARN Act without Agent's prior written consent.

9.3 Payroll Matters. During the Sale Term, Merchant shall process the base payroll for all Retained Employees. On Wednesday of each week a payroll is to be paid during the Sale Term, Merchant or Agent, as the case may be, shall transfer from the Agency

Accounts to Merchant's payroll accounts an amount equal to the base payroll for Retained Employees plus related payroll taxes, worker's compensation and benefits for such week that constitute Expenses hereunder.

9.4 Employee Retention Bonuses. In Agent's sole discretion, Proceeds may be used to pay, as an Expense, retention bonuses ("Retention Bonuses") (which bonuses shall be inclusive of payroll taxes but as to which no benefits shall be payable) to Retained Employees who do not voluntarily leave employment and are not terminated "for cause." Such Retention Bonuses shall be processed through Merchant's payroll system.

Section 10. Conditions Precedent. The willingness of Agent to enter into the transactions contemplated under this Agreement are directly conditioned upon the satisfaction of the following conditions at the time or during the time periods indicated, unless specifically waived in writing by Agent:

(a) Prior to the Sale Commencement Date, Agent shall have made or initiated all required filings and registrations and shall obtain all permits, licenses, consents, authorizations and approvals required under applicable laws, rules, regulations and court or administrative orders for Merchant to execute and deliver this Agreement and to consummate the Comprehensive Sale; provided that Merchant agrees to cooperate fully with Agent in obtaining such permits, licenses, consents, authorizations and approvals.

(b) All representations and warranties of Merchant hereunder shall be true and correct in all material respects and no Event of Default by Merchant shall have occurred at and as of the date hereof and as of the Sale Commencement Date.

(c) Prior to the Sale Commencement Date, Merchant shall have provided Agent reasonable access to all pricing and cost files, computer hardware, software and

data files, inter-Store transfer logs, markdown schedules, invoices, style runs and all other documents relative to the price, mix and quantities of inventory located at the Stores.

(d) Agent shall have had the opportunity to inspect the Stores, the Warehouse and the inventory preceding the Sale Commencement Date.

Section 11. Representations, Warranties and Covenants.

11.1 Merchant Representations, Warranties and Covenants. Merchant hereby represents, warrants and covenants in favor of Agent as follows:

(a) Each of the entities of which Merchant is jointly and severally composed: (i) is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation; (ii) has all requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its business as presently conducted and (iii) is, and until the end of the Marketing Period with respect to all of the Leases will continue to be, duly authorized and qualified as a foreign corporation to do business and in good standing in each jurisdiction where the nature of its business or properties requires such qualification.

(b) Each of the entities of which Merchant is jointly and severally composed has the right, power and authority to execute and deliver this Agreement and each other document and agreement incorporated herein (collectively, together with this Agreement, the "Agency Documents") and to perform fully its obligations thereunder. Each of the entities of which Merchant is jointly and severally composed has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents, and no further consent or approval is required for any of them to enter into and deliver the Agency Documents, to perform its obligations thereunder and to consummate the Comprehensive Sale. Each of the Agency Documents has been duly executed and delivered by each of the entities of which

Merchant is jointly and severally composed and constitutes the legal, valid and binding obligation of each of them enforceable in accordance with its terms. No court order or decree of any federal, state or local governmental authority or regulatory body is in effect that would prevent or impair, or is required for the Merchant' s consummation of, the transactions contemplated by this Agreement, and no consent of any third party that will not be obtained prior to the Sale Commencement Date is required therefor except for consents under the Occupancy Agreements. Subject to Merchant' s obtaining the consent of GECC, no contract or other agreement to which the Merchant is a party or by which the Merchant is otherwise bound will prevent or impair the consummation of the Comprehensive Sale and the transactions contemplated by this Agreement.

(c) From January 1, 2008 through the Sale Commencement Date, the Merchant has operated and will operate the Stores in the ordinary course of business consistent with historical operations. Without limiting the foregoing, from January 1, 2008 through the Sale Commencement Date (unless otherwise agreed by Agent), (i) Merchant has not conducted and will not conduct any promotions or advertised sales at the Stores except promotions and sales in the ordinary course of business consistent with historic promotions and sales for comparable periods last year, all as described in Exhibit 11.1(c) attached hereto, (ii) Merchant has continued and will continue to replenish the Stores with new Merchandise in a manner consistent with historic practices and (iii) all rack jobbers and service vendors have continued and will continue to service the Stores in the ordinary course; provided, however, that Agent acknowledges that Merchant will transfer the Warehouse Merchandise and Transfer Merchandise to the Stores in accordance herewith.

(d) Merchant owns and will own at all times during the Sale Term, good and marketable title to all of the inventory at the Stores and the Warehouse and all inventory on order by the Merchant, including, without limitation, the Merchandise free and clear of all liens, claims and encumbrances of any nature except liens granted to GECC. Merchant shall not create, incur, assume or suffer to exist any security interest, lien or other charge or encumbrance upon or with respect to any of the Merchandise or the Proceeds except for the lien in favor of GECC.

(e) Merchant has maintained its pricing files in the ordinary course of business, and prices charged to the public for goods (whether in-Store, by advertisement or otherwise) are the same in all material respects as set forth in such pricing files for the periods indicated therein, except for the promotions and sales described in Section 11.1(c). All pricing files and records since January 1, 2008 relative to the Merchandise have been made available to Agent and are listed in Exhibit 11.1(e). All such pricing files, including, but not limited to, files related to Cost Price, Retail Price and Ticket Price, and records are true and accurate in all material respects as to the actual cost to Merchant for purchasing the goods referred to therein and as to the selling price to the public for such goods as of the dates and for the periods indicated therein.

(f) As of the Sale Commencement Date, the levels of goods (as to quantity) and the mix of goods (as to type, category, style, brand and description) at the Stores, the On-Order Merchandise, Warehouse Merchandise and the Transfer Merchandise are in all material respects described in Exhibit 11.1(f) attached hereto. To the extent that the levels of goods (as to quantity) and the mix of goods (as to type, category, style, brand and description) at the Stores as of the Sale Commencement Date are materially different from that described on

Exhibit 11.1(f), the Merchant and Agent shall mutually agree on a downward adjustment to the Cost Price of the Merchandise.

(g) As of the Sale Commencement Date, all normal course permanent markdowns on inventory located at the Stores will have been taken on a basis consistent with Merchant' s historical practices and policies and consistent with Merchant' s other stores in the comparable mall or outlet channel.

(h) Merchant has not and will not have from January 1, 2008 through the Sale Commencement Date, marked up or raised the price of any items of Merchandise, or removed or altered any tickets or any indicia of clearance merchandise, except in the ordinary course of business.

(i) Merchant shall ticket or mark all items of inventory received at the Stores prior to the Sale Commencement Date (including, without limitation, all On-Order Merchandise, Transfer Merchandise and Warehouse Merchandise), in a manner consistent with similar Merchandise located at the Stores and in accordance with Merchant' s historic practices and policies relative to pricing and marking inventory and consistent with Merchant' s other stores in the comparable mall or outlet channel.

(j) Unless otherwise agreed by Agent and contemplated by Section 5.2(b), Merchant has not and shall not purchase or transfer to or from the Stores any merchandise or goods outside the ordinary course in anticipation of the Store Closing Sale.

(k) [Intentionally omitted.]

(l) No action, arbitration, suit, notice or legal, administrative or other proceeding before any court or governmental body has been instituted by or against the Merchant, or has been settled or resolved, or to Merchant' s knowledge, is threatened against or

affects Merchant that if adversely determined, would adversely affect the conduct of the Comprehensive Sale.

(m) Exhibit 11.1(m) attached hereto sets forth (i) historic sales at the Stores for the months ending January 2007 through December 2007 and (ii) the levels and mix of inventories at the Stores during such periods.

(n) Merchant covenants that from January 1, 2008 through the Sale Commencement Date, it has and will continue to operate the Stores in the ordinary course of business, including, specifically (i) selling inventory during such period at customary prices, (ii) not promoting or advertising any sales or in-store promotions (including POS promotions) to the public (except for Merchant' s historic and customary promotions for all of its locations as set forth in Exhibit 11.1(c) attached hereto), (iii) not returning inventory to vendors and not transferring inventory or supplies between or among Stores and the Warehouse outside the ordinary course of business, except as permitted under Section 8.4 above and except for cancellations of orders of goods by Merchant and (iv) not making any management personnel moves or changes at the Stores outside the ordinary course of business without Agent' s prior written consent (which consent will not be unreasonably withheld).

(o) To the best of Merchant' s knowledge, all Merchandise is in compliance with all applicable federal, state or local product safety laws, rules and standards.

(p) As of the date of the Agreement, no event of default or event which with the giving of notice, the passage of time or both has occurred on the part of the Merchant under any Occupancy Agreement that could have a material adverse effect on the Comprehensive Sale. From and after the Sale Commencement Date, except as provided in Section 8.11 and subject to Section 8.1, the Agent shall have the right to the unencumbered use

and occupancy of, and peaceful and quiet possession of, each of the Stores, the assets currently located at the Stores and the utilities and other services provided at the Stores. Merchant shall maintain in good working order, condition and repair, at its sole expense, all cash registers, heating systems, air conditioning systems, elevators, escalators, Store alarm systems and all other mechanical devices used in the ordinary course of operation of the Stores.

(q) Subject to Agent' s obligation to fund Expenses hereunder, Merchant has paid and will continue to pay throughout the Sale Term, (i) all self-insured or Merchant funded employee benefit programs for employees, including health and medical benefits and insurance and all proper claims made or to be made in accordance with such programs, (ii) all casualty, liability, worker' s compensation and other insurance premiums, (iii) all utilities provided to the Stores and (iv) all applicable taxes. Following the conclusion of the Comprehensive Sale, Merchant shall pay all earned but unused vacation to applicable Retained Employees in the ordinary course in accordance with Merchant' s policies.

(r) Merchant has not and shall not throughout the Sale Term take any actions the result of which is to materially increase the cost of operating the Comprehensive Sale, including, without limitation, increasing salaries or other amounts payable to employees.

(s) Except as disclosed on Exhibit 11.1(s) attached hereto, (i) Merchant is not a party to any collective bargaining agreements with its employees, (ii) to the best of Merchant' s knowledge, no labor unions represent Merchant' s employees at the Stores and (iii) to the best of Merchant' s knowledge, there are currently no strikes, work stoppages or other labor disturbances affecting the Stores, Merchant' s central office facilities or the Warehouse.

(t) As of the date of this Agreement, Merchant is not delinquent in payment of all telephone, utilities, taxes, insurance and advertising liabilities such that any

delinquency would detrimentally impact the Comprehensive Sale. Merchant agrees that in the event that Agent receives notice that any such liability is materially overdue or unpaid, or Agent is unable to advertise the Comprehensive Sale with any newspapers, magazines, radio or television stations or other media providers which target or serve the market areas of the Stores or is unable to obtain Merchant's contract rate with any such provider as a result of the Merchant's failure to pay its outstanding balances with such providers, Merchant shall immediately pay such applicable balances in full.

(u) (i) As of the Sale Commencement Date, the aggregate Cost Price of the Merchandise divided by the aggregate Retail Price of the Merchandise (the "Cost Factor") shall be no greater than 34.5%. In the event the Cost Factor is greater than 34.5%, the Cost Price shall be adjusted as set forth on Exhibit 11.1(u) hereto and (ii) as of the Sale Commencement Date, the aggregate Cost Price of the Merchandise divided by the aggregate Ticketed Price of the Merchandise (the "Ticket Factor") shall be no greater than 21.3%. In the event the Ticket Factor is greater than 21.3%, the Cost Price shall be adjusted as set forth on Exhibit 11.1(u) hereto. In the event that the representation and warranty set forth in the immediately preceding sentence of this Section 11.1(u) is breached by Merchant with respect to any item of Merchandise, Merchant and Agent shall use reasonable efforts to agree on an adjustment to the Cost Price of such item of Merchandise in good faith during the five (5) day cure period set forth in Section 14 hereof.

(v) Merchant has provided Agent with all information requested by Agent and all information so provided is true, correct and complete in all material respects.

(w) Merchant has maintained each of the Leased Properties, including, without limitation, the roof, foundation and structure of all improvements thereon and all mechanical systems thereat including heating, cooling, ventilating, electrical and plumbing

fixtures and systems and all appliances, in good working order, condition and repair, except for those for which the respective landlords are responsible under the Leases governing the Leased Properties. To the best of Merchant' s knowledge, to the extent any landlord is responsible for maintenance of any of the foregoing under the Lease governing such landlord' s Leased Property, such landlord has fulfilled its obligations under the applicable lease to maintain the foregoing. In the event any repairs or maintenance with respect to any of the foregoing are required on or after the Sale Commencement Date in order to avoid a detrimental impact on the Store Closing Sale, Merchant shall immediately perform such repairs or maintenance; provided, however, that in the event the landlord with respect to any Leased Property is responsible for performing such repairs or maintenance under the Lease governing such Leased Property, Merchant shall use its best efforts to immediately cause such landlord to perform such repairs or maintenance.

(x) Merchant' s relationship with Agent is solely that of agent and principal, not that of joint venturers or partners.

(y) There has not occurred any unauthorized or illegal emission, leak, discharge, spill or release into the environment of any Hazardous Materials (as defined below) by Merchant or any use of Hazardous Materials on or from any Leased Property which, in any material respect, violates any applicable federal, state or local law, rule, regulation governing the use, storage, treatment, handling, production or disposal of such Hazardous Materials or any other Environmental Laws (as defined below) that would result in liability to Merchant or such Leased Property. For purposes of this Section 11.1(y), the term "Hazardous Materials" shall include, without limitation, any asbestos, PCBs, pollutants, contaminants, chemicals, wastes and other carcinogenic, ignitable, corrosive, reactive, toxic or otherwise hazardous substance or materials (whether solid, liquid or gaseous) subject to regulation, control or remediation under

the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Hazardous Materials Transportation Act, as amended, the Resources Conservation and Recovery Act, as amended, the Toxic Substances Control Act, as amended, the Clean Water Act, as amended, the Safe Drinking Water Act, as amended, the Clean Air Act, as amended, the Occupational Safety and Health Act, as amended, the Atomic Energy Act of 1954, as amended, and all analogous or related laws and in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule or regulation (collectively, the “Environmental Laws”).

(z) No action, arbitration, suit, notice or legal, administrative or other proceeding before any court or governmental body has been instituted by or against Merchant or any Leased Property, or has been settled or resolved, or has been threatened against or affects Merchant or any Leased Property, which if adversely determined, would give rise to a lien or other encumbrance on any Leased Property, or have a material adverse effect upon any Leased Property, Merchant’s ability to perform its obligations under this Agreement or the conduct of the Comprehensive Sale.

(aa) The relationship between Cost Price and Ticketed Price shall be as set forth on Exhibit 11.1(aa).

(bb) The information concerning the Leases set forth on Exhibit 1C hereto is true and correct in all material respects.

