

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### **CPI CORP**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**Current Report Pursuant  
to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report (Date of Earliest Event Reported): February 5, 2013

**CPI CORP.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation)

**1-10204**

(Commission File Number)

**43-1256674**

(I.R.S. Employer Identification No.)

**1706 Washington Ave., St. Louis, Missouri**

(Address of Principal Executive Offices)

**63103**

(Zip Code)

**(314) 231-1575**

(Registrant's Telephone Number, Including Area Code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01. Entry Into a Material Definitive Agreement.**

On February 5 2013, CPI Corp. (the "Company") and its subsidiaries that are guarantors under the Guarantee and Collateral Agreement dated as of August 30, 2010, entered into a Forbearance Agreement (the "Third Forbearance Agreement") dated as of January 29, 2013 (the "Effective Date") with Bank of America, N.A., as Administrative Agent (the "Agent") for the various financial institution parties identified as lenders (the "Lenders") in the Credit Agreement dated as of August 30, 2010, as amended by the First Amendment to Credit Agreement dated December 16, 2011, as further amended by the Forbearance Agreement dated May 18, 2012, as further amended by the Second Amendment to Credit Agreement dated as of June 6, 2012, as further amended by the Third Amendment to Credit Agreement dated as of August 28, 2012, as further amended by the Fourth Amendment to Credit Agreement dated as of November 9, 2012 and as further amended by the Second Forbearance Agreement dated December 28, 2012, by and among the Company, the Agent, the Lenders and certain subsidiaries of the Company (the "Loan Agreement").

Pursuant to the Loan Agreement, as of February 2, 2013, the Company owes amounts (exclusive of attorneys' fees and other fees, expenses, advances, and costs of collection, all of which are due and owing and not waived) totaling \$97.4 million, which consists of unpaid principal of \$76.2 million, accrued and unpaid interest of \$21,000, accrued and unpaid PIK Obligations of \$7.3 million, letter of credit fees of \$67,000 and Letters of Credit totaling \$13.8 million.

The Second Forbearance Agreement identified certain Events of Default that existed under the Loan Documents as of the date of Second Forbearance Agreement (collectively, the "Existing Defaults"). As of the date of this Third Forbearance Agreement, the Existing Defaults are continuing and have not been cured and the "Forbearance Period" (as defined in the Second Forbearance Agreement) has expired.

As a result of the defaults, the Agent has the right to exercise its rights and remedies under the Credit Agreement, as amended. Such remedies include, but are not limited to, the right to enforce its security interest in the Company's collateral and to pursue collection from the Company and other guarantors.

Under the Third Forbearance Agreement, the Agent, on behalf of itself and for the benefit of each Lender, agrees to forebear from exercising its rights and remedies under the Credit Agreement through February 15, 2013 (unless terminated sooner under certain circumstances). The Lenders shall have no further commitment to make revolving loans under the terms of the Loan Agreement. The Third Forbearance Agreement did not amend nor increase the amount of the revolving commitment, nor did it cure or waive the existing defaults. Upon termination of the forbearance period for any reason, the Agent is able to exercise all rights and remedies granted to it under the Credit Agreement, as amended.

The Third Forbearance Agreement also amended the termination date of the Credit Agreement to the earlier of February 15, 2013 or the termination date of the Third Forbearance Agreement.

The foregoing summary of the Forbearance Agreement is not complete and is qualified in its entirety by a copy of the Third Forbearance Agreement filed as Exhibit 10.1 to this Form 8-K, which exhibits are incorporated herein by reference.

**Item 2.04 Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.**

The information included or incorporated by reference in Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.04.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit No.

10.1 Third Forbearance Agreement entered into on February 5, 2013, and dated as of January 29, 2013 by and among CPI Corp., certain subsidiaries of CPI Corp., Bank of America, N.A., as administrative agent for the various financial institution parties identified as lenders under the Credit Agreement dated as of August 30, 2010, as amended.

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## SIGNATURES

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 hereunto duly authorized.

