

4-7-99

TRADEMARK RECORDATION COVER SHEET

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Office of Public Records
Attn: Customer Services Counter
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Arlington, Virginia 22202-3513

04-19-1999



101013702

Please record the attached original documents or copy thereof.

Form with 8 numbered sections: 1. Name of conveying party(ies); 2. Name and address of receiving party(ies); 3. Nature of conveyance; 4. Application number(s) or registration number(s); 5. Name and address of party to whom correspondence concerning documents should be mailed; 6. Total number of applications and registrations involved; 7. Total fee; 8. Deposit account number.

Section 9: Statement and signature. Includes a signature line for Percy G. Porter Jr. and a date stamp of 3/11/99.

CONSENT

THIS CONSENT (this "Consent"), dated as of March 1, 1999, is entered into between CONGRESS FINANCIAL CORPORATION (WESTERN), a California corporation ("Lender"), with a place of business at 225 South Lake Avenue, Suite 1000, Pasadena, California 91101, and AMERICAN SPORTING GOODS CORPORATION, a Delaware corporation ("Borrower"), with its chief executive office located at 2323 Main Street, Irvine, California 92614.

RECITALS

A. Borrower and Lender have previously entered into that certain Loan and Security Agreement dated as of May 31, 1996, as amended by that certain First Amendment to Loan and Security Agreement dated as of June 5, 1997, that certain Second Amendment to Loan and Security Agreement dated as of December 29, 1997, that certain Third Amendment to Loan and Security Agreement dated as of April 8, 1998, that certain Fourth Amendment to Loan and Security Agreement dated as of November 1, 1998, and that certain Fifth Amendment to Loan and Security Agreement dated as of January 27, 1999 (collectively, the "Loan Agreement"), pursuant to which Lender has made certain loans and financial accommodations available to Borrower. Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Borrower proposes to acquire substantially all of the assets and assume certain of the liabilities of Act It Out, Inc., a California corporation (the "Company") pursuant to the terms of that certain Asset Purchase Agreement among Borrower, the Company and Cristofer Smith, the sole shareholder of the Company, dated as of January 29, 1999 and attached to this Consent as Exhibit A (the "Purchase Agreement") (the transactions contemplated by the Purchase Agreement hereinafter being referred to as the "Acquisition").

C. Borrower has requested, as required under Sections 9.7 and 9.10 of the Loan Agreement, that Lender consent to the Acquisition.

D. Lender is willing to consent to the Acquisition on the terms and conditions set forth in this Consent.

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

1. Consent. Lender consents to the Acquisition.
2. Conditions.

(a) Conditions Precedent. Lender must have received the following items, in form and content acceptable to Lender, before this Consent is effective:

(i) Consent. This Consent fully executed in a sufficient number of counterparts for distribution to Lender and Borrower.

(ii) Authorizations. Evidence that the execution, delivery and performance by Borrower of this Consent and any instrument or agreement required under this Consent have been duly authorized.

(iii) Representations and Warranties. The representations and warranties set forth in the Loan Agreement (other than any representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct as of the date hereof as though made as of the date hereof.

(iv) Consummation of Acquisition. Evidence that the Acquisition has been consummated in accordance with the Purchase Agreement.

(v) Other Required Documentation. All other documents and legal matters in connection with the transactions contemplated by this Consent shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Lender.

(b) Conditions Subsequent. Borrower's failure to comply with the following conditions within the respective periods stated shall constitute an Event of Default under the Loan Agreement:

(i) Within ten (10) business days of this Consent, Borrower shall execute all necessary documents and make all necessary arrangements to have all collections of the Company remitted to the Blocked Accounts.

(ii) Within ten (10) business days of this Consent, Borrower shall provide Lender with evidence satisfactory to Lender that all Inventory (as defined in the Purchase Agreement) of the Company has been transferred to Borrower's main warehouse.

(iii) Within ten (10) business days of this Consent, Borrower shall execute and deliver to Lender, in form suitable for filing and recording, all appropriate financing statements, instruments and documents required to grant Lender a perfected first priority security interest in the "Urban Flex" and "Urban Sport" trademarks, and within sixty (60) days of this Consent, Lender shall have received evidence of such perfected first priority security interest satisfactory to Lender.