(cc) The Merchant has delivered to the Agent, or shall have delivered to the Agent no later than fifteen (15) calendar days after the date of this Agreement, true, complete and correct copies of all Leases and any writings concerning any current actual defaults or breaches thereunder. Merchant shall also use commercially reasonable efforts to provide Agent

with all correspondence with the landlords under the Leases, including without limitation, any writings in printed or electronic format concerning any proposed modification, assignment or termination of the Leases.

(dd) No third party (other than Rosedale Wilsons, Inc.) (“Guarantor”) has guaranteed or is responsible for any of the Merchant’s obligations under any of the Leases.

(ee) The Merchant has not received notice of any claim, action, suit, or proceeding with respect to any of the Leases that remains unresolved.

11.2 Agent Representations and Warranties. Agent hereby represents, warrants and covenants in favor of the Merchant as follows:

(a) Each member of Agent: (i) is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware; (ii) has all requisite power and authority under its operating agreement to consummate the transactions contemplated hereby and (iii) is and until the end of the Marketing Period with respect to all of the Leases will continue to be, duly authorized and qualified as a foreign limited liability company to do business and in good standing in each jurisdiction where the nature of its business or properties requires such qualification.

(b) Agent has the right, power and authority to execute and deliver each of the Agency Documents to which it is a party and to perform fully its obligations thereunder. Agent has taken all necessary actions required to authorize the execution, delivery and performance of the Agency Documents. Each of the Agency Documents has been duly executed and delivered by Agent and constitutes the legal, valid and binding obligation of Agent enforceable in accordance with its terms. No contract or other agreement to which Agent is a

party or by which Agent is otherwise bound will prevent or impair the consummation of the transactions contemplated by this Agreement.

(c) No action, arbitration, suit, notice or legal, administrative or other proceeding before any court or governmental body has been instituted by or against Agent, or has been settled or resolved, or to Agent's knowledge, has been threatened against or affects Agent, which questions the validity of this Agreement or any action taken or to be taken by the Agent in connection with this Agreement, or which if adversely determined, would have a material adverse effect upon the Agent's ability to perform its obligations under this Agreement.

Section 12. Insurance.

12.1 Merchant's Liability Insurance. Merchant shall continue at its cost and expense until the end of the Marketing Period with respect to all of the Leases, in such amounts as it currently has in effect, all of its liability insurance policies including, but not limited to, products liability, comprehensive public liability, auto liability and umbrella liability insurance, covering injuries to persons and property in, or in connection with Merchant's operation of the Stores, and shall cause Agent to be named an additional named insured with respect to all such policies. Exhibit 12.1 attached hereto contains a description of all such policies. Prior to the Sale Commencement Date, Merchant shall deliver to Agent certificates evidencing such insurance setting forth the duration thereof and naming Agent as an additional named insured, in form reasonably satisfactory to Agent. All such policies shall require at least thirty (30) days' prior notice to Agent of cancellation, non-renewal or material change. In the event of a claim under any such policies Merchant shall be responsible for the payment of all deductibles, retentions or self-insured amounts thereunder, unless it is determined that liability

arose by reason of the wrongful acts or omissions or negligence of Agent, or Agent' s employees, independent contractors or agents (other than Merchant' s employees).

12.2 Merchant' s Casualty Insurance. Merchant will provide during the Sale Term, at Agent' s cost as an Expense hereunder, fire, flood, theft and extended coverage casualty insurance covering the unsold Merchandise in a total amount equal to no less than the Cost Price thereof. Exhibit 12.2 attached hereto contains a description of all such policies. From and after the date of this Agreement until the end of the Sale Term, all such policies will name Agent as loss payee. In the event of a loss to the Merchandise on or after the date of this Agreement, the proceeds of such insurance attributable to the Merchandise plus any self insurance amounts and the amount of any deductible (which amounts shall be paid by Merchant), shall constitute Proceeds hereunder and shall be paid to Agent; provided, however, in no event shall Agent receive more than Cost Price of the Merchandise. In the event of such a loss, Agent and Merchant shall work jointly to adjust the loss with the Insurer. Prior to the Sale Commencement Date, Merchant shall deliver to Agent certificates evidencing such insurance setting forth the duration thereof and naming the Agent as loss payee, in form and substance reasonably satisfactory to Agent. All such policies shall require at least thirty (30) days' prior notice to the Agent of cancellation, non-renewal or material change. Merchant shall not agree to any increases in the amount of any deductibles or self insurance amounts prior to the end of the Sale Term without Agent' s prior written consent.

12.3 Agent' s Insurance. Agent shall maintain at Agent' s cost and expense until the end of the Marketing Period with respect to all of the Leases, in such amounts as it currently has in effect, comprehensive public liability and automobile liability insurance policies covering injuries to persons and property in or in connection with Agent' s agency at the

Stores, and shall cause Merchant to be named an additional insured with respect to such policies. Exhibit 12.3 attached hereto contains a description of all such policies. Prior to the Sale Commencement Date, Agent shall deliver to Merchant certificates evidencing such insurance policies setting forth the duration thereof and naming Merchant as an additional insured, in form and substance reasonably satisfactory to Merchant. In the event of a claim under any such policies, Agent shall be responsible for the payment of all deductibles, retentions or self-insured amounts thereunder, unless it is determined that liability arose by reason of the wrongful acts or omissions or negligence of Merchant or Merchant' s employees, independent contractors or agents (other than Agent or Agent' s employees, agents or independent contractors).

12.4 Worker' s Compensation Insurance. Merchant shall at all times maintain in full force and effect worker' s compensation insurance (including employer liability insurance) covering all Retained Employees in compliance with all statutory requirements. Prior to the Sale Commencement Date, Merchant shall deliver to Agent a certificate of Merchant' s insurance broker or carrier evidencing such insurance.

12.5 Risk of Loss. Without limiting any other provision of this Agreement, Merchant acknowledges that Agent is conducting the Comprehensive Sale on behalf of Merchant solely in the capacity of an agent, and that in such capacity (i) Agent shall not be deemed to be in possession or control of the Stores or the assets located therein or associated therewith, or of Merchant' s employees located at the Stores and (ii) except as expressly provided in this Agreement, Agent does not assume any of Merchant' s obligations or liabilities with respect to any of the foregoing. Merchant and Agent agree that Merchant shall bear all responsibility for liability claims of customers, employees and other persons arising from events occurring at the Stores during and after the Sale Term, except to the extent any such claim arises

from the acts or omissions of Agent, or its supervisors or employees located at the Stores (an “Agent Claim”). In the event of any such liability claim other than an Agent Claim, Merchant shall administer such claim and shall present such claim to Merchant’s liability insurance carrier in accordance with Merchant’s historic policies and procedures, and shall provide a copy of the initial documentation relating to such claim to Agent. To the extent that Merchant and Agent agree that a claim constitutes an Agent Claim, Agent shall administer such claim and shall present such claim to its liability insurance carrier, and shall provide a copy of the initial documentation relating to such claim to Merchant. In the event that Merchant and Agent cannot agree whether a claim constitutes an Agent Claim, each party shall present the claim to its own liability insurance carrier, and a copy of the initial claim documentation shall be delivered to the other party.

12.6 Non-Assumption of Liability. Agent shall not assume any debt, liability or obligation of Merchant, except as expressly agreed to herein. Even with respect to such expressly assumed debts, liabilities and obligations, Agent’s only liability for such amounts shall be its obligations to Merchant hereunder. Under no circumstances shall Agent have any direct liability to any third party by virtue of this Agreement. Without limiting the foregoing, Agent does not assume any liability to third parties with respect to any Leased Property. Agent does not hereby assume any control or possession of any Leased Property, and no property rights in favor of Agent are granted hereby other than the rights to payment of fees and reimbursement of expenses set forth herein.

Section 13. Indemnification.

13.1 Merchant Indemnification. Provided that Agent makes a written demand on Merchant for indemnification on or prior to January 31, 2009, Merchant shall

indemnify and hold Agent and its members, managers, officers, directors, employees, agents and independent contractors (collectively, “Agent Indemnified Parties”) harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys’ fees and expenses, directly or indirectly asserted against, resulting from, or related to:

(a) Merchant’ s material breach of or failure to comply with any of its agreements, covenants, representations or warranties contained in any Agency Document;

(b) any failure of Merchant to pay to its employees any wages, salaries or benefits due to such employees during the Sale Term;

(c) subject to Agent’ s compliance with its obligations under Section 8.3 hereof, any failure by Merchant to pay any Sales Taxes to the proper taxing authorities or to properly file with any taxing authorities any reports or documents required by applicable law to be filed in respect thereof;

(d) any consumer warranty or products liability claims relating to Merchandise or Merchant Consignment Goods;

(e) any liability or other claims asserted by customers, any of Merchant’ s employees, or any other person against any Agent Indemnified Party (including, without limitation, claims by employees arising under collective bargaining agreements, worker’ s compensation or under the WARN Act), except for Agent Claims and

(f) the gross negligence or willful misconduct of Merchant or any of its officers, directors, employees, agents or representatives.

13.2 Agent Indemnification. Provided that Merchant makes a written demand on Agent for indemnification on or prior to January 31, 2009, Agent shall indemnify and

hold Merchant and its officers, directors, employees, agents and representatives harmless from and against all claims, demands, penalties, losses, liability or damage, including, without limitation, reasonable attorneys' fees and expenses, directly or indirectly asserted against, resulting from or related to:

- (a) Agent' s material breach of or failure to comply with any of its agreements, covenants, representations or warranties contained in any Agency Document;
- (b) any harassment or any other unlawful, tortious or otherwise actionable treatment of any employees or agents of Merchant by Agent or any of its representatives;
- (c) any claims by any party engaged by Agent as an employee or independent contractor arising out of such employment;
- (d) any Agent Claims and
- (e) the gross negligence or willful misconduct of Agent or any of its officer, directors, employees, agents or representatives.

Section 14. Defaults. The following shall constitute "Events of Default" hereunder:

- (a) Merchant' s or Agent' s failure to perform any of their respective material obligations hereunder which failure is not cured within five (5) days after receipt by the non-performing party of written notice specifying the failure;
- (b) Any representation or warranty made by Merchant or Agent proves untrue in any material respect as of the date made;
- (c) A bankruptcy, reorganization, receivership or other similar proceeding is filed by or against Merchant or Agent or

(d) Except as set forth in Section 6.1 above, the Store Closing Sale is terminated at a Store for any reason other than (i) an Event of Default by Agent, (ii) any other breach or action by Agent not authorized hereunder, (iii) removal of a Store from the Store Closing Sale in accordance with Section 8.11 hereof, or (iv) an event administered pursuant to Section 8.9 above.

In the event of an Event of Default, the non-defaulting party or, in the case of an Event of Default under Section 14(d), the Agent, may, in its discretion, upon five (5) days' written notice to the other party (or in the case of an Event of Default under Section 14(c), without any notice), (x) elect to terminate this Agreement and (y) exercise any rights otherwise available to it under applicable law. Any party' s damages or entitlement to equitable relief hereunder shall be determined by a court of competent jurisdiction located in the State of Illinois.

Section 15. Intentionally Omitted.

Section 16. Sale of FF&E. Agent shall advertise in the context of advertising for the Store Closing Sale that items of FF&E at the Stores are for sale, and shall contact and solicit known purchasers and dealers of furniture and fixtures. Merchant shall notify Agent if any such items of FF&E are to be excluded from sale and/or if terms and conditions of sale are to be set or restricted in any manner. In consideration of providing such services, Agent shall retain twenty-two and one half percent (22.5%) of receipts (net of Sales Taxes) from all sales or other dispositions of FF&E. In addition, Merchant shall reimburse Agent for Agent' s reasonable documented out-of-pocket expenses incurred in connection with the liquidation of FF&E that have been previously approved by Merchant, including, without limitation, costs of commissions and advertising. Merchant and Agent shall mutually agree on an expense budget for the sale of the FF&E prior to incurring FF&E sale related expenses. Agent shall have the right to abandon

any unsold FF&E at the Stores or to cause Merchant to transfer title to any FF&E at any Store that remains unsold as of the date of termination or assignment of any Store lease to the landlord or Designee with respect to such lease for no consideration. Agent shall have no liability to Merchant for its failure to sell any or all of the FF&E.

Section 17. Leases.

17.1 Agent for Disposition of Leases. Agent shall serve as the Merchant's exclusive agent for the purpose of selling, assigning or terminating the Leases. All communications and inquiries regarding the sale, assignment or termination of the Leases, whether directed to the Merchant (including but not limited to its officers, agents and employees) shall be redirected to Agent. Agent shall promptly advise the Merchant of all offers made with respect to the Leases. Agent is authorized only to negotiate the terms of a termination or subleasing agreement at the direction and on the behalf of the Merchant, but not to commit the Merchant to any such agreement or arrangement or to sign any instrument on behalf of the Merchant. The Merchant and Agent may designate additional leasehold interests as a "Leased Property" or drop Leased Properties upon mutual consent. Merchant and Agent shall mutually agree on a compensation structure for the purpose of selling, assigning or terminating the leases set forth on Exhibit 17.1 within 7 days of this Agreement.

17.2 Term.

The authority granted to Agent in Section 17.1 shall commence upon the execution hereof and shall expire twelve (12) months from the date of this Agreement. Thereafter the Agreement shall automatically renew for successive sixty (60) day periods until cancelled by either party upon thirty (30) days prior written notice to the other party.

17.3 Marketing Period for Leased Properties.

(a) For each Leased Property, the period commencing on the Sale Commencement Date and ending on the Leased Property Termination Date, shall be known as the “Marketing Period” for such Leased Property.

(b) With respect to each Leased Property, the “Leased Property Termination Date” shall be the first to occur of (i) the closing date of the assignment or termination of the Lease with respect to such Leased Property, (ii) the stated termination date of the Lease with respect to such Leased Property, and (iii) the term, as may be extended, as set forth in Section 17.2.

17.4 Marketing Period Costs.

On the Sale Commencement Date, the Merchant shall allocate an amount (the “Lease Fund”) for the payment of Occupancy Expenses (excluding Occupancy Expenses payable to third parties other than landlords), termination fees and assignment fees with respect to the Leased Properties. The Lease Fund equals the aggregate of, for each Lease, the lesser of (i) seven (7) months’ Occupancy Expenses, or (ii) Occupancy Expenses for the number of months remaining on the term of the applicable lease (excluding Occupancy Expenses payable to third parties other than landlords) for each of the Leased Properties. The Lease Fund shall not be used to pay any Occupancy Expenses of any Store arising during the Sale Term for such Store. In addition, from the Sale Termination Date through the end of the Marketing Period for each Store Lease (collectively, the “Lease Fund Period”), unless Merchant and Agent otherwise agree, Merchant shall pay Occupancy Expenses (excluding Occupancy Expenses payable to third parties other than landlords) for each of the Leased Properties from the Lease Fund. All other costs and expenses relating to the Leased Properties arising during the Lease Fund Period, including, without limitation, extraordinary or structural maintenance and repairs for which

Merchant is responsible under the Leases of the Leased Properties, shall be paid by Merchant, but shall not be paid or deducted from the Lease Fund.