### **CPI CORP.**

By: /s/ Dale Heins

Dale Heins

Executive Vice President, Finance

Chief Financial Officer and Treasurer

(Principal Financial Officer)

February 8, 2013



## THIRD FORBEARANCE AGREEMENT

This Third Forbearance Agreement dated as of January 29, 2013 (the “Third Forbearance Agreement”), is entered into by and among: (i) CPI Corp., a Delaware corporation (the “Borrower” also referred to herein as the “Company”); (ii) Consumer Programs Incorporated, a Missouri corporation (“CP Inc.”), CPI Canadian Holdings, Inc., a Delaware corporation (“CPI Canada”), CPI Images, L.L.C., a Missouri limited liability company (“Images”), CPI International Holdings, Inc., a Delaware corporation (“CPI International”), Texas Portraits L.P., a Delaware limited partnership (“Texas”), Centrics Technology, Inc., a Delaware corporation (“Centrics”), and Image Source Inc., a Missouri corporation (“ISI,” and, with CP Inc., CPI Canada, Images, CPI International, Texas and Centrics, each an “Original Guarantor” and, collectively, the “Original Guarantors”); (iii) Bella Pictures Holdings, LLC, a Delaware limited liability company (“Bella”), and Sandy Realty Holdings, LLC, a Missouri limited liability company (“Sandy” and, with Bella, each an “Additional Guarantor” and collectively, the “Additional Guarantors”); (iv) CPI Corp., an unlimited liability company organized under the laws of Nova Scotia (“CPI Canada”), CPI Portrait Studios of Canada Corp., an unlimited liability company organized under the laws of Nova Scotia (“Studios Canada”), CPI Canadian Images, an Ontario partnership (“Images Canada” and with CPI Canada and Studios Canada, each a “Canadian Guarantor”, and collectively, the “Canadian Guarantors”); and (v) Bank of America, N.A., as Administrative Agent (“Administrative Agent”) for the various financial institution parties identified as Lenders in the Credit Agreement (collectively, “Lenders”). Borrower, the Original Guarantors, the Additional Guarantors and the Canadian Guarantors are collectively referred to herein as the “Borrower Parties.”

### RECITALS

A. Lenders extended a loan to Borrower (the “Loan”) pursuant to that certain Credit Agreement dated as of August 30, 2010, as amended by that certain First Amendment to Credit Agreement dated December 16, 2011 (the “First Amendment”), as further amended by that certain Forbearance Agreement dated May 18, 2012 (the “Forbearance Agreement”), as further amended by that certain Second Amendment to Credit Agreement dated as of June 6, 2012 (“Second Amendment”), as further amended by that certain Third Amendment to Credit Agreement dated as of August 28, 2012 (“Third Amendment”), as further amended by that certain Fourth Amendment to Credit Agreement dated as of November 9, 2012 (“Fourth Amendment”), and as further amended by that certain Second Forbearance Agreement dated December 28, 2012 (the “Second Forbearance Agreement”), and collectively with the above, the “Credit Agreement”).

B. The Company and the Original Guarantors executed and delivered that certain Guaranty and Collateral Agreement dated as of August 30, 2010 (the “Guaranty/Collateral Agreement”), pursuant to which, among other things, the Original Guarantors guaranteed the Company’s payment and performance of its obligations under the Credit Agreement and the Company and the Original Guarantors granted Administrative Agent a security interest in the Collateral (as defined therein). The Additional Guarantors executed and delivered a Joinder Agreement to the Guaranty/Collateral Agreement dated as of May 23, 2012, pursuant to which the Additional Guarantors assumed, jointly and severally with the Original Guarantors, all of the obligations of the Company and the Original Guarantors arising under the Guaranty/Collateral

Agreement. The Canadian Guarantors executed and delivered a Joinder Agreement to the Guaranty/Collateral Agreement dated as of December 28, 2012, pursuant to which the Canadian Guarantors assumed, jointly and severally with the Original Guarantors and the Additional Guarantors, all of the obligations of the Company. The Credit Agreement and the Guaranty/Collateral Agreement, together with any and all other instruments and agreements that evidence, relate to, or secure the Loan (including this Third Forbearance Agreement), as such instruments and agreement have been amended or are amended pursuant to this Third Forbearance Agreement, are hereinafter collectively referred to as the “Loan Documents.”

C. The Second Forbearance Agreement identified certain Events of Default that existed under the Loan Documents as of the date of Second Forbearance Agreement (collectively, the “Existing Defaults”). As of the date of this Third Forbearance Agreement, the Existing Defaults are continuing and have not been cured and the “Forbearance Period” (as defined in the Second Forbearance Agreement) has expired and Administrative Agent has no obligation of any kind to continue from forbearing or otherwise refrain from enforcing all of its legal rights and remedies with respect to each of the Borrower Parties.

D. As of January 28, 2013, the amount of the indebtedness owing under the Loan Documents (exclusive of attorneys’ fees and other fees, expenses, advances, and costs of collection, all of which are due and owing and not waived) totaled \$97,640,294.81, consisting of unpaid principal of \$76,200,242.00, accrued and unpaid interest of \$189,963.11, accrued and unpaid PIK Obligations of \$7,395,515.97, letter of credit fees of \$54,815.73 and L/C Obligations totaling \$13,799,758.00.