3. Treatment of Accounts Receivable and Inventory.

(a) All accounts receivable acquired by Borrower pursuant to the Purchase Agreement (as referred to herein, the "Purchased Accounts") shall constitute Collateral under the Loan Agreement. However, the Purchased Accounts shall not be deemed Eligible Accounts (as defined in the Loan Agreement) until such time as Lender shall have completed an audit of the Purchased Accounts and the results of such audit are satisfactory to Lender.

(b) Borrower shall include all Inventory (as defined in the Purchase Agreement) of the Company in all of Borrower's inventory reports delivered to Lender beginning with the first such inventory report delivered after the date of this Consent, and Lender will include such Inventory (as defined in the Purchase Agreement) of the Company in any appraisal of the Inventory (as defined in the Loan Agreement) conducted by Lender pursuant to the Loan

Agreement, including the appraisal of Inventory (as defined in the Loan Agreement) to be conducted by Lender in March, 1999.

4. Further Assurances. Borrower will execute and deliver, or cause to be executed and delivered, all other financing statements, instruments and documents, and take all other actions, as Lender may request from time to time in order to carry out the provisions and purposes of this Consent.

5. Representations and Warranties. Borrower represents and warrants as follows:

(a) Authority. Borrower has the requisite corporate power and authority to execute and deliver this Consent and the Purchase Agreement and to perform its obligations hereunder and thereunder. The execution, delivery and performance by Borrower of this Consent and the Purchase Agreement have been duly approved by all necessary corporate action of Borrower and no other corporate proceedings on the part of Borrower are necessary to consummate such transactions.

(b) Enforceability. This Consent has been duly executed and delivered by Borrower. This Consent is the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, and is in full force and effect.

(c) Compliance with Laws. All actions and proceedings required under applicable laws or regulations in connection with the Acquisition (including, without limitation, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended) have been duly and validly taken and consummated.

(d) Representations and Warranties. The representations and warranties contained in each Financing Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct as of the date hereof as though made as of the date hereof.

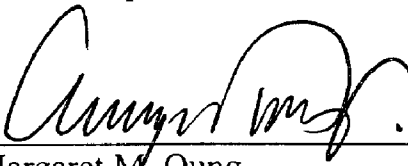
(e) No Default. No event has occurred and is continuing that constitutes an Event of Default.

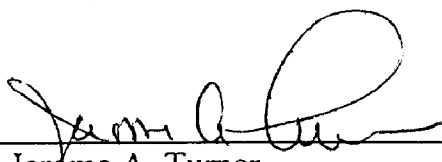
6. Choice of Law. The validity of this Consent, its construction, interpretation and enforcement, the rights of the parties hereunder, shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State.

7. Counterparts. This Consent may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Consent by telefacsimile shall be effective as delivery of a manually executed counterpart of this Consent.

IN WITNESS WHEREOF, the parties have entered into this Consent as of the date first above written.

AMERICAN SPORTING GOODS
CORPORATION,
a Delaware corporation

By: 
Margaret M. Oung
Chairperson of the Board

By: 
Jerome A. Turner
President

CONGRESS FINANCIAL CORPORATION
(WESTERN),
a California corporation

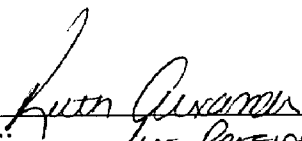
By: 
Its: VICE PRESIDENT

Exhibit A

Asset Purchase Agreement

Loan and Security Agreement

by and between

CONGRESS FINANCIAL CORPORATION (WESTERN)
as Lender

and

AMERICAN SPORTING GOODS CORPORATION
as Borrower

Dated: May 31, 1996

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement dated May 31, 1996 is entered into by and between Congress Financial Corporation (Western), a California corporation ("Lender") and American Sporting Goods Corporation, a Delaware corporation ("Borrower").

W I T N E S S E T H:

WHEREAS, Borrower has requested that Lender enter into certain financing arrangements with Borrower pursuant to which Lender may make loans and provide other financial accommodations to Borrower; and

WHEREAS, Lender is willing to make such loans and provide such financial accommodations on the terms and conditions set forth herein;

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

SECTION 1. DEFINITIONS

All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural. All references to Borrower and Lender pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 11.3. Any accounting term used herein unless otherwise defined in this Agreement shall have the meanings customarily given to such term in accordance with GAAP. For purposes of this Agreement, the following terms shall have the respective meanings given to them below:

1.1 "Accounts" shall mean all present and future rights of Borrower to payment for goods sold or leased or for services rendered, which are not evidenced by instruments or chattel paper, and whether or not earned by performance.