17.5 Procedures for Dispositions of Leases.

(a) During the Marketing Period for each of the Leased Properties, unless otherwise mutually agreed by the parties, Agent shall use reasonable commercial efforts to market and attempt to assign the Leases, to obtain agreements from landlords to terminate the Leases, or to otherwise mitigate Merchant' s damages with respect to the Leases.

(b) Following the Sale Commencement Date, Merchant agrees to cooperate with Agent to arrange for the sale of the leasehold interests of Merchant in the Leased Properties as provided in this Agreement. Without limiting the generality of the foregoing, Merchant agrees (i) to provide Agent with all such diligence materials and information in Merchant' s possession as Agent shall reasonably request in connection with its efforts to market and attempt to sell the Leases (including, without limitation, existing real property surveys, environmental reports, real estate tax and utility records) and (ii) to cooperate with Agent, its agents and any potential purchasers of any of the Leases to provide reasonable access to the Leased Properties. Agent shall provide Merchant with copies of all written offers and letters of intent for the Leases. Likewise, in the event Merchant receives any written offer or letter of intent for any of the Leases, Merchant shall provide Agent with a copy of such offer or letter of intent.

(c) From the date hereof through and until the applicable Leased Property Termination Date, Merchant shall not enter into, extend, reject or otherwise terminate any material agreement with respect to any Leased Property, or grant any party a lien or security interest in any or all of the Leases or Leased Properties, in each case without the prior written consent of Agent.

17.6 Reconciliation; Agent's Lease Disposition Fees (a) As compensation for Agent's services, upon disposition, by assignment, sale, sublease, termination or otherwise of a Leased Property, Agent shall earn a base fee of [***] (the "Base Fee"). In the event that (a) [***] or more of the Leases are terminated, sold or assigned during the Marketing Period and (b) the aggregate amount paid by Merchant to obtain landlord consent to assignment or termination of the Leases, including any payments (not otherwise indemnifiable under this Agreement) arising from or in satisfaction of any breach of any Lease caused by Agent or occurring in furtherance of the purposes of this Agreement (the "Buyout Amount") is less than the aggregate amount of the Lease Fund minus the aggregate amount of the Lease Fund utilized to pay Occupancy Expenses for the Leased Properties during the Lease Fund Period (the "Net Lease Fund"), Agent's Base Fee shall be adjusted as follows:

<u>Buyout Amount</u>	<u>Base Fee</u>
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

For purposes hereof:

"Gross Occupancy Cost" is defined as the sum of all prime rent, common area maintenance expenses, real estate taxes, insurance, tenant improvements, advertising allowance, and other obligations of Merchant which would otherwise have been due and payable by the Merchant had it performed its obligations as they came due under each Lease.

“Gross Occupancy Cost Savings” is defined as the sum of (a) the amount of Total Occupancy Cost that will not have to be paid, by the Merchant, as a result of all of the Leased Properties which are assigned, transferred, subleased, terminated, or otherwise disposed of by Agent pursuant to the terms of this Agreement, and (b) any amounts received by the Merchant in consideration for transferring or assigning any Leased Property to a third party.

“Total Occupancy Cost” is defined as the sum of Gross Occupancy Cost for all Leased Properties.

17.7 Calculation of Net Lease Fund and Buyout Amount.

For purposes hereof, neither the amount subtracted from the Lease Fund to arrive at the Net Lease Fund nor the Buyout Amount shall include any amounts paid to the subject landlord on account of unpaid amounts due under the Lease but relating to periods prior to the Lease Fund Period, including, without limitation, CAM and tax reconciliations for periods prior to the Lease Fund Period, non-depreciated/ amortized tenant improvements or brokerage commissions, all of which shall be paid by Merchant. To the extent that Agent is not successful in completing transactions for all of the Leases, the funds required to buyout the balance of the Leases shall not impact the Buyout Amount or Net Lease Fund.

17.8 Reimbursement of Expenses in Performing Lease Services.

Merchant shall reimburse Agent for all reasonable and customary Reimbursable Expenses (defined below) incurred in connection with Agent’s efforts to sell, terminate or otherwise mitigate Merchant’s damages with respect to the Leases. “Reimbursable Expenses” means all out-of-pocket expenses, approved in advance by Merchant, and incurred in connection with Agent’s performance of the contemplated services, including reasonable expenses related

economy travel and transportation in accordance with Merchant' s Travel Policy, which shall be provided to Agent.

17.9 Vacating the Stores and Leased Properties.

(a) Agent shall vacate each Store whose Occupancy Agreements do not include a Lease to be marketed by Agent pursuant to this Agreement on or before the Sale Termination Date with respect to such Store, at which time Agent shall surrender and deliver the Store premises and Store keys to Merchant. From and after the Sale Termination Date with respect to each such Store, Agent shall have no further liability with respect to such Store whatsoever.

(b) Agent shall vacate each Leased Property whose Lease is not assigned or terminated and has not expired prior to the end of the Marketing Period for such Lease on the day following the end of the Marketing Period for such Lease, at which time Agent shall surrender and deliver the Leased Property premises and keys to Merchant. From and after the day following the Marketing Period with respect to each such Leased Property, Agent shall have no further liability with respect to such Leased Property whatsoever.

Section 18. Miscellaneous.

18.1 Notices. All notices and communications provided for pursuant to this Agreement shall be in writing, and sent by hand, by facsimile or by Federal Express or other recognized overnight delivery service, as follows:

If to the Agent: Hilco Merchant Resources, LLC
One Northbrook Place
5 Revere Drive, Suite 206
Northbrook, Illinois 60062
Attn: Cory Lipoff
Telecopy No. (847) 509-1150

Hilco Real Estate, LLC
One Northbrook Place
5 Revere Drive, Suite 320
Northbrook, IL 60062
Attn: Gregory Apter
Telecopy No. (847) 897-0867

and

c/o Hilco Merchant Resources, LLC
Hilco Real Estate, LLC
One Northbrook Place
5 Revere Drive, Suite 206
Northbrook, Illinois 60062
Attn: Joseph Malfitano
Telecopy No. (847) 897-0868

If to the Merchant: Rosedale Wilsons, Inc.
7401 Boone Avenue North
Brooklyn Park, MN 55428
Attn: Corrie Lapinsky
Telecopy No. (763) 391-4343

Wilsons Leather Holdings Inc.
7401 Boone Avenue North
Brooklyn Park, MN 55428
Attn: Corrie Lapinsky
Telecopy No. (763) 391-4343

18.2 Governing Law; Consent to Jurisdiction. This Agreement shall be governed and construed in accordance with the laws of the State of Illinois without regard to conflicts of laws principles thereof. The parties hereto agree that any legal action or proceeding arising out of or in connection with this Agreement may be brought in the federal or state courts

located in the State of Illinois, and by execution of this Agreement each party hereby irrevocably accepts and submits to the jurisdiction of such courts in personam with respect to any such action or proceeding.

18.3 Termination. This Agreement shall remain in full force and effect until the first to occur of: (a) receipt by Merchant of written notice from Agent that any of the conditions specified in Section 10 hereof have not been satisfied; (b) termination by the non-defaulting party after an Event of Default pursuant to Section 14 hereof or (c) the end of the Marketing Period with respect to all of the Leases and completion and certification by Merchant and Agent of the final reconciliation pursuant to Section 17.6 hereof. Notwithstanding the foregoing, the representations and warranties of Merchant and Agent contained herein and the provisions Section 13 above shall survive the termination of this Agreement pursuant to this Section 18.3.

18.4 Entire Agreement. This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated hereby and supersedes and cancels all prior agreements, including, but not limited to, all proposals, letters of intent or representations, written or oral, with respect thereto.

18.5 Amendments. This Agreement may not be modified except in a written instrument executed by each of the parties hereto.

18.6 No Waiver. No consent or waiver by any party, express or implied, to or of any breach or default by the other in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or

default in the performance by such other party of the same or any other obligation of such party. Failure on the part of any party to complain of any act or failure to act by the other party or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

18.7 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon Agent and Merchant, and their respecting successors and assigns; provided, however, that this Agreement may not be assigned by Merchant or Agent to any party without the prior written consent of the other.

18.8 Execution in Counterparts; Facsimile. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one agreement. This Agreement may be executed by facsimile, and such facsimile signature shall be treated as an original signature hereunder.

18.9 Section Headings. The headings of sections of this Agreement are inserted for convenience only and shall not be considered for the purpose of determining the meaning or legal effect of any provisions hereof.

18.10 Survival. All representations, warranties, covenants and agreements made by the parties hereto shall be considered to have been relied upon by the parties and shall survive the execution, delivery and performance of this Agreement.

18.11 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any

provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18.12 Joint and Several Liability. The undersigned members of Agent, jointly and severally, guarantee the prompt payment by, and performance of the obligations of Agent, including, without limitation, Agent' s indemnification obligations contained herein, as set forth in this Agreement.

18.13 Confidentiality. Agent agrees (a) not to use any Confidential Information (as defined below) for any purpose except in furtherance of its obligations under this Agreement, (b) that it shall disclose Confidential Information only to its employees, contractors, attorneys and accountants on a need-to-know basis, and (c) to treat all Confidential Information of the other party with the same degree of care as it accords its own Confidential Information of a similar nature, but in no event with less than a reasonable degree of care. "Confidential Information" as used in this Agreement means any and all proprietary and non-public information disclosed by Merchant regardless of the form of such information. Confidential Information shall not include information that (i) was in the public domain at the time it was disclosed or has subsequently entered the public domain through no fault of Agent; (ii) was rightfully in Agent' s possession free of any obligation of confidentiality at the time of disclosure; or (iii) is disclosed pursuant to a valid order by a court or governmental body or otherwise pursuant to legal process.

IN WITNESS WHEREOF, Agent and Merchant hereby execute this Agreement by their duly authorized representatives as of the day and year first written above.

JOINT VENTURE COMPOSED OF
HILCO MERCHANT RESOURCES, LLC, HILCO REAL
ESTATE, LLC AND GORDON BROTHERS
RETAIL PARTNERS, LLC

/s/ Cory Lipoff

By: Cory Lipoff
Its: Executive Vice President and Principal of Hilco Merchant
Resources for the Joint Venture

ROSEDALE WILSONS, INC., on behalf of itself
and on behalf of those entities listed on
Exhibit 1A hereto

/s/ Stacy A. Kruse

By: Stacy A. Kruse
Its: Chief Financial Officer and Treasurer

WILSONS LEATHER HOLDINGS INC.

/s/ Stacy A. Kruse

By: Stacy A. Kruse
Its: Chief Financial Officer and Treasurer

AGENCY AGREEMENT

Dated as of

February 14, 2008

Between

A JOINT VENTURE COMPOSED OF
HILCO MERCHANT RESOURCES, LLC, HILCO REAL ESTATE, LLC AND GORDON
BROTHERS RETAIL PARTNERS, LLC,

as Agent

and

ROSEDALE WILSONS, INC.,
WILSONS LEATHER HOLDINGS INC., AND
THOSE ENTITIES LISTED ON EXHIBIT 1A HERETO

as Merchant

**THIRD AMENDMENT TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

This THIRD AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT (this “Amendment”) is entered into as of this 14th day of February, 2008 among WILSONS LEATHER HOLDINGS INC., a Minnesota corporation (“Borrower”), GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Lender, Term Lender, Swing Line Lender and as Agent (“Agent”), the Credit Parties signatory hereto and the Lenders signatory hereto. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement (as hereinafter defined).

RECITALS

WHEREAS, Borrower, certain Credit Parties, Agent and Lenders have entered into that certain Fifth Amended and Restated Credit Agreement dated as of December 29, 2006 (as amended, supplemented, restated or otherwise modified from time to time, the “Credit Agreement”); and

WHEREAS, Borrower, the Credit Parties signatories to the Credit Agreement, the Lenders and Agent wish to amend certain provisions of the Credit Agreement, as more fully set forth herein.

NOW THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1 Amendments to the Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the parties hereto hereby agree to amend the Credit Agreement as follows:

(a) The third sentence of Section 1.1(a)(i) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“The aggregate amount of Revolving Credit Advances outstanding shall not exceed at any time the lesser of (A) the Maximum Amount less the sum of 100% of the Letter of Credit Obligations, 100% of the Eligible Trade L/C Obligations and 100% of the Swing Line Loan outstanding and (B) the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in a deposit account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party blocked account agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the sum of 100% of the Letter of Credit Obligations, 100% of the Eligible Trade L/C Obligations and 100% of the Swing Line Loan outstanding at such time (such amount, “Borrowing Availability”).“

(b) The second sentence of Section 1.1(c)(i) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“The aggregate amount of Swing Line Advances outstanding shall not exceed the lesser of (A) the Swing Line Commitment and (B) the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in a deposit account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party blocked account agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the sum of the outstanding balance of the Revolving Credit Advances, 100% of outstanding Letter of Credit Obligations and 100% of outstanding Eligible Trade L/C Obligations (“Swing Line Availability”).”

(c) The third sentence of Section 1.2 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“In addition, the sum of 100% of the Letter of Credit Obligations and 100% of outstanding Eligible Trade L/C Obligations shall not exceed the Borrowing Base, plus the aggregate amount of unrestricted cash on deposit in a deposit account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party blocked account agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the then outstanding Revolving Credit Advances and Swing Line Loan.”

(d) Section 1.19 of the Credit Agreement is hereby amended by adding the following new sentence at the end thereof:

“Notwithstanding anything to the contrary set forth herein, any Inventory-Apparel located at the Closed Stores shall not constitute Eligible Inventory-Apparel following the date on which Borrower has received the Guaranteed Amount (as defined in the Agency Agreement).”

(e) Section 1.21 of the Credit Agreement is hereby amended by adding the following new sentence at the end thereof:

“Notwithstanding anything to the contrary set forth herein, any In-Transit Inventory in transit to or from a Closed Store shall not constitute Eligible In-Transit Inventory-Retail following the date on which Borrower has received the Guaranteed Amount (as defined in the Agency Agreement).”

(f) Section 1.24 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“1.24 [Intentionally Omitted]”

(g) Section 6.8(a) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“(a) (i) the sale of Inventory in the ordinary course of business and (ii) (v) sales of Inventory and other assets (collectively, the “Merchandise”) of Borrower and certain other Credit Parties (collectively, the “Merchants”) which are located at Merchants’ retail

store locations listed on Schedule K attached hereto (collectively, the “Closed Stores”), solely to the extent such sales are consummated in the Closed Stores by means of a promotional, store closing or similar sale (the “Store Closing Sale”), (x) sales (the “FF&E Sale”) of furnishings, trade fixtures, Equipment and real property improvements in connection with the Store Closing Sale which are located at the Closed Stores (the “FF&E”), (y) the sale or termination or other mitigation of damages with respect to the leases of the real property listed on Schedule L attached hereto (the actions and events described in this clause (y), the “Lease Mitigations” and together with the Store Closing Sale and the FF&E Sale are collectively being referred to herein as, the “Comprehensive Sale”) and (z) upon completion of the Comprehensive Sale the transfer by Merchants to Hilco/Gordon Brothers Joint Venture, or to a landlord or a designee of Hilco/Gordon Brothers Joint Venture (as applicable) title to all Merchandise and any FF&E remaining at the Closed Stores at the conclusion of the Comprehensive Sale pursuant to terms and conditions of the Agency Agreement (and Agent and Lenders hereby agree that all security interests held by Agent in and to such Merchandise and the FF&E transferred pursuant to above clause (z) shall be deemed released upon such transfer by Merchants and Lenders hereby direct Agent to release such security interest, and Agent hereby further agrees to prepare, execute and deliver to Borrower, at Credit Parties’ expense, an appropriate UCC financing statement amendment as soon after the completion of the Comprehensive Sale as practicable to evidence the release of Agent’ s security interests on such Merchandise and FF&E),”

(h) Section 6 of the Credit Agreement is hereby amended by adding the following Section 6.20 thereto which shall read in its entirety as follows:

“6.20 Lease Mitigations

No Credit Party shall directly or indirectly make payments in connection with one or more Lease Mitigations in an aggregate amount in excess of \$8,600,000 on or after the Third Amendment Effective Date.”