E. Since July 2012, the Company has been marketing the operations of the Borrower Parties. As of the date hereof, the Company has no firm commitment or contract for the sale of all or any material portion of the assets of the Borrower Parties. However, the Company is negotiating with at least two parties regarding the sale of some or substantially all of the assets of the Company. The Borrower Parties need additional time to continue marketing their assets and otherwise continue in their restructuring efforts.

F. The Canadian Guarantors are affiliates of the Company. Images Canada is governed completely by its sole partners, which are CPI Canada and Studios Canada. Each of CPI Canada and Studios Canada has its own boards of directors (the “Canadian Boards”). The Company believes the Canadian Guarantors own and control assets and property rights that have significant value for the owners of the Canadian Guarantors.

G. The Administrative Agent, for itself and for the benefit of each Lender, is under no obligation of any kind to provide the Borrower Parties with any financial accommodation of any kind or any further forbearance. But for this Third Forbearance Agreement, the Administrative Agent, for itself and for the benefit of each Lender, would be legally entitled to pursue all of its right and remedies and each of the Borrower Parties and its collateral owned by each of the Borrower Parties.

H. The Company on behalf of each of the Borrower Parties has requested that the Administrative Agent, for itself and for the benefit of each Lender, agree to additional forbearance and, although it is under no obligation to do so, Administrative Agent is willing to forebear from

exercising its rights and remedies by extending the "Forbearance Period" for a period of time as specified herein and strictly pursuant to the terms and conditions set forth herein.

**AGREEMENT**

Now, therefore, in consideration of the premises and the mutual agreements contained herein, the parties agree as follows:

1. **RECITALS.** All of the foregoing recitals and statements are hereby affirmed by the Borrower Parties as true statements of fact and may be used as binding admissions in a court of law or equity, or other judicial or non-judicial proceedings.

2. **DEFINED TERMS.** Unless otherwise defined in this Third Forbearance Agreement, all capitalized terms used herein as defined terms shall have the meanings given to them in the Loan Documents.

3. **AMENDMENTS TO CREDIT AGREEMENT; EFFECT ON FORBEARANCE AGREEMENT.**  
The amendments to the terms of the Credit Agreement set forth in any of the prior amendments or any of the prior forbearance agreements (including the Forbearance Agreement and the Second Forbearance Agreement) shall remain in full force and effect and survive (without restatement in this Third Forbearance Agreement), except to the extent that such provisions have been subsequently amended by a later amendment. It is the intent of this Third Forbearance Agreement to amend the Credit Agreement and to extend the term of the Forbearance Period (as defined in the Second Forbearance Agreement), which forbearance shall remain in effect until the expiration of the Extended Forbearance Agreement (as defined in this Third Forbearance Agreement). To the extent there are conflicting provisions in this Third Forbearance Agreement compared to the Second Forbearance Agreement or any other Loan Document, the terms of this Third Forbearance Agreement shall control.

4. **TERMS OF FORBEARANCE.** Unless the Extended Forbearance Period (as defined below) is sooner terminated as provided herein, Administrative Agent, for itself and for the benefit of each Lender, agrees to forbear from exercising its rights and remedies under the Loan Documents through the close of business on February 15, 2013 (the "Extended Forbearance Period") on the following terms and conditions:

4.1 Notwithstanding the Lenders' agreement to forbear from exercising its rights and remedies, as consideration for this Third Forbearance Agreement, the Lenders shall have no further commitment to make Revolving Loans under the terms of the Loan Documents. Any provisions in the Loan Documents to the contrary are modified to be consistent with the prior sentence.

4.2 Upon the termination of the Extended Forbearance Period for any reason, Administrative Agent shall have the full right and power immediately and unconditionally to exercise all rights and remedies granted to it under the Loan Documents without further notice to the Borrower Parties (other than any notice otherwise required in the Loan Documents or under applicable law (including any applicable UCC)) and subject to no other conditions precedent.



4.3 The Borrower Parties acknowledge that Administrative Agent's obligations under this Third Forbearance Agreement are in the nature of a conditional forbearance only, and that, except as expressly provided herein, Administrative Agent has made no agreement or commitment to extend the Loan or to modify the Loan Documents.