1.2 "Adjusted Eurodollar Rate" shall mean, with respect to each Interest Period for any Eurodollar Rate Loan, the rate per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) determined by dividing (1) the Eurodollar

Rate for such Interest Period by (2) a percentage equal to: (i) one (1) minus (ii) the Reserve Percentage. For purposes hereof, "Reserve Percentage" shall mean the reserve percentage, expressed as a decimal, prescribed by any United States or foreign banking authority for determining the reserve requirement which is or would be applicable to deposits of United States dollars in a non-United States or an international banking office of Reference Bank used to fund a Eurodollar Rate Loan or any Eurodollar Rate Loan made with the proceeds of such deposit, whether or not the Reference Bank actually holds or has made any such deposits or loans. The Adjusted Eurodollar Rate shall be adjusted on and as of the effective day of any change in the Reserve Percentage.

1.3 "Adjusted Net Worth" shall mean as to any Person, at any time, in accordance with GAAP (except as otherwise specifically set forth below), on a consolidated basis for such Person and its subsidiaries (if any), the amount equal to: (a) the difference between: (i) the aggregate net book value of all assets of such Person and its subsidiaries, calculating the book value of inventory for this purpose on a first-in-first-out basis, after deducting from such book values all appropriate reserves in accordance with GAAP (including all reserves for doubtful receivables, obsolescence, depreciation and amortization) and (ii) the aggregate amount of the indebtedness and other liabilities of such Person and its subsidiaries (including tax and other proper accruals) plus (b) indebtedness of such Person and its subsidiaries which is subordinated in right of payment to the full and final payment of all of the Obligations on terms and conditions acceptable to Lender.

1.4 "Availability Reserves" shall mean, as of any date of determination, such amounts as Lender may from time to time establish and revise in good faith reducing the amount of Revolving Loans and Letter of Credit Accommodations which would otherwise be available to Borrower under the lending formula(s) provided for herein: (a) to reflect events, conditions, contingencies or risks arising after the date hereof (or which were not previously disclosed to Lender) which, as reasonably determined by Lender in good faith, do or are reasonably likely to adversely affect either (i) a material portion of the Collateral or any other property which is security for the Obligations or its value, (ii) a material portion of the assets of Borrower or any Obligor or (iii) the security interests and other rights of Lender in the Collateral (including the enforceability, perfection and priority thereof) or (b) to reflect Lender's good faith belief that any collateral report or financial information furnished by or on behalf of Borrower or any Obligor to Lender is or may have been incomplete, inaccurate or misleading in any material respect or (c) in respect of any state of facts which Lender determines in good faith constitutes an Event of Default or is reasonably likely to, with notice or passage of time or both, constitute an Event of Default.

1.5 "Blocked Accounts" shall have the meaning set forth in Section 6.3 hereof.

1.6 "Business Day" shall mean (a) for the Prime Rate Loans, any day other than a Saturday, Sunday, or other day on which commercial banks are authorized or required to close under the laws of the States of New York or California or the Commonwealth of Pennsylvania, and a day on which the Reference Bank and Lender are open for the transaction of business, and (b) for all Eurodollar Rate Loans, any such day as described in (a) above in this definition of Business Day, excluding any day on which banks are closed

for dealings in dollar deposits in the London interbank market or other applicable Eurodollar Rate market.

1.7 “California Taxable Income” shall mean the taxable income of Borrower for any taxable year computed pursuant to Section 23802 or any successor provision of the California Revenue and Taxation Code but calculated as if the taxable year of Borrower ended on the date with respect to which such taxable income calculation is made.

1.8 “Closing Date” shall mean the date of the initial advance made by Lender pursuant to Section 2 hereof.

1.9 “Code” shall mean the Internal Revenue Code of 1986, as the same now exists or may from time to time hereafter be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.10 “Collateral” shall have the meaning set forth in Section 5 hereof.

1.11 “Dividend Limitation” shall mean the sum of: (a) the product of the Maximum Effective California Rate and Borrower’s California Taxable Income except that the product in this subsection (a) shall be zero in the event Borrower does not qualify (or subsequently elects not) to be treated as an S corporation for California income tax purposes, plus (b) the product of the Maximum Federal Rate and Borrower’s Federal Taxable Income.