(i) Section 5 of the Credit Agreement is hereby amended by adding the following Section 5.11 thereto which shall read in its entirety as follows:

“5.11 Additional Deliveries.

On or prior to February 25, 2008, Borrower shall deliver to Agent Ultimate Parent’ s forecasted consolidated balance sheets, profit and loss statements, cash flow statements and borrowing availability projections on a monthly basis for the remaining period in the Fiscal Year ending in January, 2009 and for the Fiscal Year ending in January, 2010, which, in each case, shall be (i) prepared in a manner consistent with the historical Financial Statements of Ultimate Parent together with appropriate supporting details and a statement of underlying assumptions and (ii) in form and substance reasonably satisfactory to Agent (the “Updated Projections”); provided that, notwithstanding anything to the contrary contained herein or otherwise, from and after the Third Amendment Effective Date through and including the date of receipt by Agent of the Updated Projections, in form and substance reasonably satisfactory to Agent, no

Revolving Loans may be outstanding under this Agreement (other than Letter of Credit Obligations and Eligible Trade L/C Obligations).”

(j) Clause (b) of Section 8.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“(b) Any Credit Party shall fail or neglect to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4, 5.11 or 6, or any of the provisions set forth in Schedule E, respectively.”

(k) Schedule A to the Credit Agreement is hereby amended by adding the following new definitions in alphabetical order therein:

“Agency Agreement” means that certain Agency Agreement dated as of February 14, 2008 by and among the Borrower, the Credit Parties signatories thereto and the Hilco/Gordon Brothers Joint Venture as in effect on the Third Amendment Effective Date.

“Closed Stores” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Comprehensive Sale” has the meaning set forth in Section 6.8 of the Credit Agreement.

“FF&E” has the meaning set forth in Section 6.8 of the Credit Agreement.

“FF&E Sale” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Hilco/Gordon Brothers Joint Venture” means a joint venture composed of Hilco Merchant Resources, LLC, Gordon Brothers Retail Partners, LLC and Hilco Real Estate, LLC.

“Lease Mitigations” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Merchandise” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Merchants” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Store Closing Sale” has the meaning set forth in Section 6.8 of the Credit Agreement.

“Third Amendment” shall mean that certain Third Amendment to the Fifth Amended and Restated Credit Agreement entered into as of the 14th day of February, 2008 among the Borrower, the Agent, the Credit Parties signatory thereto and the Lenders.

“Third Amendment Effective Date” shall mean the date on which the conditions precedent set forth in the Third Amendment have been satisfied.”

(l) Each of the following definitions set forth in Schedule A to the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“Borrowing Base” shall mean, as of any date of determination, the sum of:

- (a) 100% of the book value of Eligible Accounts-Retail at all times; plus
- (b) the lesser of (i) \$10,000,000 or (ii) 100% of the book value of Eligible Accounts-Wholesale at all times; plus
- (c) 102.5% of the NOLV of Eligible Inventory-Apparel and 102.5% of the NOLV of the Inventory-Apparel which shall exist upon a draw on the applicable Eligible Trade L/C-Retail; plus
- (d) the lesser of (i) \$10,000,000 or (ii) 60% of (A) the book value of Eligible Inventory-Wholesale (including Eligible In-Transit Inventory-Wholesale) at all times minus (B) the book value of Eligible In-Transit Inventory-Wholesale in excess of \$5,000,000 at all times; plus
- (e) 60% of the book value of the Eligible Inventory-Wholesale, which shall exist upon a draw on the applicable Eligible Trade L/C-Wholesale;

less the Minimum Excess Availability Reserve and less any additional Reserve established by Agent at such time.

“Minimum Excess Availability Reserve” shall mean a special Reserve established by Agent on the Closing Date and maintained by Agent in an amount at all times equal to the sum of (x) 10% of the lesser of (i) the Maximum Amount and (ii) the sum of the amounts set forth in clauses (a), (b), (c), (d) and (e) of the definition of Borrowing Base plus (y) \$10,000,000.”

(m) The first sentence of clause (a) of Schedule B to the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“Subject to the terms and conditions of this Agreement, Agent agrees to incur from time to time, upon the request of Borrower on behalf of Borrower and for Borrower’s account, Letter of Credit Obligations and Eligible Trade L/C Obligations by causing Letters of Credit and Eligible Trade L/Cs to be issued on terms acceptable to Agent and by Agent, a subsidiary of Agent or a bank or other legally authorized Person acceptable to Agent and Borrower (each, an “L/C Issuer”) for Borrower’s account and guaranteed by Agent; provided, however, that the aggregate amount of the sum of all such Letter of Credit Obligations plus Eligible Trade L/C Obligations shall not at any time exceed the lesser of (i) Seventy-Five Million Dollars (\$75,000,000) (the “L/C Sublimit”), or (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances; provided further that Letter of Credit Obligations plus Eligible Trade L/C Obligations shall not exceed the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in a deposit account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a

tri-party blocked account agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent less the outstanding balance of the Revolving Credit Advances and Swing Line Advances.”

(n) Clause (a) of Schedule H is hereby amended and restated to read in its entirety as follows:

“(a) To Agent, (1) no less frequently than daily by 1:00 p.m. (Chicago time) on each day, a Borrowing Base Certificate with respect to Borrower, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion, which shall be prepared by the Borrower as of the previous day and (2) on or prior to 5 Business Days after the end of each Fiscal Month, a Borrowing Base Certificate with respect to Borrower, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion, which shall be prepared by the Borrower as of the last day of the immediately preceding Fiscal Month; and”

(o) Schedule H to the Credit Agreement is hereby amended by adding the following new clauses (h) and (i) at the end thereof:

“(h) Borrower, at its own expense, shall deliver to Agent on or prior to the first Friday to occur following the commencement of the Comprehensive Sale and each Friday thereafter until the Comprehensive Sale is completed a summary of the cash proceeds and disbursements of fees, costs and other expenses relating to the Comprehensive Sale, in form and substance satisfactory to Agent.

(i) Borrower, at its own expense, shall deliver to Agent from and after the Third Amendment Effective Date, (x) on or prior to the fifth day of each calendar month, an updated appraisal, prepared on a NOLV basis and by a Person and in a form reasonably acceptable to Agent, of the Inventory owned by the Borrower as of the last day of the then immediately preceding calendar month and (y) upon Agent’s request, by 12:00 p.m. (Chicago time) on Wednesday of each week, an updated appraisal, prepared on a NOLV basis and by a Person and in a form reasonably acceptable to Agent, of the Inventory owned by the Borrower as of the last Friday of the immediately preceding week.”

(p) The Credit Agreement is hereby amended to add as Schedules K and L thereto the Schedules K and L attached hereto.

Section 2 Representations and Warranties. Borrower and the Credit Parties who are party hereto represent and warrant that:

(a) the execution, delivery and performance by Borrower and such Credit Parties of this Amendment have been duly authorized by all necessary corporate action and this Amendment is a legal, valid and binding obligation of Borrower and such Credit Parties enforceable against Borrower and such Credit Parties in accordance with its terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors’ rights generally and (ii) general

principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);

(b) each of the representations and warranties contained in the Credit Agreement (as amended hereby) is true and correct in all material respects on and as of the date hereof as if made on the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date;

(c) neither the execution, delivery and performance of this Amendment nor the consummation of the transactions contemplated hereby does or shall contravene, result in a breach of, or violate (i) any provision of Borrower's or Credit Parties' certificate or articles of incorporation or bylaws, (ii) any law or regulation, or any order or decree of any court or government instrumentality or (iii) indenture, mortgage, deed of trust, lease, agreement or other instrument to which Borrower, the Credit Parties or any of their Subsidiaries is a party or by which Borrower, the Credit Parties or any of their Subsidiaries or any of their property is bound, except in any such case to the extent such conflict or breach has been waived by a written waiver document a copy of which has been delivered to Agent on or before the date hereof; and

(d) no Default or Event of Default will exist or result after giving effect hereto.

Section 3 Conditions to Effectiveness. This Amendment will be effective only upon satisfaction of the following:

(a) Execution and delivery of this Amendment by Borrower, the Credit Parties that are listed on the signature pages hereto, the Agent and each Lender;

(b) Delivery to Agent of certified copies of (i) that certain Agency Agreement dated as of February 14, 2008 by and among the Borrower, the Credit Parties signatories thereto and the Hilco/Gordon Brothers Joint Venture, and (ii) all other agreements, documents and instruments executed and/or delivered in connection with the foregoing; and

(c) Payment of an amendment fee to Agent, for the benefit of Lenders signatory hereto, in an amount equal to \$172,500, which amendment fee shall be fully earned and payable on the date hereof.

Section 4 Reference to and Effect Upon the Credit Agreement.

(a) Except as specifically set forth herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of similar import shall mean and refer to the Credit Agreement as amended hereby.

Section 5 Waiver and Release.

In consideration of the foregoing, each of Borrower and each Credit Party hereby waives, releases and covenants not to sue Agent or any Lender with respect to, any and all claims it may have against Agent or any Lender, whether known or unknown, arising in tort, by contract or otherwise prior to the date hereof relating to one or more Loan Documents.

Section 6 Costs and Expenses.

As provided in Section 11.3 of the Credit Agreement, Borrower agrees to reimburse Agent for all fees, costs and expenses, including the fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Amendment.

Section 7 Governing Law.

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS.

Section 8 Headings.

Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 9 Counterparts.

This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

Section 10 Confidentiality.

The matters set forth herein are subject to Section 11.18 of the Credit Agreement, which is incorporated herein by reference.

[signature page follows]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date first written above.

BORROWER:

WILSONS LEATHER HOLDINGS INC.

By: /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

LENDERS:

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent, Lender, Term
Lender and Swing Line Lender

By: /s/ Kristina M. Miller

Title: Duly Authorized Signatory

[Signature Page to Third Amendment]

The undersigned are executing this Amendment in their capacity as Credit Parties:

Wilsons The Leather Experts Inc.

By: /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

Wilsons Center, Inc.

By: /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

Rosedale Wilsons, Inc.

By: /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

River Hills Wilsons, Inc.

By /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

Bermans The Leather Experts Inc.

By: /s/ Stacy A. Kruse

Title: Chief Financial Officer and Treasurer

[Signature Page to Third Amendment]