5. **AMENDMENTS TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS.** Effective as of the Third Forbearance Effective Date, the Credit Agreement and the other Loan Documents are amended as follows:

5.1 **Amended Definitions.** The following definitions in Section 1.1 of the Credit Agreement are amended as follows:

5.1.1 **Agreement.** The definition of "Agreement" as set forth in the preamble to the Credit Agreement is amended to specifically include: (i) the First Amendment to Credit Agreement dated as of December 16, 2011, entered into between the Company and the Administrative Agent, on its own behalf and on behalf of the Lenders; (ii) the Forbearance Agreement dated as of May 18, 2012, entered into among the Company, several of the Loan Parties, the Administrative Agent and the Lenders; (iii) the Second Amendment to Credit Agreement dated as of June 6, 2012, entered into among the Company, several of the Loan Parties, the Administrative Agent and the Lenders; (iv) the Third Amendment to Credit Agreement dated as of August 28, 2012, entered into among the Company, several of the Loan Parties, the Administrative Agent and the Lenders; (v) the Fourth Amendment to Credit Agreement dated as of November 9, 2012, (vi) the Second Forbearance Agreement dated as of December 28, 2012, entered into among the Company, several of the Loan Parties, the Administrative Agent and the Lenders, and (vii) the Third Forbearance Agreement dated as of January 29, 2013 entered into among the Company, several of the Loan Parties, the Administrative Agent and the Lenders, as such may be further amended, modified, supplemented, and replaced and/or restated from time to time.

5.1.2 **Loan Parties.** The definition of "Loan Parties" as set forth in Section 1.1 of the Credit Agreement is hereby amended to clarify that such definition includes, without limitation, each of the Borrower Parties defined in the Third Forbearance Agreement.

5.1.3 **Termination Date.** The definition of "Termination Date" as set forth in Section 1.1 of the Credit Agreement is hereby amended and restated to mean: "the earlier to occur of (a) February 15, 2013, (b) the Extended Forbearance Period Termination Date (as defined in the Third Forbearance Agreement dated as of January 29, 2013, or (c) such other date on which the Commitments terminate pursuant to Section 6 or Section 13."

5.2 **Supplemental Definitions.** Section 1.1 of the Credit Agreement is supplemented by the addition of the following definitions:

5.2.1 “Canadian Board” shall have the meaning assigned to such term in Recital F of the Third Forbearance Agreement.

5.2.2 “Canadian Counsel” shall have the meaning assigned to such term in Section 10.21 of the Credit Agreement.

5.2.3 “Extended Forbearance Period” shall have the meaning assigned to such term in the Third Forbearance Agreement.”

5.2.4 “Third Forbearance Agreement” means that certain Third Forbearance Agreement dated as of January 29, 2013, among the Borrower Parties (as defined in the Third Forbearance Agreement), the Lenders, and the Administrative Agent.

5.2.5 “Third Forbearance Effective Date” means the date upon which all conditions precedent to the effectiveness of the Third Forbearance Agreement have been satisfied or waived in accordance with the terms of the Third Forbearance Agreement.

5.3 Amended Provisions.

5.3.1 Section 2.1.1 of the Credit Agreement is amended to reflect that the Lenders shall have no further commitment to make any Revolving Loans.

5.3.2 Section 10.1.5(f) of the Credit Agreement is amended and restated to read as follows:

“(f) notwithstanding anything to the contrary in this Section 10.1.5, the Loan Parties shall promptly, within one (1) Business Day, provide the Administrative Agent with written notice of any default or any termination or notice (written or oral) thereof received by any of the Loan Parties, under any of the Sears Agreements, under any of the Wal-Mart Agreements, under any of the Toys R US Agreements or under any Material Acquisition Agreement.

5.3.3 Section 10 of the Credit Agreement is amended by the addition of the following covenants to be inserted into the Agreement as Sections 10.19 through 10.20:

10.19 Canadian Guarantors Observation Rights. So long as any of the Obligations remain outstanding:

(a) the Administrative Agent, acting at the direction of the Required Lenders, shall have the right to appoint one representative (which may be a representative of FTI Consulting or such other firm selected by the Administrative Agent) who shall, (i) receive written notice of all meetings (both regular and special) of the boards of

directors or of the partnership (or similar body) of the Canadian Guarantors and each committee of any such board or of partners at the same time and in the same manner as notice is given to the members of any such board and/or committee and/or partners, (ii) be entitled to attend (or, in the case of telephone meetings, join) all such meetings, (iii) receive all notices, information and reports which are generally furnished by the Canadian Guarantors to all of the members of any applicable board, and/or committee and/or partnership (in their capacity as a member of such board or committee or partner) at the same time and in the same manner as the same is furnished to such members or partners in connection with any such meetings, and (iv) be entitled to participate in all discussions conducted at such meetings and receive copies of the minutes of all such meetings concurrently and in the same manner as all of the other members of the board or partners;

(b) if any action is proposed to be taken by any such board and/or committee and/or partners by written consent in lieu of a meeting, the Canadian Guarantors will give written notice thereof to each such representative, which notice shall describe in reasonable detail the nature and substance of such proposed action and shall be delivered concurrently as notice is given to the members of any such board and/or committee and/or partners;

(c) the Canadian Guarantors will furnish each such representative with a copy of each such written consent not later than five days after it has been signed by its last signatory;

(d) each such representative shall not constitute a member of any such board and/or committee or constitute a partner and shall not be entitled to vote on any matters presented at meetings of any such board and/or committee and/or partnership or to consent to any matter as to which the consent of any such board and/or committee and/or partnership shall have been requested;

(e) the board of directors (or similar body) of CPI Canada and Studios Canada and the partnership of Images Canada (each as defined in the Third Forbearance Agreement) shall meet not less frequently than weekly during each Fiscal Year during the term of the Third Forbearance Agreement and such meeting may be held telephonically;

(f) promptly upon receipt of an invoice therefor, the Canadian Guarantors shall reimburse each such designated representative (or the employers of such representatives) for the reasonable out-of-pocket costs and expenses of such representative in attending any meeting (other than a telephonic meeting);

(g) if an issue is to be discussed or otherwise arises at any meeting of the board of directors or of the partnership of the Canadian Guarantors or any committee thereof which, in the reasonable judgment of such board of directors or partnership, cannot be discussed in the presence of such representative in order to avoid a conflict of interest on the part of such representative or to preserve an attorney-client privilege, then such issue may be discussed without such representative being present and may be deleted from any materials being distributed in connection with any meeting at which such issues are to be discussed, so long as (x) such representative is given notice of the occurrence of such meeting and the deletion of such materials and (y) notice of the occurrence of such meeting and the deletion of such materials is given to the Administrative Agent.

10.20. Counsel to Canadian Guarantors. No later than February 1, 2013, the Canadian Guarantors shall retain counsel ("Canadian Counsel") to serve as independent legal counsel of the Canadian Guarantors and to advise the Canadian Board on matters involving their fiduciary duties in connection with the restructuring efforts of the other Loan Parties, which Canadian Counsel shall not during the course of its engagement for the Canadian Guarantors represent any of the Loan Parties *other than* the Canadian Guarantors.

6. **TERMINATION OF EXTENDED FORBEARANCE PERIOD.** The Extended Forbearance Period shall end on the first of the following to occur (the "Extended Forbearance Period Termination Date"):

6.1 February 15, 2013;

6.2 The date on which a petition is filed by or against any Borrower Party under Title 11 of the United States Code (the "Bankruptcy Code") or under the Canadian Bankruptcy and Insolvency Act, or the Canadian Companies' Creditors Arrangement Act (or any similar act or law); or any Borrower Party makes any assignment for the benefit of creditors; or any Borrower Party voluntarily or involuntarily becomes the subject of any other case or proceeding for the relief or protection of debtors under any other law or statute or under any provision of common or provincial law;

6.3 The date on which (a) any Event of Default, other than any Existing Default existing as of the date of this Third Forbearance Agreement, occurs or is determined to have occurred under any Loan Document, including this Third Forbearance Agreement, (b) any Borrower Party fails to timely perform and observe any of the covenants, agreements, and obligations contained in this Third Forbearance Agreement, or (c) or any of the representations or warranties contained in this Third Forbearance Agreement shall prove to be false or misleading in any material respect; and

6.4 The date on which any Borrower Party initiates any judicial, administrative or arbitration proceeding against Administrative Agent or any Lender.

7. **REMEDIES**. On the Extended Forbearance Period Termination Date, Administrative Agent's agreement to forbear shall immediately terminate, without notice to any Borrower Party, and Administrative Agent shall be immediately entitled to exercise any and all rights and remedies available to Administrative Agent or any Lender under the Loan Documents, this Third Forbearance Agreement and at law or in equity, without notice to any Borrower Party (other than any notice otherwise required in the Loan Documents or under applicable law (including any applicable UCC)), including, without limitation, the right to conduct any judicial or non-judicial sales of any Collateral or Real Estate Collateral. The releases contained in Section 16 of this Third Forbearance Agreement and the amendments to the Credit Agreement contained in Section 5 of this Third Forbearance Agreement shall survive the termination of this Third Forbearance Agreement and shall continue in full force and effect from and after the Extended Forbearance Period Termination Date.