Schedule K List of Closed Stores

Store List

prepared: 02/10/08

Store #	Segment	Name	Address		City	State	Close Date
2	Mall	East Towne Mall	57 East Towne Mall		Madison	WI	04/23/08
4	Mall	Northtown	364 Northtown Drive		Blaine	MN	05/01/08
5	Mall	Southridge	5300 South 76th Street	Unit 140	Greendale	WI	04/30/08
8	Mall	Rosedale	1010 Rosedale Center	SpC 500	Roseville	MN	05/03/08
11	Mall	Brookfield Square	95 North Moorland Road	SpC C-18	Brookfield	WI	04/23/08
12	Mall	Maplewood	3001 White Bear Avenue	Ste 1037	St. Paul	MN	04/27/08
14	Mall	Merle Hay Mall	3800 Merle Hay Road	SpC 511	Des Moines	IA	04/13/08
15	Mall	Cherryvale	E-110 Cherryvale Mall		Rockford	IL	05/01/08
20	Mall	N. Riverside Park	7501 West Cermak Road		North Riverside	IL	04/27/08
21	Mall	W/S Fox Valley	2140 Fox Valley Center		Aurora	IL	04/27/08
23	Mall	Burnsville Center	2020 Burnsville Center		Burnsville	MN	04/30/08
27	Mall	W/S Louis Joliet	3340 Mall Loop Drive	SpC 1216	Joliet	IL	04/20/08
33	Mall	Harlem Irving	4180 North Harlem Avenue	SpC 60	Norridge	IL	04/30/08
34	Mall	Great Lakes Mall	7850 Mentor Road	SpC 550	Mentor	OH	03/30/08
36	Mall	W/S Hawthorn	518 Hawthorn Center		Vernon Hills	IL	04/27/08
40	Mall	W/S Richland	620 Richland Mall		Mansfield	OH	04/13/08
45	Mall	W/S Great Northern	640 Great Northern Mall		North Olmsted	OH	04/23/08
47	Mall	Valley View Mall	3800 State Road 16	Ste 161	LaCrosse	WI	04/23/08
49	Mall	Empire	1630 Empire Mall	SpC 416	Sioux Falls	SD	05/04/08
51	Mall	Florence Mall	1137 Florence Mall		Florence	KY	04/30/08
53	Mall	Glenbrook Square	4201 Coldwater Road	#M12	Fort Wayne	IN	04/30/08
54	Mall	Southpark	4500 16th Street	#160	Moline	IL	03/30/08
55	Mall	Northpark	320 Kimberly Road	#621	Davenport	IA	04/20/08
57	Mall	Regency	5716 Durand Avenue	#D412	Racine	WI	04/13/08
68	Mall	Chapel Hill	2000 Brittain Road	Ste 201	Akron	OH	04/20/08
71	Mall	White Oaks	2501 Wabash Avenue	SpC G-08	Springfield	IL	04/20/08
72	Mall	Eastland Mall	800 North Green River Road	#226	Evansville	IN	04/20/08
77	Mall	W/S Belden Village	4140 Belden Village Mall	SpC C-16	Canton	OH	05/01/08
79	Mall	River Oaks	159 & Torrence Avenue	SpC A-33	Calumet City	IL	05/04/08
82	Mall	Market Place	2000 North Neil Street	SpC D-13	Champaign	IL	04/23/08
93	Mall	Evergreen Plaza	9700 South Western Avenue	SpC G6A	Evergreen Park	IL	04/30/08
101	Mall	Kirkwood Plaza	883 Kirkwood Plaza		Bismarck	ND	04/30/08
102	Mall	Southern Park	7401 Market Street	SpC 721	Youngstown	OH	04/27/08
106	Mall	Citadel	750 Citadel Drive East	SpC 2006	Colorado Springs	CO	04/27/08
108	Mall	Eastwood	5555 Youngstown-Wareen Road	SpC 669	Niles	OH	03/30/08
109	Mall	Eastland Mall	1615 East Empire Street	SpC 7	Bloomington	IL	04/23/08
113	Mall	Jefferson Mall	4801 Outer Loop	SpC A264	Louisville	KY	04/13/08
125	Mall	Boulevard Mall	1207 Niagra Falls Boulevard		Amherst	NY	05/01/08
133	Mall	Westgate	7701 West Interstate 40	Ste 516	Amarillo	TX	04/27/08
142	Mall	Hickory Hollow	5252 Hickory Hollow Mall	SpC 2001	Antioch	TN	03/22/08
148	Mall	McKinley Mall	3701 McKinley Parkway	SpC 719	Buffalo	NY	04/13/08
150	Mall	South Plains	6002 Slide Road	SpC G27	Lubbock	TX	04/20/08
158	Mall	Millcreek Mall	260 Millcreek Mall		Erie	PA	05/04/08
160	Mall	Lynnhaven Mall	701 Lynnhaven Parkway	SpC E-10	Virginia Beach	VA	04/30/08
165	Mall	Battlefield Mall	2825 South Glen Stone	SpC P02	Springfield	MO	04/06/08
166	Mall	Northwoods	2200 West War Memorial Drive	SpC CU13/14	Peoria	IL	04/23/08
167	Mall	Muncie	3501 North Granville Avenue	SpC L-3A	Muncie	IN	03/30/08
174	Mall	Dover	5020A Dover Mall		Dover	DE	04/23/08
181	Mall	Oakwood	4800 Golf Road	SpC 330	Eau Claire	WI	04/23/08
202	Mall	Westmoreland Mall	5256 Route 30	SpC 130	Greensburg	PA	03/30/08
203	Mall	Holyoke	50 Holyoke Street	SpC B-228	Holyoke	MA	04/23/08
206	Mall	Rivergate	1000 Rivergate Parkway	Ste 1830	Goodlettsville	TN	03/30/08
210	Mall	Monmouth	Routes 35 & 36	SpC 324	Eatontown	NJ	04/13/08
218	Mall	Crossgates Mall	1 Crossgates Mall Road	SpC B115	Albany	NY	05/04/08
220	Mall	W/S Wheaton Plaza	11160 Veirs Mill Road	SpC G-10C	Wheaton	MD	03/30/08
240	Mall	Ford City	7601 South Cicero Avenue	SpC 1260	Chicago	IL	04/27/08
242	Mall	Lincolnwood TC	3333 West Touhy Avenue		Lincolnwood	IL	04/30/08
2022	Mall	Vintage Faire	163 Vintage Faire Mall		Modesto	CA	04/23/08
2023	Mall	Sunrise	6034 Sunrise Mall		Citrus Heights	CA	03/22/08
2032	Mall	NewPark	1041 Newpark Mall		Newark	CA	03/30/08
2036	Mall	Southland	350 Southland Mall		Hayward	CA	04/23/08
2038	Mall	Sunvalley	129 Sunvalley Mall	SpC B-122	Concord	CA	04/27/08
2041	Mall	Northridge SC	1422 Northridge Shopping Center	SpC 3	Salinas	CA	04/13/08
2088	Mall	Montgomery Mall	276 Montgomery Mall	SpC F-11	North Wales	PA	04/20/08
2090	Mall	Century III	3075 Clairton Road	SpC 816	West Mifflin	PA	04/27/08
2110	Mall	Northlake	4800 Briarcliff Road	SpC 1141	Atlanta	GA	03/30/08
2121	Mall	Marketplace	410 Miracle Mile Drive		Rochester	NY	04/30/08
2124	Mall	Cross County	4A Mall Walk		Yonkers	NY	04/23/08
2131	Mall	Serramonte	5A Serramonte Center		Daly City	CA	04/30/08
2135	Mall	Towne East	7700 East Kellogg Street	SpC 773	Wichita	KS	04/30/08
2138	Mall	W/S South Shore	1701 Sunrise Highway	SpC B-9/10	Bay Shore	NY	03/30/08
2141	Mall	Fox Run	50 Fox Run Road	Ste 92	Portsmouth	NH	05/03/08
2142	Mall	Greece Ridge	1354 Long Pond Road	SpC 14	Greece	NY	04/23/08
2146	Mall	North Dartmouth	138 North Dartmouth Mall		North Dartmouth	MA	04/13/08

**Schedule K
List of Closed Stores**

Store List

prepared: 02/10/08

Store #	Segment	Name	Address		City	State	Close Date
2155	Mall	Mall New Hampshire	1500 South Willow Street	Spc E-19	Manchester	NH	05/04/08
2160	Mall	W/S Oakridge	925 Blossom Hill Road, Ste 1114	Box B, Door 9	San Jose	CA	04/13/08
2168	Mall	W/S Solano	1350 Travis Boulevard	Spc H-11	Fairfield	CA	04/10/08
2178	Mall	Beaver Valley	644 Beaver Valley Mall		Monaca	PA	04/20/08
2180	Mall	Whitney Field	100 Commercial Road	Spc #46	Leominster	MA	03/30/08
2181	Mall	Bangor Mall	663 Stillwater Avenue	Spc G-16	Bangor	ME	05/02/08
2197	Mall	Harrisburg Mall	Paxton Street & I-83	Spc J-3A	Harrisburg	PA	05/02/08
2221	Mall	Rogue Valley	1600 North Riverside	Spc 1136	Medford	OR	03/30/08
2228	Mall	Hamilton Mall	4403 Blackhorse Pike	Spc 123	Mays Landing	NJ	04/13/08
2243	Mall	Galleria Wht Plains	100 Main Street	Spc 326	White Plains	NY	03/19/08
2244	Mall	Great Northern	4081 Route 31	Box 2206	Clay	NY	04/20/08
2262	Mall	Boise Town Square	350 North Milwaukee	Spc 2101	Boise	ID	04/27/08
2285	Mall	Emerald Square	346 Emerald Square	Spc W325	North Attleborough	MA	04/20/08
2287	Mall	Bayshore	3300 Broadway		Eureka	CA	04/06/08
2295	Mall	W/S Vancouver	8700 Vancouver Mall Drive		Vancouver	WA	04/13/08
2302	Mall	Southland	23000 Eureka Road & Pardee		Taylor	MI	04/20/08
2303	Mall	Genesee Valley	3329 South Linden Road		Flint	MI	04/20/08
2304	Mall	Westland SC	35000 West Warren Road	Spc 624	Westland	MI	04/23/08
2305	Mall	Fashion Square	4856 Fashion Square Mall		Saginaw	MI	05/04/08
2307	Mall	Lansing	5786 West Saginaw Highway		Lansing	MI	03/30/08
2311	Mall	Crossroads	6650 South Westnedge Avenue	Spc 119	Portage	MI	04/20/08
2314	Mall	Lakeview Square	5775 Beckley Road	Spc B-111	Battle Creek	MI	03/18/08
2317	Mall	W/S Chicago Ridge	580 Chicago Ridge Mall	Spc A-7	Chicago Ridge	IL	04/30/08
2324	Mall	Orland Square	652 Orland Square	Spc F-13	Orland Park	IL	04/30/08
2330	Mall	Spring Hill	1258 Spring Hills Mall		West Dundee	IL	04/23/08
2331	Mall	Stratford Square	408 Stratford Square	Spc # D8	Bloomingtondale	IL	04/27/08
2333	Mall	Eastgate	4601-348 Eastgate Boulevard		Cincinnati	OH	04/20/08
2334	Mall	W/S Southlake	1961 Southlake Mall, Dock D		Merrillville	IN	04/30/08
2400	Mall	York Galleria	2899 Whiteford Road	Spc 122	York	PA	04/20/08
2402	Mall	W/S Parkway Plaza	449 Parkway Plaza	Spc N-10	El Cajon	CA	05/01/08
2405	Mall	Arden Fair	1689 East Arden Way	Spc 2114	Sacramento	CA	04/27/08
2408	Mall	Four Seasons T/C	400 Four Seasons Mall	Ste 123A	Greensboro	NC	04/27/08
2421	Mall	Paradise Valley	4550 East Cactus Road	Spc G-16	Phoenix	AZ	03/02/08
2426	Mall	Southern Hills	4400 Sergeant Road		Sioux City	IA	04/27/08
2438	Mall	River Hills	1850 Adams	Ste 416	Mankato	MN	04/27/08
2443	Mall	St. Charles T/C	11110 Mall Circle	Ste 1023	Waldorf	MD	04/13/08
2445	Mall	Northtown	4750 North Division Street	Ste 146	Spokane	WA	04/20/08
2453	Mall	Cumberland	1000 Cumberland Parkway N.W.	Spc 216	Atlanta	GA	04/27/08
2462	Mall	Broadway Square	4601 South Broadway	Spc 1016	Tyler	TX	03/30/08
2463	Mall	Cross Creek	222 Cross Creek Mall		Fayetteville	NC	05/03/08
2465	Mall	Grand Traverse	3200 South Airport Road West	Spc 207	Traverse City	MI	04/23/08
2466	Mall	W/S Meriden Square	470 Lewis Avenue	Spc 1004	Meriden	CT	05/01/08
2471	Mall	Sandusky	4314 Milan Road	Spc 255	Sandusky	OH	03/22/08
2477	Mall	Rushmore	2200 North Maple	Spc 316	Rapid City	SD	05/01/08
2492	Mall	Coronado Center	6600 Menaul Northeast	Ste 219	Albuquerque	NM	04/27/08
2501	Mall	Square One	1277 Broadway Drive	Spc S-219	Saugus	MA	04/20/08
2508	Mall	W/S Downtown Plaza	545 L Street	Spc 1011	Sacramento	CA	04/23/08
2629	Mall	Oglethorpe	7804 Abercorn Extension,	Spc 103	Savannah	GA	03/22/08
2642	Mall	W/S Plaza Camino	2525 El Camino Real	Ste 244	Carlsbad	CA	04/23/08
2647	Mall	Bay Park	263 Bay Park Square		Green Bay	WI	04/27/08
2651	Mall	Cottonwood Mall	10,000 Coors Boulevard N.W.	Spc E-233	Albuquerque	NM	04/23/08
2662	Mall	Wolfchase	2760 North Germantown Pkwy	Ste 118	Memphis	TN	04/27/08
2666	Mall	Spokane Valley	14700 East Indiana Avenue	Spc 1052	Spokane Valley	WA	04/20/08
2671	Mall	Brass Mill	495 Union Street	Spc 2138	Waterbury	CT	03/30/08
2679	Mall	W/S South County	34 South County Centerway		St. Louis	MO	04/27/08
2681	Mall	W/S Independence	3500 Oleander Drive	Spc 1060	Wilmington	NC	04/30/08
2689	Mall	Regency Square	9501 Arlington Expressway	Spc 270	Jacksonville	FL	04/20/08
2698	Mall	Flatiron Crossing	2248 West Flatiron Circle		Broomfield	CO	04/23/08
2701	Mall	Johnstown Galleria	500 Galleria Drive	Ste 278B	Johnstown	PA	04/13/08
2709	Mall	Highland Mall	6001 Airport Boulevard	Ste 1400	Austin	TX	03/30/08
2720	Mall	Patrick Henry	12300 Jefferson Avenue	Ste 813	Newport News	VA	05/01/08
2722	Mall	Arbor Place	2080 Arbor Place Mall		Douglasville	GA	04/13/08
2731	Mall	Lima Mall	2400 Elida Road	Spc 356	Lima	OH	03/22/08
2737	Mall	Mall at Stonecrest	2929 Turner Hill Road	Ste 2370	Lithonia	GA	04/20/08
2747	Mall	Honey Creek	3401 South US Highway 41	Spc E-7	Terre Haute	IN	03/30/08
2759	Mall	Seminole Towne	131 Towne Center Circle	Spc F03-B	Sanford	FL	03/22/08
2764	Mall	Volusia Mall	1700 West International Speedway Boulevard	#570	Daytona Beach	FL	04/23/08
2768	Mall	Bowie Town Center	15518 Emerald Way	Spc B11	Bowie	MD	03/22/08
2769	Mall	Bay City Mall	4101 East Wilder Road	Spc B213	Bay City	MI	04/13/08
2771	Mall	Lakes Mall	5600 Harvey Street	Ste 2026	Muskegon	MI	04/13/08
2776	Mall	Fairfield Commons	2727 North Fairfield Road	Spc E261	Beavercreek	OH	03/30/08
2782	Mall	Virginia Commons	10101 Brook Road	Ste 336	Glen Allen	VA	04/13/08
2788	Mall	W/S Countryside	27001 US Highway 19 North	Ste 2019	Clearwater	FL	04/27/08
2789	Mall	Cordova Mall	5100 North 9th Avenue		Pensacola	FL	04/13/08
2805	Mall	Chesapeake Square	4200 Portsmouth Boulevard	Spc 848A	Chesapeake	VA	03/30/08

2824	Mall	Valley River	264 Valley River Center		Eugene	OR	04/20/08
2831	Mall	Oakland Mall	342 West 14 Mile Road		Troy	MI	03/30/08
2836	Mall	W/S Connecticut Post	1201 Boston Post Road	Spc 2445	Milford	CT	04/20/08
2837	Mall	W/S Plaza Bonita	3030 Plaza Bonita Road	Ste 1070	National City	CA	04/23/08
2839	Mall	Regency Square	1404 Parham Road	Spc K230	Richmond	VA	03/22/08
3050	Outlet	Great Lakes Crossing	4574 Baldwin Road	Spc 816	Auburn Hills	MI	04/20/08
3057	Outlet	Tanger Myrtle Bch II	4620 Factory Stores Boulevard	Spc N-240	Myrtle Beach	SC	03/22/08
3107	Outlet	Cincinnati Mills	809 Cincinnati Mills Drive		Cincinnati	OH	04/13/08
3122	Outlet	The Source	1504 Old Country Road	Spc J07	Westbury	NY	04/06/08