8. **REPRESENTATIONS AND WARRANTIES**. Each Borrower Party represents and warrants to Administrative Agent and Lenders that:

8.1 **Recitals**. The recitals set forth above are true, complete, accurate, and correct and are part of this Third Forbearance Agreement, and such recitals are incorporated herein by this reference.

8.2 **Loan Documents**. Except to the extent disclosed on amended schedules to the Credit Agreement attached hereto as Exhibit A (or previously disclosed to Administrative Agent or any Lender in writing) and except with respect to the representations and warranties contained in Sections 9.5 and 9.14, and 9.22 of the Credit Agreement and in Sections 5(iv), (v) and (vi) of the First Amendment to Credit Agreement, all representations and warranties made and given by each Borrower Party in the Loan Documents are true, complete, accurate, and correct, as if given on the Effective Date.

8.3 **No Claims or Defenses**. Each Borrower Party has no claims, offsets, counterclaims, or defenses (other than payment) with respect to: i) the payment of the Loan; ii) the payment of any other sums due under the Loan Documents; iii) the performance of each Borrower Party's obligations under the Loan Documents; or iv) any liability of any Borrower Party under any of the Loan Documents.

8.4 **No Breach by Administrative Agent or Lenders**. Administrative Agent and each Lender (including all of their respective predecessors): i) have not breached any duty to any Borrower Party in connection with the Loan; and ii) have fully performed all obligations they may have had or now have to any Borrower Party.

8.5 **Assistance of Counsel**. Each Borrower Party has had the assistance of independent counsel of its own choice, or has had the opportunity to retain such independent counsel, in reviewing, discussing, and considering all the terms of this Third Forbearance Agreement; and if counsel was retained, counsel for such Borrower Party has read and considered this Third Forbearance Agreement and advised such Borrower Party to execute the same. Before execution of this Third Forbearance Agreement, each Borrower Party has had adequate opportunity to make whatever investigation or inquiry it may deem necessary or desirable in connection with the subject matter of this Third Forbearance Agreement.

8.6 No Representations or Coercion. No Borrower Party is acting in reliance on any representation, understanding, or agreement not expressly set forth herein. Each Borrower Party acknowledges that neither Administrative Agent nor any Lender has made any representation with respect to the subject of this Third Forbearance Agreement except as expressly set forth herein. Each Borrower Party has executed this Third Forbearance Agreement as its free and voluntary act, without any duress, coercion, or undue influence exerted by or on behalf of any person.

8.7 Interest and Other Charges. All interest or other fees or charges which have been imposed, accrued or collected by Administrative Agent (including all of its predecessors) under the Loan Documents or in connection with the Loan through the date of this Third Forbearance Agreement, and the method of computing the same, were and are proper and agreed to by each Borrower Party, and were properly computed and collected.

8.8 No Novation. This Third Forbearance Agreement is not intended by the parties to be a novation of the Loan Documents and, except as expressly modified herein, all terms, conditions, rights, and obligations as set out in the Loan Documents are hereby reaffirmed and shall otherwise remain in full force and effect as originally written and agreed.

8.9 Loan Documents Still in Force. Notwithstanding anything to the contrary in this Third Forbearance Agreement, except as modified herein, the Loan Documents are in full force and effect in accordance with their respective terms, remain valid and binding obligations of Borrower Parties, have not been modified or amended, and are hereby reaffirmed and ratified by each Borrowers Party. Each Original Guarantor, Additional Guarantor and Canadian Guarantor has read and understands the terms of this Third Forbearance Agreement and each hereby ratifies and confirms the Guaranty/Collateral Agreement and their continuing obligations and duties thereunder and consents to the terms of this Third Forbearance Agreement. After the Extended Forbearance Period Termination Date, each Borrower Party (either individually, collectively, or in concert with others) shall cooperate fully with the exercise by Administrative Agent of any of its rights and remedies pursuant to the Loan Documents or at law or in equity, including in connection with the transfer of possession of the Collateral and/or the Real Estate Collateral to the successor bidder at any judicial or non-judicial sale of the Collateral and/or the Real Estate Collateral.

8.10 No Pending Bankruptcies. No action or proceeding, including, without limitation, a voluntary or involuntary petition for bankruptcy under any chapter of the Bankruptcy Code, has been instituted by such Borrower Party or, to the knowledge of such Borrower Party, against such Borrower Party.

8.11 Due Authorization. The individuals signing this Third Forbearance Agreement on behalf of each Borrower Party are duly authorized to enter into this Third Forbearance Agreement.

8.12 Existing Defaults. To the knowledge of each Borrower Party, other than the specific defaults identified in Recital D of this Third Forbearance Agreement, no Events of Default exist under the Loan Documents as of the Effective Date.

9. **CONDITIONS PRECEDENT.** This Third Forbearance Agreement shall become effective on the earliest date (the "Effective Date") that each of the following has occurred:

9.1 Administrative Agent has received counterpart originals of this Third Forbearance Agreement executed by all Borrower Parties listed on the signature page(s) hereof.

9.2 Borrower Parties shall have provided Administrative Agent with a budget for Borrower Parties' business operations through and including February 15, 2013, which shall be satisfactory to Administrative Agent.

9.3 All actions required to be taken by each Borrower Party in connection with the transactions contemplated by this Third Forbearance Agreement have been taken in form and substance satisfactory to Administrative Agent.

9.4 Administrative Agent has received originals or certified or other copies of such other documents as Administrative Agent may reasonably request.

9.5 Borrower shall have provided Administrative Agent with evidence satisfactory to Administrative Agent, in its sole discretion, that the execution, delivery, and performance by all Borrower Parties of this Third Forbearance Agreement, and any agreement or instrument required by this Third Forbearance Agreement, have been duly authorized.

9.6 The execution and delivery of this Third Forbearance Agreement by Administrative Agent shall have been authorized by the Required Lenders.

10. **CONFIRMATION OF COLLATERAL/FURTHER ASSURANCES.** Each Borrower Party hereby: i) confirms to Administrative Agent that all security interests and liens heretofore granted by it to Administrative Agent, for the benefit of the Lenders, securing the obligations of any Borrower Party to Administrative Agent or any Lender arising out of the Loan Documents; ii) acknowledges and agrees that all such obligations shall continue to be secured by any and all such security interests and liens except as expressly provided herein; and iii) agrees to execute and deliver to Administrative Agent and each Lender any and all agreements and other documentation and to take any and all actions reasonably requested by Administrative Agent and each Lender at any time to assure the perfection, protection, priority, and enforcement of Administrative Agent and each Lender's rights under the Loan Documents, including this Third Forbearance Agreement, with respect to all such security interests and liens, at Borrower Parties' sole cost and expense.

11. **BINDING EFFECT.** This Third Forbearance Agreement shall be binding upon each Borrower Party and Administrative Agent, and their respective successors and assigns, and shall inure to the benefit of such parties and their respective successors and assigns; provided, however, that no Borrower Party may assign any rights arising from this Third Forbearance Agreement or any Loan Documents without Administrative Agent's prior written consent, and any prohibited assignment shall be null and void.

12. **COUNTERPARTS; EFFECTIVENESS.** This Third Forbearance Agreement may be executed in any number of counterparts and by the different parties on separate counterparts. Each such counterpart, whether delivered by facsimile, email, or other electronic delivery, shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. This Third Forbearance Agreement shall be deemed to have been executed and delivered on the Effective Date.

13. **AMENDMENT AND WAIVER.** No amendment or waiver of any provision of this Third Forbearance Agreement shall be effective unless set forth in a writing signed by the parties hereto.

14. **GOVERNING LAW.** This Third Forbearance Agreement shall be governed by and construed in accordance with the provisions of Section 15.7 of the Credit Agreement.

15. **SEVERABILITY.** Any provision of this Third Forbearance Agreement that is held to be inoperative, unenforceable, voidable, or invalid in any jurisdiction shall, as to that jurisdiction, be ineffective, unenforceable, void, or invalid without affecting the remaining provisions in that or any other jurisdiction, and to this end the provisions of this Third Forbearance Agreement are declared to be severable.

16. **RELEASE.** As a material part of the consideration for Administrative Agent entering into this Third Forbearance Agreement, each Borrower Party (collectively "Releasor") agrees as follows (the "Release Provision"):

16.1 Releasor hereby releases and forever discharges Administrative Agent and each Lender and such parties' predecessors, successors, assigns, officers, managers, directors, shareholders, employees, agents, attorneys, representatives, parent corporations, subsidiaries, and affiliates (hereinafter all of the above collectively referred to as "Lender Group") jointly and severally from any and all claims, counterclaims, demands, damages, debts, agreements, covenants, suits, contracts, obligations, liabilities, accounts, offsets, rights, actions, and causes of action of any nature whatsoever, including, without limitation, all claims, demands, and causes of action for contribution and indemnity, whether arising at law or in equity, whether presently possessed or possessed in the future, whether known or unknown, whether liability be direct or indirect, liquidated or unliquidated, whether presently accrued or to accrue hereafter, whether absolute or contingent, foreseen or unforeseen, and whether or not heretofore asserted, which Releasor may have or claim to have against any of the Lender Group, in each case to the extent arising or accruing prior to and including the Effective Date; provided, however, that Administrative Agent and each Lender shall not be released hereby from any obligation to pay to Releasor any amounts that Releasor may have on deposit with Administrative Agent or such Lender, in accordance with applicable law and the terms of the documents establishing any such deposit relationship.