158 Stores to Close

Schedule L List of Leases

The Leases

prepared: 02/10/08

Store #	Segment	Location	City	State	Developer	Guarantor	SQ FT	Expiration	Comments
2	Mall	East Towne Mall	Madison	WI	CBL & Assoc.	ROS	2,454	1/31/ 2009	
8	Mall	Rosedale	Roseville	MN	Jones Lang LaSalle	NONE	4,246	01/31/ 2013	
11	Mall	Brookfield Square	Brookfield	WI	CBL & Assoc.	NONE	2,440	01/31/ 2018	
12	Mall	Maplewood	St. Paul	MN	Simon Property	NONE	3,019	01/31/ 2016	
14	Mall	Merle Hay Mall	Des Moines	IA	Merle Hay	NONE	2,500	01/31/ 2009	
15	Mall	Cherryvale	Rockford	IL	CBL & Assoc.	NONE	2,554	01/31/ 2013	
20	Mall	N. Riverside Park	North Riverside	IL	Urban Retail	ROS	3,120	01/31/ 2014	
21	Mall	W/S Fox Valley	Aurora	IL	Westfield Corp.	NONE	3,006	01/31/ 2011	
23	Mall	Burnsville Center	Burnsville	MN	CBL & Assoc.	ROS	2,500	01/31/ 2014	
27	Mall	W/S Louis Joliet	Joliet	IL	Westfield Corp.	ROS	1,946	5/31/ 2009	120 days from 2/1/09
33	Mall	Harlem Irving	Norridge	IL	Harlem-Irving	NONE	4,030	01/31/ 2014	
34	Mall	Great Lakes Mall	Mentor	OH	Simon Property	NONE	3,134	02/28/ 2015	
36	Mall	W/S Hawthorn	Vernon Hills	IL	Westfield Corp.	ROS	3,216	02/28/ 2010	
40	Mall	W/S Richland	Mansfield	OH	Westfield Corp.	ROS	2,723	4/30/ 2009	90 days from 2/1/09
47	Mall	Valley View Mall	LaCrosse	WI	PREIT-Rubin	NONE	2,641	01/31/ 2012	
49	Mall	Empire	Sioux Falls	SD	Macerich	ROS	3,381	01/31/ 2013	
51	Mall	Florence Mall	Florence	KY	General Growth	NONE	2,732	01/31/ 2012	
53	Mall	Glenbrook Square	Fort Wayne	IN	General Growth	ROS	2,482	01/31/ 2011	
54	Mall	Southpark	Moline	IL	Simon Property	NONE	2,309	01/31/ 2010	
55	Mall	Northpark	Davenport	IA	Simon Property	NONE	2,595	01/31/ 2011	
57	Mall	Regency	Racine	WI	CBL & Assoc.	ROS	2,475	12/31/ 2008	90 days from 09/30/08
68	Mall	Chapel Hill	Akron	OH	CBL & Assoc.	NONE	2,941	01/31/ 2013	
71	Mall	White Oaks	Springfield	IL	Simon Property	NONE	2,910	4/30/ 2009	90 days from 1/31/09
72	Mall	Eastland Mall	Evansville	IN	Simon Property	NONE	2,908	01/31/ 2013	
77	Mall	W/S Belden Village	Canton	OH	Westfield Corp.	ROS	3,000	04/30/ 2015	
79	Mall	River Oaks	Calumet City	IL	Simon Property	NONE	3,296	01/31/ 2010	
82	Mall	Market Place	Champaign	IL	General Growth	NONE	2,308	01/31/ 2009	
102	Mall	Southern Park	Youngstown	OH	Simon Property	NONE	2,325	01/31/ 2016	
106	Mall	Citadel	Colorado Springs	CO	Macerich	ROS	4,030	01/31/ 2009	
108	Mall	Eastwood	Niles	OH	Cafaro	ROS	2,560	01/31/ 2010	

109	Mall	Eastland Mall	Bloomington	IL	CBL & Assoc.	NONE	2,200	01/31/ 2009
113	Mall	Jefferson Mall	Louisville	KY	CBL & Assoc.	NONE	3,262	01/31/ 2011
125	Mall	Boulevard Mall	Amherst	NY	Forest City	NONE	2,076	01/31/ 2011
133	Mall	Westgate	Amarillo	TX	Jones Lang LaSalle	ROS	1,740	01/31/ 2009
150	Mall	South Plains	Lubbock	TX	Macerich	ROS	2,220	01/31/ 2009
158	Mall	Millcreek Mall	Erie	PA	Cafaro	NONE	2,882	01/31/ 2010
160	Mall	Lynnhaven Mall	Virginia Beach	VA	General Growth	NONE	2,160	01/31/ 2011
165	Mall	Battlefield Mall	Springfield	MO	Simon Property	NONE	1,957	01/31/ 2015
166	Mall	Northwoods	Peoria	IL	Simon Property	NONE	2,065	01/31/ 2009
174	Mall	Dover	Dover	DE	Simon/Mills	NONE	2,480	01/31/ 2010

Schedule L List of Leases

The Leases

prepared: 02/10/08

Store #	Segment	Location	City	State	Developer	Guarantor	SQ FT	Expiration	Comments
203	Mall	Holyoke	Holyoke	MA	Pyramid	ROS	2,277	01/31/ 2013	
206	Mall	Rivergate	Goodlettsville	TN	CBL & Assoc.	ROS	2,191	01/31/ 2010	
210	Mall	Monmouth	Eatontown	NJ	Vornado Realty	ROS	2,299	01/31/ 2013	
218	Mall	Crossgates Mall	Albany	NY	Pyramid	ROS	3,576	01/31/ 2012	
240	Mall	Ford City	Chicago	IL	CBL & Assoc.	ROS	2,899	01/31/ 2011	
242	Mall	Lincolnwood TC	Lincolnwood	IL	Simon Property	NONE	2,526	01/31/ 2011	
2022	Mall	Vintage Faire	Modesto	CA	Macerich	ROS	1,765	01/31/ 2011	
2038	Mall	Sunvalley	Concord	CA	Taubman	ROS	2,383	01/31/ 2010	
2041	Mall	Northridge SC	Salinas	CA	Macerich	NONE	2,601	01/31/ 2012	
2110	Mall	Northlake	Atlanta	GA	Simon Property	NONE	2,811	01/31/ 2010	
2121	Mall	Marketplace	Rochester	NY	Wilmoreite	NONE	1,972	01/31/ 2012	
2124	Mall	Cross County	Yonkers	NY	Macerich	NONE	1,835	12/31/ 2010	
2131	Mall	Serramonte	Daly City	CA	Jones Lang LaSalle	NONE	3,809	01/31/ 2013	SVKO, but over sales threshold
2135	Mall	Towne East	Wichita	KS	Simon Property	NONE	3,388	01/31/ 2011	
2141	Mall	Fox Run	Portsmouth	NH	Jones Lang LaSalle	ROS	2,033	01/31/ 2009	
2142	Mall	Greece Ridge	Greece	NY	Wilmoreite	ROS	2,594	06/30/ 2011	
2146	Mall	North Dartmouth	North Dartmouth	MA	PREIT-Rubin	ROS	2,640	01/31/ 2011	
2155	Mall	Mall New Hampshire	Manchester	NH	Simon Property	NONE	2,420	01/31/ 2017	
2160	Mall	W/S Oakridge	San Jose	CA	Westfield Corp.	NONE	2,348	01/31/ 2010	
2168	Mall	W/S Solano	Fairfield	CA	Westfield Corp.	NONE	2,113	01/31/ 2010	
2178	Mall	Beaver Valley	Monaca	PA	PREIT-Rubin	ROS	2,500	01/31/ 2010	
2180	Mall	Whitney Field	Leominster	MA	Jones Lang LaSalle	NONE	1,500	12/31/ 2008	
2197	Mall	Harrisburg Mall	Harrisburg	PA	Feldman Properties	ROS	2,200	01/31/ 2009	
2221	Mall	Rogue Valley	Medford	OR	General Growth	ROS	1,467	01/31/ 2012	
2228	Mall	Hamilton Mall	Mays Landing	NJ	Kravco Simon	ROS	1,832	01/31/ 2010	
2262	Mall	Boise Town Square	Boise	ID	General Growth	NONE	3,027	01/31/ 2012	
2285	Mall	Emerald Square	North Attleborough	MA	Simon Property	NONE	2,437	01/31/ 2010	
2295	Mall	W/S Vancouver	Vancouver	WA	Westfield Corp.	ROS	3,088	04/30/ 2011	
2302	Mall	Southland	Taylor	MI	General Growth	NONE	2,460	12/13/ 2012	
2303	Mall	Genesee Valley	Flint	MI	Jones Lang LaSalle	NONE	2,467	01/31/ 2015	

2304	Mall	Westland SC	Westland	MI	Jones Lang LaSalle	NONE	4,117	01/31/ 2011	
2305	Mall	Fashion Square	Saginaw	MI	CBL & Assoc.	NONE	3,837	01/31/ 2011	
2307	Mall	Lansing	Lansing	MI	General Growth	NONE	2,505	01/31/ 2013	
2311	Mall	Crossroads	Portage	MI	General Growth	NONE	2,086	01/31/ 2014	
2317	Mall	W/S Chicago Ridge	Chicago Ridge	IL	Westfield Corp.	NONE	2,442	01/31/ 2010	
2324	Mall	Orland Square	Orland Park	IL	Simon Property	NONE	3,574	01/31/ 2010	
2330	Mall	Spring Hill	West Dundee	IL	General Growth	NONE	3,470	3/31/ 2009	90 days from 02/01/09
2331	Mall	Stratford Square	Bloomington	IL	Feldman Equities	NONE	2,377	01/31/ 2009	
2333	Mall	Eastgate	Cincinnati	OH	CBL & Assoc.	ROS	2,456	01/31/ 2012	
2334	Mall	W/S Southlake	Merrillville	IN	Westfield Corp.	NONE	3,852	01/31/ 2017	

Schedule L List of Leases

The Leases

prepared: 02/10/08

Store #	Segment	Location	City	State	Developer	Guarantor	SQ FT	Expiration	Comments
2400	Mall	York Galleria	York	PA	CBL & Assoc.	ROS	3,080	01/31/2011	
2402	Mall	W/S Parkway Plaza	El Cajon	CA	Westfield Corp.	ROS	2,370	01/31/2011	
2405	Mall	Arden Fair	Sacramento	CA	Macerich	ROS	3,527	01/31/2011	
2408	Mall	Four Seasons T/C	Greensboro	NC	General Growth	ROS	3,265	01/31/2011	
2426	Mall	Southern Hills	Sioux City	IA	Macerich	ROS	2,661	2/28/2009	60 days from 01/01/09
2438	Mall	River Hills	Mankato	MN	General Growth	NONE	2,339	01/31/2016	
2443	Mall	St. Charles T/C	Waldorf	MD	Simon Property	NONE	2,132	01/31/2016	
2445	Mall	Northtown	Spokane	WA	General Growth	NONE	2,847	01/31/2013	
2453	Mall	Cumberland	Atlanta	GA	General Growth	NONE	2,460	01/31/2013	
2462	Mall	Broadway Square	Tyler	TX	Simon Property	NONE	2,190	01/31/2013	
2463	Mall	Cross Creek	Fayetteville	NC	CBL & Assoc.	NONE	2,495	01/31/2013	
2465	Mall	Grand Traverse	Traverse City	MI	General Growth	NONE	3,040	01/31/2013	
2466	Mall	W/S Meriden Square	Meriden	CT	Westfield Corp.	ROS	2,564	04/30/2013	
2471	Mall	Sandusky	Sandusky	OH	Cafaro	NONE	2,574	01/31/2010	
2477	Mall	Rushmore	Rapid City	SD	Macerich	ROS	2,355	12/31/2012	
2492	Mall	Coronado Center	Albuquerque	NM	General Growth	NONE	2,173	01/31/2009	
2501	Mall	Square One	Saugus	MA	Simon Property	NONE	1,934	01/31/2010	
2508	Mall	W/S Downtown Plaza	Sacramento	CA	Westfield Corp.	NONE	2,017	01/31/2015	
2642	Mall	W/S Plaza Camino	Carlsbad	CA	Westfield Corp.	NONE	1,936	01/31/2009	
2647	Mall	Bay Park	Green Bay	WI	Simon Property	NONE	1,820	01/31/2009	
2651	Mall	Cottonwood Mall	Albuquerque	NM	Simon Property	NONE	2,161	01/31/2009	
2662	Mall	Wolfchase	Memphis	TN	Simon Property	ROS	2,183	01/31/2009	
2666	Mall	Spokane Valley	Spokane Valley	WA	General Growth	NONE	2,201	01/31/2009	
2679	Mall	W/S South County	St. Louis	MO	CBL & Assoc.	ROS	2,183	01/31/2010	
2689	Mall	Regency Square	Jacksonville	FL	General Growth	NONE	2,557	01/31/2010	
2698	Mall	Flatiron Crossing	Broomfield	CO	Macerich	NONE	3,458	12/31/2010	
2709	Mall	Highland Mall	Austin	TX	General Growth	ROS	2,169	01/31/2010	
2720	Mall	Patrick Henry	Newport News	VA	PREIT-Rubin	ROS	2,452	01/31/2011	
2722	Mall	Arbor Place	Douglasville	GA	CBL & Assoc.	ROS	2,803	01/31/2011	
2731	Mall	Lima Mall	Lima	OH	Simon Property	NONE	1,698	01/31/2011	

2737	Mall	Mall at Stonecrest	Lithonia	GA	Forest City	NONE	2,235	01/31/ 2012	
2747	Mall	Honey Creek	Terre Haute	IN	CBL & Assoc.	NONE	2,555	01/31/ 2011	
2759	Mall	Seminole Towne	Sanford	FL	Simon Property	NONE	2,913	11/30/ 2009	90 days from 09/01/09
2764	Mall	Volusia Mall	Daytona Beach	FL	CBL & Assoc.	NONE	2,269	01/31/ 2012	
2768	Mall	Bowie Town Center	Bowie	MD	Simon Property	NONE	2,821	01/31/ 2012	
2771	Mall	Lakes Mall	Muskegon	MI	CBL & Assoc.	ROS	2,592	01/31/ 2012	
2776	Mall	Fairfield Commons	Beavercreek	OH	Glimcher Properties	NONE	2,251	06/30/ 2010	
2782	Mall	Virginia Commons	Glen Allen	VA	Simon Property	NONE	2,614	01/31/ 2012	
2788	Mall	W/S Countryside	Clearwater	FL	Westfield Corp.	ROS	2,785	01/31/ 2012	
2789	Mall	Cordova Mall	Pensacola	FL	Simon Property	NONE	2,855	01/31/ 2012	

Schedule L List of Leases

The Leases

prepared: 02/10/08

Store #	Segment	Location	City	State	Developer	Guarantor	SQ FT	Expiration	Comments
2805	Mall	Chesapeake Square	Chesapeake	VA	Simon Property	NONE	2,777	01/31/2013	
2824	Mall	Valley River	Eugene	OR	Macerich	NONE	1,850	01/31/2013	
2831	Mall	Oakland Mall	Troy	MI	Oakland Mall Ltd.	ROS	2,000	5/31/2009	60 days from 02/28/09
2836	Mall	W/S Connecticut Post	Milford	CT	Westfield Corp.	NONE	2,250	01/31/2016	
2837	Mall	W/S Plaza Bonita	National City	CA	Westfield Corp.	NONE	1,422	5/31/2009	120 days from 02/01/09
2839	Mall	Regency Square	Richmond	VA	Taubman	ROS	2,008	3/31/2010	60 days from 02/01/10
3050	Outlet	Great Lakes Crossing	Auburn Hills	MI	Taubman	ROS	4,124	1/31/2018	
3057	Outlet	Tanger Myrtle Bch II	Myrtle Beach	SC	Tanger	NONE	3,768	12/31/2009	
3107	Outlet	Cincinnati Mills	Cincinnati	OH	Mills Corp.	ROS	5,005	01/31/2012	
3122	Outlet	The Source	Westbury	NY	Simon Property	NONE	4,189	01/31/2012	

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**FOURTH AMENDMENT TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT**

This FOURTH AMENDMENT TO FIFTH AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of this 25th day of February, 2008 among WILSONS LEATHER HOLDINGS INC., a Minnesota corporation ("Borrower"), GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation, as Lender, Term Lender, Swing Line Lender and as Agent ("Agent"), the Credit Parties signatory hereto and the Lenders signatory hereto. Unless otherwise specified herein, capitalized terms used in this Amendment shall have the meanings ascribed to them by the Credit Agreement (as hereinafter defined).