16.2 Releasor agrees not to sue any of the Lender Group or in any way assist any other person or entity in suing any of the Lender Group with respect to any claim released herein. The Release Provision may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit, or other proceeding which may be instituted, prosecuted, or attempted in breach of the release contained herein.



16.3 Releasor is the sole owner of the claims released by the Release Provision, and Releasor has not heretofore conveyed or assigned any interest in any such claims to any other person or entity.

16.4 Releasor understands that the Release Provision was a material consideration in the agreement of Administrative Agent to enter into this Third Forbearance Agreement on behalf of itself and each Lender.

16.5 It is the express intent of Releasor that the release and discharge set forth in the Release Provision be construed as broadly as possible in favor of the Lender Group so as to foreclose forever the assertion by Releasor of any claims released hereby against any of the Lender Group.

16.6 If any term, provision, covenant, or condition of the Release Provision is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the remainder of the provisions shall remain in full force and effect.

17. **NOTICES.** Any notice, demand or other communications which any party hereto may desire or may be required to give to any other party hereto shall be in writing, and shall be deemed given if and when personally delivered (personal delivery shall include delivery by messenger or expedited delivery service, regularly providing proof of delivery, such as Federal Express or Airborne), or when delivered (whether accepted or refused) by United States registered or certified mail, postage prepaid and return receipt requested addressed to a party at its address set forth in the Credit Agreement and/or the Guaranty/Collateral Agreement.

**18. FINAL AGREEMENT. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES HERETO, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

**19. Missouri Revised Statute §432.045. ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (BORROWER) AND US (CREDITOR) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH THE LOAN DOCUMENTS, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.**

IN WITNESS WHEREOF, the parties hereto have caused this Third Forbearance Agreement to be duly executed and delivered as of the day and year first above written.

**BORROWER:**

CPI CORP, a Delaware corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

**ORIGINAL GUARANTORS:**

CONSUMER PROGRAMS INCORPORATED, a Missouri corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CPI CANADIAN HOLDINGS, INC., a Delaware corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CPI IMAGES, L.L.C., a Missouri limited liability company

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CPI INTERNATIONAL HOLDINGS, INC., a Delaware corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

TEXAS PORTRAITS L.P., a Delaware limited partnership

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CENTRICS TECHNOLOGY, INC., a Delaware corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

IMAGE SOURCE INC., a Missouri corporation

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

**ADDITIONAL GUARANTORS:**

BELLA PICTURES HOLDINGS, LLC, a Delaware limited liability company

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

SANDY REALTY HOLDINGS, LLC, a Missouri limited liability company

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

**CANADIAN GUARANTORS:**

CPI CORP., an unlimited liability company organized under the laws of Nova Scotia

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CPI PORTRAIT STUDIOS OF CANADA CORP., an unlimited liability company organized under the laws of Nova Scotia

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

CPI CANADIAN IMAGES, an Ontario partnership

By: CPI PORTRAIT STUDIOS OF CANADA CORP., an unlimited liability company organized under the laws of Nova Scotia, its partner

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

By: CPI CORP., an unlimited liability company organized under the laws of Nova Scotia, its partner

By: /s/ Dale Heins  
Name: Dale Heins  
Title: EVP Finance / CFO / Treasurer

**BANK OF AMERICA, N.A.**, as  
Administrative Agent for the various financial institution parties  
identified as Lenders, as Issuing lender, and as a Lender

By: /s/ Colin J. McClary

Name: Colin J. McClary

Title: SVP



**ASSOCIATED BANK, N.A.**, as a Lender

By: /s/ Dan Maher  
Name: Dan Maher  
Title: SVP

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**FIFTH THIRD BANK**, as a Lender

By: /s/ Steven J. Englehart

Name: Steven J. Engelhart

Title: Vice President



**CONFIDENTIAL**

**THE PRIVATE BANK AND TRUST COMPANY, as a  
Lender**

By: /s/ Joseph G. Fudez  
Name: Joseph G. Fudez  
Title: Managing Director

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**EXHIBIT A**

**(Amended Schedules)**

[NONE UNLESS OTHERWISE ATTACHED HERETO]