RECITALS

WHEREAS, Borrower, certain Credit Parties, Agent and Lenders have entered into that certain Fifth Amended and Restated Credit Agreement dated as of December 29, 2006 (as amended, supplemented, restated or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, Borrower, the Credit Parties signatories to the Credit Agreement, the Lenders and Agent wish to amend certain provisions of the Credit Agreement, as more fully set forth herein.

NOW THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1 Amendments to the Credit Agreement. Subject to the satisfaction of the conditions precedent set forth in Section 3 hereof, the parties hereto hereby agree to amend the Credit Agreement as follows:

(a) The third sentence of Section 1.1(a)(i) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

"The aggregate amount of Revolving Credit Advances outstanding shall not exceed at any time the lesser of (A) the Maximum Amount less the sum of 100% of the Letter of Credit Obligations, 100% of the Eligible Trade L/C Obligations and 100% of the Swing Line Loan outstanding and (B) the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in an account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party account control agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the sum of 100% of the Letter of Credit Obligations, 100% of the Eligible Trade L/C Obligations and 100% of the Swing Line Loan outstanding at such time (such amount, "Borrowing Availability")."

(b) The second sentence of Section 1.1(c)(i) of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“The aggregate amount of Swing Line Advances outstanding shall not exceed the lesser of (A) the Swing Line Commitment and (B) the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in an account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party account control agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the sum of the outstanding balance of the Revolving Credit Advances, 100% of outstanding Letter of Credit Obligations and 100% of outstanding Eligible Trade L/C Obligations (“Swing Line Availability”).”

(c) The third sentence of Section 1.2 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“In addition, the sum of 100% of the Letter of Credit Obligations and 100% of outstanding Eligible Trade L/C Obligations shall not exceed the Borrowing Base, plus the aggregate amount of unrestricted cash on deposit in an account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party account control agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent, less the then outstanding Revolving Credit Advances and Swing Line Loan.”

(d) Section 5.11 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“5.11 Additional Deliveries.

On or prior to March 18, 2008, Borrower shall deliver to Agent Ultimate Parent’ s forecasted consolidated balance sheets, profit and loss statements, cash flow statements and borrowing availability projections on a monthly basis for the remaining period in the Fiscal Year ending in January, 2009 and for the Fiscal Year ending in January, 2010, which, in each case, shall be (i) prepared in a manner consistent with the historical Financial Statements of Ultimate Parent together with appropriate supporting details and a statement of underlying assumptions and (ii) in form and substance reasonably satisfactory to Agent (the “Updated Projections”); provided that, notwithstanding anything to the contrary contained herein or otherwise, from and after the Third Amendment Effective Date through and including the date of receipt by Agent of the Updated Projections, in form and substance reasonably satisfactory to Agent, (x) no Revolving Loans (other than Letter of Credit Obligations and Eligible Trade L/C Obligations) may be outstanding under this Agreement and (y) the aggregate amount of the sum of all outstanding Letter of Credit Obligations plus Eligible Trade L/C Obligations may not at any time exceed Twenty-One Million Dollars (\$21,000,000).”

(e) The first sentence of clause (a) of Schedule B to the Credit Agreement is hereby amended and restated to read in its entirety as follows:

“Subject to the terms and conditions of this Agreement, Agent agrees to incur from time to time, upon the request of Borrower on behalf of Borrower and for

Borrower's account, Letter of Credit Obligations and Eligible Trade L/C Obligations by causing Letters of Credit and Eligible Trade L/Cs to be issued on terms acceptable to Agent and by Agent, a subsidiary of Agent or a bank or other legally authorized Person acceptable to Agent and Borrower (each, an "L/C Issuer") for Borrower's account and guaranteed by Agent; provided, however, that the aggregate amount of the sum of all such Letter of Credit Obligations plus Eligible Trade L/C Obligations shall not at any time exceed the lesser of (i) Seventy-Five Million Dollars (\$75,000,000) (the "L/C Sublimit"), or (ii) the Maximum Amount less the aggregate outstanding principal balance of the Revolving Credit Advances; provided further that Letter of Credit Obligations plus Eligible Trade L/C Obligations shall not exceed the Borrowing Base plus the aggregate amount of unrestricted cash on deposit in an account of Borrower under the control of the Agent, at a bank or other financial institution acceptable to Agent and subject to a tri-party account control agreement by and among Agent, such bank or financial institution and Borrower in form and substance satisfactory to Agent less the outstanding balance of the Revolving Credit Advances and Swing Line Advances."

Section 2 Representations and Warranties. Borrower and the Credit Parties who are party hereto represent and warrant that:

- (a) the execution, delivery and performance by Borrower and such Credit Parties of this Amendment have been duly authorized by all necessary corporate action and this Amendment is a legal, valid and binding obligation of Borrower and such Credit Parties enforceable against Borrower and such Credit Parties in accordance with its terms, except as the enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law);
- (b) each of the representations and warranties contained in the Credit Agreement (as amended hereby) is true and correct in all material respects on and as of the date hereof as if made on the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date;
- (c) neither the execution, delivery and performance of this Amendment nor the consummation of the transactions contemplated hereby does or shall contravene, result in a breach of, or violate (i) any provision of Borrower's or Credit Parties' certificate or articles of incorporation or bylaws, (ii) any law or regulation, or any order or decree of any court or government instrumentality or (iii) indenture, mortgage, deed of trust, lease, agreement or other instrument to which Borrower, the Credit Parties or any of their Subsidiaries is a party or by which Borrower, the Credit Parties or any of their Subsidiaries or any of their property is bound, except in any such case to the extent such conflict or breach has been waived by a written waiver document a copy of which has been delivered to Agent on or before the date hereof; and
- (d) no Default or Event of Default will exist or result after giving effect hereto.

Section 3 Conditions to Effectiveness. This Amendment will be effective only upon its execution and delivery by Borrower, the Credit Parties that are listed on the signature pages hereto, the Agent and each Lender.

Section 4 Reference to and Effect Upon the Credit Agreement.

(a) Except as specifically set forth herein, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(b) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of Agent or any Lender under the Credit Agreement or any Loan Document, nor constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as specifically set forth herein. Upon the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of similar import shall mean and refer to the Credit Agreement as amended hereby.

Section 5 Waiver and Release.

In consideration of the foregoing, each of Borrower and each Credit Party hereby waives, releases and covenants not to sue Agent or any Lender with respect to, any and all claims it may have against Agent or any Lender, whether known or unknown, arising in tort, by contract or otherwise prior to the date hereof relating to one or more Loan Documents.

Section 6 Costs and Expenses.

As provided in Section 11.3 of the Credit Agreement, Borrower agrees to reimburse Agent for all fees, costs and expenses, including the fees, costs and expenses of counsel or other advisors for advice, assistance, or other representation in connection with this Amendment.

Section 7 Governing Law.

THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS.

Section 8 Headings.

Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 9 Counterparts.

This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed an original but all such counterparts shall constitute one and the same instrument.

Section 10 Confidentiality.

The matters set forth herein are subject to Section 11.18 of the Credit Agreement, which is incorporated herein by reference.

[signature page follows]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the date first written above.

BORROWER:

WILSONS LEATHER HOLDINGS INC.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

LENDERS:

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent, Lender, Term Lender
and Swing Line Lender

By: /s/ Kristina M. Miller
Title: Duly Authorized Signatory

[Signature Page to Fourth Amendment]

The undersigned are executing this Amendment in their capacity as Credit Parties:

Wilson's The Leather Experts Inc.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

Wilson's Center, Inc.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

Rosedale Wilsons, Inc.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

River Hills Wilsons, Inc.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

Bermans The Leather Experts Inc.

By: /s/ Stacy A. Kruse
Title: Chief Financial Officer and Treasurer

[Signature Page to Fourth Amendment]

AGREEMENT

THIS AGREEMENT (this “Agreement”) is made and entered into by and between Michael M. Searles, a resident of Minnesota (“Executive”), and Wilsons The Leather Experts Inc., a Minnesota corporation (the “Company”).

BACKGROUND

A. Executive was employed by the Company as its Chief Executive Officer, pursuant to an Employment Agreement dated November 22, 2004, as modified and amended March 2, 2005, September 14, 2005 and December 21, 2006 (the “Employment Agreement”).

B. The parties have agreed that it is in their mutual interests that Executive resign as an employee, officer, and director of the Company effective at the end of the day on April 3, 2008 (the “Separation Date”) and that the parties provide for a smooth transition in connection with Executive’ s resignations.

C. The Company desires to secure cooperation from Executive with the transition of his duties, and to ensure Executive’ s availability to consult with the Company from time to time with respect to the business and operations of the Company.

D. The parties are concluding their relationship amicably, but mutually recognize that such a relationship may give rise to potential claims or liabilities. The parties desire to resolve all issues Executive may have relating to the termination of Executive’ s relationship with the Company, as set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual promises and provisions contained in this Agreement and the Release referred to below, the parties, intending to be legally bound, agree as follows:

AGREEMENTS

1. **Resignation.** By signing this Agreement, Executive confirms his resignation as an employee, officer and director of the Company, effective April 3, 2008. Executive will sign such other documents as deemed reasonably necessary to accurately reflect such resignations in the Company' s corporate records.

2. **Final Pay/Benefits Continuation.** Executive confirms that he has been paid in full for his base salary, compensation, and benefits owing to him to date, and the Company will pay Executive' s final base salary and accrued and unused vacation time in the amount of \$3,018.31 (10.46 hours), earned through the Separation Date, in accordance with the regular payroll practices of the Company. Executive acknowledges and agrees that he will not receive an incentive bonus award under the Wilsons Leather Corporate Leadership Team Incentive Plan for the fiscal year ending February 2, 2008 or under any other annual incentive bonus plan. Executive will have the right to continue his group health, dental and/or vision insurance coverage after the Separation Date under such terms as are made available to similarly-situated former employees of the Company, pursuant to the terms of the applicable plan documents and laws regarding continuation coverage. Except as provided in subparagraph 5.b of this Agreement, such continuation coverage will be at Executive' s own expense. To the extent that Executive is currently a participant in any retirement, pension, or profit sharing plans of the Company, Executive will be entitled to his rights and benefits under these plans at the times and under the terms and conditions set forth in any such plan.

3. **Expense Reimbursement.** The Company will reimburse Executive for his regular and necessary business expenses incurred through the Separation Date in accordance

with the Company's regular policies and practices. Executive will submit all requests for reimbursement to the Company no later than April 30, 2008.

4. Release by Executive. At the same time that Executive executes this Agreement, he shall execute a Release in the form attached to this Agreement as Exhibit A (the "Release"). This Agreement will not be interpreted or construed to limit the Release in any manner.

5. Severance Arrangements. The Company will make the severance payments and other consideration set forth in subparagraphs 5.a. and 5.b. below in lieu of any further payments or compensation that Executive would otherwise be entitled to receive under any agreement with the Company or any affiliate or as an employee, officer or director of the Company or any Affiliate. The Company will make such payments and provide such consideration only if (i) Executive has signed this Agreement and the Release and has not rescinded this Agreement or the Release within the rescission period set forth in paragraph 23 below (the "Rescission Period"), and (ii) Executive has not breached his obligations pursuant to this Agreement, the Release or the continuing provisions of the Employment Agreement.

a. Salary Continuation. The Company will pay Executive as salary continuation an amount equal to Executive's monthly base salary as of the Separation Date for a period of six (6) months. Payment will be made in accordance with the Company's regular payroll schedule for the pay period commencing after expiration of the Rescission Period and continuing for six (6) months thereafter.

b. Health Insurance. If Executive elects to continue his group health, dental and/or vision insurance under the terms of paragraph 2 above and the terms of the applicable plans, Executive will complete all paperwork necessary to carry out such election

effective April 30, 2008, as specified by the Company or its agents in accordance with the applicable plans. Upon such election by Executive, the Company will pay on Executive's behalf a portion of the cost of the premiums that he is required to pay to maintain such continuation coverage for a period of up to six (6) months following the Separation Date, or, if earlier, until such continuation coverage ceases in accordance with the terms and conditions of the applicable plans and laws. The premium portion to be paid by the Company will be equal to the portion of the health, dental and/or vision insurance premiums that would be paid by the Company if Executive were an employee of the Company, at the same level of coverage that was in effect on the Separation Date. The Company will deduct Executive's portion of such premiums from payments to Executive pursuant to subparagraph 5.a., provided, however, if payments owed to Executive pursuant to subparagraph 5.a. are not sufficient to cover Executive's portion of the premiums, Executive will pay such portion to the Company in accordance with the requirements of continuation coverage.

6. Stock Options. Executive acknowledges and agrees that the options listed in this paragraph below are Executive's only options to purchase shares of the common stock of the Company, and that such options are exercisable only to the extent reflected in the "Amount Exercisable" column below. All such options were granted pursuant to the Company's 2000 Long Term Incentive Plan, as amended and restated (the "Plan"). Executive further agrees and acknowledges that all of the options to purchase common stock of the Company will expire and cease to be outstanding in accordance with the terms of the applicable Stock Option Agreements and the Plan.

<u>Date of Grant</u>	<u>Exercise Price</u>	<u>Number of Shares</u>	<u>Amount Exercisable</u>
12/01/04	\$ 5.00	350,000	350,000
06/02/05	\$ 5.88	450,000	300,000
12/13/07	\$ 1.10	100,000	0

b. Restricted Stock. Executive acknowledges and agrees that he owns no restricted stock of the Company.

7. Confidential Information and Restrictive Covenants. Executive acknowledges and confirms his continuing obligations following the Separation Date to comply with the provisions of the Employment Agreement that continue and survive after termination of his employment, including without limitation the obligations set forth in Sections 6, 8, 9, 12 and 13 of the Employment Agreement, except that Executive and the Company agree that the obligations of Executive under Section 8(a) of the Employment Agreement shall end six (6) months following the Separation Date and the obligations of Executive under Sections 8(b) and 8(c) of the Employment Agreement shall end twelve (12) months following the Separation Date.

8. Cooperation; Consulting Services. At any time upon reasonable request and notice from the Company, Executive will, without further consideration but at no expense to Executive, (a) timely execute and deliver such acknowledgements, instruments, certificates, and other ministerial documents (including without limitation, certification as to specific actions performed by Executive in his capacity for the Company or any of its affiliates) as may be necessary or appropriate to formalize and complete the Company' s or any affiliate' s corporate records; provided, however, that nothing in this paragraph 8 will require Executive to take any action that he reasonably believes to be unlawful or unethical or to make any inaccurate statement of actual facts, and (b) provide complete and truthful information to, and otherwise cooperate fully with, the Company, any of its affiliates, and any of its or their legal counsel, agents, insurers and representatives in connection with any investigations, litigation or other matters relating to the Company or any of its affiliates in which the

Company determines that Executive may have relevant information. In addition, at the Company's reasonable request and upon reasonable notice, for a period of six (6) months following the Separation Date, Executive will make himself reasonably available, without further consideration, to discuss and consult with the Company regarding business matters, including without limitation matters with which he was directly and substantially involved while employed by the Company, and to assist in transitioning his duties as Chief Executive Officer.

9. Claims Involving the Company. Executive will not recommend or suggest to any potential claimants or plaintiffs or their attorneys or agents that they initiate claims or lawsuits against the Company, any of its affiliates, or any of its or their directors, officers, employees, or agents, nor will Executive voluntarily aid, assist, or cooperate with any claimants or plaintiffs or their attorneys or agents in any claims or lawsuits now pending or commenced in the future against the Company, any of its affiliates, or any of its or their directors, officers, employees, or agents; provided, however, that this paragraph 9 will not be interpreted or construed to prevent Executive from providing information to any governmental or law enforcement agency or from giving testimony in response to questions asked pursuant to a legally enforceable subpoena, deposition notice or other legal process.

10. Records, Documents, and Property. Executive confirms that he has delivered to the Company any and all Company or affiliate records and any and all Company or affiliate property in his possession or under his control, including without limitation, manuals, books, blank forms, documents, letters, memoranda, notes, notebooks, reports, printouts, computer disks, computer tapes, digital storage media, data, tables, or calculations and all copies thereof, documents that in whole or in part contain any trade secrets or confidential, proprietary, or other secret information of the Company or of any of its

affiliates, and all copies thereof, and keys, access cards, access codes, source codes, passwords, raw materials, products, product samples, credit cards, personal computers, telephones, and other electronic equipment belonging to the Company or any of its affiliates; provided, however, that Executive may retain the laptop computer and BlackBerry he used in connection with his employment but prior to the Separation Date will allow the Company to inspect such equipment and to remove all Company software and information.

11. Non-Disparagement. Executive will not at any time disparage, defame or besmirch the reputation, character, image, products or services of the Company, any of its affiliates, or the reputation or character of any of their current or former directors, officers, employees or agents.

12. Actions Taken by Executive. Executive represents and warrants that, during the entire period that he has been an employee or officer of the Company or any of its affiliates, he acted in good faith and had no reasonable cause to believe that his conduct was unlawful.

13. Indemnification. Notwithstanding Executive's separation from the Company, with respect to events that occurred during his tenure as an employee, officer or director of the Company, Executive will be entitled, as a former employee, officer or director of the Company, to the same rights that are afforded to other current or former employees, officers or directors of the Company, now or in the future, to indemnification and advancement of expenses as provided in the charter documents of the Company and under applicable law, and to indemnification and a legal defense to the extent provided from time to time to current officers or directors by any applicable general liability and/or directors' and officers' liability insurance policies maintained by the Company.

14. Confidentiality.

a. General Standard. It is understood and agreed that this Agreement and summaries thereof may be disclosed in filings with the Securities and Exchange Commission and summarized in proxy statements disseminated to shareholders of the Company. Notwithstanding such public filings, in order to minimize disruption and distraction from on-going business operations, it is the intent of the parties that the terms of Executive' s separation from the Company, including the provisions of this Agreement and the Release (collectively "Confidential Separation Information"), will be forever treated as confidential. Accordingly, except as provided in subparagraph 14.b. below, Executive will not disclose Confidential Separation Information to anyone at any time and will not comment on Confidential Separation Information to anyone at any time.

b. Exceptions.

- i. It will not be a violation of this Agreement for Executive to disclose Confidential Separation Information in reports to governmental agencies as required by law, including, but not limited to, any federal or state tax authority.
- ii. It will not be a violation of this Agreement for Executive to disclose Confidential Separation Information to his immediate family, his attorneys, his accountants or tax advisors.
- iii. It will not be a violation of this Agreement for Executive to disclose Confidential Separation Information in connection with any litigation proceeding involving the parties' rights or obligations under this Agreement or the Release.
- iv. It will not be a violation of this Agreement for Executive to disclose Confidential Separation Information in the course of any job search, in response to questions from prospective employers about Executive' s departure from the Company or Executive' s obligations under paragraph 7 of this Agreement, or under the Employment Agreement.

15. Full Compensation. Executive understands that the payments made and other consideration provided by the Company under this Agreement will fully compensate

Executive for and extinguish any and all of the potential claims Executive is releasing in the Release, including without limitation, his claims for attorneys' fees and costs and any and all claims for any type of legal or equitable relief.

16. Withholding of Taxes. The Company shall withhold from payments and benefits hereunder income and employment taxes and other amounts to the extent required by law. It is the intention of the parties that no amounts payable hereunder constitute deferred compensation subject to the requirements of Section 409A of the Internal Revenue Code, and this Agreement should be interpreted accordingly.

17. No Admission of Wrongdoing. Executive understands that this Agreement does not constitute an admission that the Company, any of its affiliates, or any of its or their directors, officers, employees, or agents has violated any local ordinance, state or federal statute, or principle of common law, or that the Company, any of its affiliates, or any of its or their directors, officers, employees, or agents has engaged in any unlawful or improper conduct toward Executive. Executive will not characterize this Agreement or the payment of any money or other consideration in accordance with this Agreement as an admission that the Company or any of its affiliates has engaged in any unlawful or improper conduct toward him or treated him unfairly.

18. Authority. Executive represents and warrants that he has the authority to enter into this Agreement and the Release, and that no causes of action, claims, or demands released pursuant to this Agreement and the Release have been assigned to any person or entity not a party to this Agreement and the Release.

19. Legal Representation. Executive acknowledges that he has been advised by the Company to consult with his own attorney before executing this Agreement and the Release, that he has had a full opportunity to consider this Agreement and the Release, that

he has had a full opportunity to ask any questions that he may have concerning this Agreement, the Release, or the settlement of his potential claims against the Company and others, and that he has not relied upon any statements or representations made by the Company, its affiliates or its or their attorneys, written or oral, other than the statements and representations that are explicitly set forth in this Agreement, the Release, and any qualified employee benefit plans sponsored by the Company in which Executive is a participant.

20. Assignment. This Agreement shall not be assignable, in whole or in part, by Executive without the prior written consent of the Company. The Company may, without the consent of Executive, assign its rights and obligations under this Agreement.

21. Entire Agreement. This Agreement, the Release, the continuing provisions of the Employment Agreement and any qualified employee benefit plans sponsored by the Company in which Executive is a participant are intended to define the full extent of the legally enforceable undertakings of the parties, and no promises or representations, written or oral, that are not set forth explicitly in this Agreement, the Release, the Employment Agreement or any qualified employee benefit plans sponsored by the Company in which Executive is a participant are intended by either party to be legally binding. All other agreements and understandings between Executive and the Company or any of its affiliates are hereby cancelled, terminated, and superseded.

22. Period to Consider the Release and the Agreement. Executive understands that he has 21 days to consider whether to sign this Agreement and the Release. If Executive signs this Agreement and the Release before the end of the 21-day period, it will be his voluntary decision to do so because he has decided he does not need any additional time to decide whether to sign this Agreement and the Release.

23. Right to Rescind or Revoke. Executive understands that he has the right to rescind or revoke this Agreement and the Release for any reason within fifteen (15) calendar days after he signs them. Executive understands that this Agreement will not become effective or enforceable unless and until he has not rescinded this Agreement or the Release and the Rescission Period has expired. Executive understands that if he wishes to rescind, the rescission must be in writing and hand-delivered or mailed to the Company. If hand-delivered, the rescission must be (a) addressed to Corrie Lapinsky, Director Legal Services, 7401 Boone Avenue North, Brooklyn Park, Minnesota 55428, and (b) delivered to Corrie Lapinsky within the fifteen-day period. If mailed, the rescission must be (a) postmarked within the fifteen-day period and (b) addressed to Corrie Lapinsky at the address in the preceding sentence.

24. Headings. The descriptive headings of the paragraphs and subparagraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

25. Counterparts. This Agreement may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

26. Governing Law. This Agreement and the Release will be interpreted and construed in accordance with, and any dispute or controversy arising from any breach or asserted breach of this Agreement or the Release will be governed by, the laws of the State of Minnesota.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date stated below.

Dated: March 26, 2008

/s/ Michael M. Searles

Michael M. Searles

Dated: March 28, 2008

Wilson's The Leather Experts Inc.

BY: /s/ Michael T. Sweeney

Michael T. Sweeney

Its Chairman of the Board

RELEASE BY MICHAEL M. SEARLES

Definitions. I intend all words used in this Release to have their plain meanings in ordinary English. Specific terms that I use in this Release have the following meanings:

- A. I, me, and my include both me and anyone who has or obtains any legal rights or claims through me.
- B. Wilsons means Wilsons The Leather Experts Inc., any company related to Wilsons The Leather Experts Inc. in the present or past (including without limitation any of their predecessors, parents, subsidiaries, affiliates, and joint venture partners), and any successors of Wilsons The Leather Experts Inc.
- C. Company means Wilsons; the present and past officers, directors, committees, and employees of Wilsons; any company providing insurance to Wilsons in the present or past; the present and past fiduciaries of any employee benefit plan sponsored or maintained by Wilsons (other than multiemployer plans); the attorneys for Wilsons; and anyone who acted on behalf of Wilsons or on instructions from Wilsons.
- D. Agreement means the Agreement between Wilsons and me that I have executed on the same date as I am executing this Release, including all of the documents attached to the Agreement.
- E. My Claims mean all of my rights that I now have to any relief of any kind from the Company, whether or not I now know about those rights, including without limitation:
1. all claims arising out of or relating to my employment with Wilsons, my status as an officer and/or director of Wilsons, or the termination of such relationships;
 2. all claims arising out of or relating to the statements, actions, or omissions of the Company;
 3. all claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, 42 U.S.C. § 1981, the Employee Retirement Income Security Act, the Equal Pay Act, the Worker Adjustment and Retraining Notification Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Fair Credit Reporting Act, the Minnesota Human Rights Act, and workers' compensation non-interference or non-retaliation statutes (such as Minn. Stat. § 176.82);

EXHIBIT A

- all claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; estoppel; my activities, if any, as a “whistleblower”; defamation; infliction of emotional distress;
4. fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law;

 5. all claims for compensation of any kind, including without limitation, bonuses, commissions, stock-based compensation or stock options, vacation pay, relocation expenses, perquisites, and expense reimbursements;

 6. all claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages;

 7. all rights I have under California Civil Code section 1542, which states that: “A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor;” and

 8. all claims for attorneys’ fees, costs, and interest.

However, My Claims do not include any claims that the law does not allow to be waived, any claims that may arise after the date on which I sign this Release, or any claims for breach of the Agreement.

Agreement to Release My Claims. I will receive consideration from Wilsons as set forth in the Agreement if I sign and do not rescind this Release as provided below. I understand and acknowledge that the consideration is in addition to anything of value that I would be entitled to receive from Wilsons if I did not sign this Release or if I rescinded this Release. In exchange for that consideration I give up and release all of My Claims (including but not limited to any rights under California Civil Code section 1542). I will not make any demands or claims against the Company for compensation or damages relating to My Claims. The consideration that I am receiving is a fair compromise for the release of My Claims.

Additional Agreements and Understandings. Even though Wilsons will provide consideration for me to settle and release My Claims, the Company does not admit that it is responsible or legally obligated to me. In fact, the Company denies that it is responsible or legally obligated to me for My Claims, denies that it engaged in any unlawful or improper conduct toward me, and denies that it treated me unfairly.

Confidentiality. I understand that the terms of this Release are confidential and that I may not disclose those terms to any person except under the circumstances described in the Agreement.

Advice to Consult with an Attorney. I understand and acknowledge that I am hereby being advised by the Company to consult with an attorney prior to signing this Release and I have done so. My decision whether to sign this Release is my own voluntary decision made with full knowledge that the Company has advised me to consult with an attorney.

Period to Consider the Release. I understand that I have 21 days from the day that I receive this Release, not counting the day upon which I receive it, to consider whether I wish to sign this Release. If I sign this Release before the end of the 21-day period, it will be my voluntary decision to do so because I have decided that I do not need any additional time to decide whether to sign this Release. I also agree that any changes made to this Release or the Agreement before I sign it, whether material or immaterial, will not restart the 21-day period.

My Right to Rescind this Release. I understand that I may rescind this Release at any time within 15 days after I sign it, not counting the day upon which I sign it. This Release will not become effective or enforceable unless and until the 15-day rescission period has expired without my rescinding it.

Procedure for Accepting or Rescinding the Release. To accept the terms of this Release, I must deliver the Release, after I have signed and dated it, to Wilsons by hand or by mail within the 21-day period that I have to consider this Release. To rescind my acceptance, I must deliver a written, signed statement that I rescind my acceptance to Wilsons by hand or by mail within the 15-day rescission period. All deliveries must be made to Wilsons at the following address:

Corrie Lapinsky
Director, Legal Services
Wilsons Leather
7401 Boone Avenue North
Brooklyn Park, Minnesota 55428

If I choose to deliver my acceptance or the rescission of my acceptance by mail, it must be postmarked within the period stated above and properly addressed to Wilsons at the address stated above.

Interpretation of the Release. This Release should be interpreted as broadly as possible to achieve my intention to resolve all of My Claims against the Company. If this Release is held by a court to be inadequate to release a particular claim encompassed within My Claims, this Release will remain in full force and effect with respect to all the rest of My Claims.

My Representations. I am legally able and entitled to receive the consideration being provided to me in settlement of My Claims. I have not been involved in any personal bankruptcy or other insolvency proceedings at any time since I began my employment with Wilsons. No child support orders, garnishment orders, or other orders requiring that money owed to me by Wilsons be paid to any other person are now in effect.

I have read this Release carefully. I understand all of its terms. In signing this Release, I have not relied on any statements or explanations made by the Company except as specifically set forth in the Agreement and the Release signed by Wilsons. I am voluntarily releasing My Claims against the Company. I intend this Release and the Agreement to be legally binding.

Dated: _____

Michael M. Searles

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CERTIFICATION OF INTERIM CHIEF EXECUTIVE OFFICER, WILSONS THE LEATHER EXPERTS INC.

I, Timothy G. Becker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilsons The Leather Experts Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TIMOTHY G. BECKER

Timothy G. Becker

Interim Chief Executive Officer

Date: June 17, 2008

CERTIFICATION OF CHIEF FINANCIAL OFFICER, WILSONS THE LEATHER EXPERTS INC.

I, Stacy A. Kruse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wilsons The Leather Experts Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and
5. The registrant' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

/s/ STACY A. KRUSE

Stacy A. Kruse

Chief Financial Officer and Treasurer

Date: June 17, 2008

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Wilsons The Leather Experts Inc. (the "Company") on Form 10-Q for the fiscal quarter ended May 3, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Timothy G. Becker, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TIMOTHY G. BECKER

Timothy G. Becker

Interim Chief Executive Officer

Date: June 17, 2008

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Wilsons The Leather Experts Inc. (the "Company") on Form 10-Q for the fiscal quarter ended May 3, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stacy A. Kruse, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ STACY A. KRUSE

Stacy A. Kruse

Chief Financial Officer and Treasurer

Date: June 17, 2008