1.12 “Eligible Accounts” shall mean Accounts created by Borrower which are and continue to be acceptable to Lender based on the criteria set forth below. In general, Accounts shall be Eligible Accounts if:

(a) such Accounts arise from the actual and bona fide sale and delivery of goods by Borrower or rendition of services by Borrower in the ordinary course of its business which transactions are completed in accordance with the terms and provisions contained in any documents related thereto;

(b) such Accounts are not unpaid more than sixty (60) days after the due date of the original invoice for them, provided that such due date is no later than one hundred fifty (150) days past the original invoice date;

(c) such Accounts comply with the terms and conditions contained in Section 7.2(c) of this Agreement;

(d) such Accounts do not arise from sales on consignment, guaranteed sale, sale and return, sale on approval, or other terms under which payment by the account debtor may be conditional or contingent;

(e) the chief executive office of the account debtor with respect to such Accounts is located in the United States of America or Canada, or, at Lender’s option, if either: (i) the account debtor has delivered to Borrower an irrevocable letter of credit issued or confirmed by a bank satisfactory to Lender, sufficient to cover such Account, in form and

substance satisfactory to Lender and, if required by Lender, the original of such letter of credit has been delivered to Lender or Lender's agent and the issuer thereof notified of the assignment of the proceeds of such letter of credit to Lender, or (ii) such Account is subject to credit insurance payable to Lender issued by an insurer and on terms and in an amount acceptable to Lender, or (iii) such Account is otherwise acceptable in all respects to Lender (subject to such lending formula with respect thereto as Lender may determine);

(f) such Accounts do not consist of progress billings, bill and hold invoices or retainage invoices, except as to bill and hold invoices, if Lender shall have received an agreement in writing from the account debtor, in form and substance satisfactory to Lender, confirming the unconditional obligation of the account debtor to take the goods related thereto and pay such invoice;

(g) the account debtor with respect to such Accounts has not asserted a counterclaim, defense, dispute, deduction or chargeback and does not have, and does not engage in transactions which may give rise to, any right of setoff against such Accounts;

(h) there are no facts, events or occurrences which would impair the validity, enforceability or collectability of such Accounts or reduce the amount payable or delay payment thereunder;

(i) such Accounts are subject to the first priority, valid and perfected security interest of Lender and any goods giving rise thereto are not, and were not at the time of the sale thereof, subject to any liens except those permitted in this Agreement;

(j) neither the account debtor nor any officer or employee of the account debtor with respect to such Accounts is an officer, employee or agent of or affiliated with Borrower directly or indirectly by virtue of family membership, ownership, control, management or otherwise;

(k) the account debtors with respect to such Accounts are not any foreign government, the United States of America, any State, political subdivision, department, agency or instrumentality thereof, unless, if the account debtor is the United States of America, any State, political subdivision, department, agency or instrumentality thereof, upon Lender's request, the Federal Assignment of Claims Act of 1940, as amended or any similar State or local law, if applicable, has been complied with in a manner satisfactory to Lender;

(l) there are no proceedings or actions which are threatened or pending against the account debtors with respect to such Accounts which might result in any material adverse change in any such account debtor's financial condition;

(m) such Accounts of a single account debtor or its affiliates do not constitute more than fifteen percent (15%) of all otherwise Eligible Accounts, with the exception of Brown Group Inc., JC Penney Co. Inc., Kinney Shoe Corp., Kohls Department Stores, Inc., Sears Roebuck & Co. Inc., Sports Authority, Inc. and United Merchandising Corp. for which the applicable concentration percentage shall be twenty percent (20%) (but

the portion of the Accounts not in excess of such percentage may be deemed Eligible Accounts);

(n) such Accounts are not owed by an account debtor who has Accounts unpaid more than sixty (60) days after the due date of the original invoice for them, provided that such due date is no later than one hundred fifty (150) days past the original invoice date, which constitute more than fifty percent (50%) of the total Accounts of such account debtor; and

(o) such Accounts are owed by account debtors whose total indebtedness to Borrower does not exceed the credit limit with respect to such account debtors as determined by Lender from time to time (but the portion of the Accounts not in excess of such credit limit may still be deemed Eligible Accounts).

General criteria for Eligible Accounts may be established and revised from time to time by Lender in good faith. Any Accounts which are not Eligible Accounts shall nevertheless be part of the Collateral.

1.13 "Eligible In-Transit Inventory" shall mean Eligible Inventory which is in transit, fully insured, indefeasibly owned by Borrower endorsed to Lender or its assignees and meets all criteria for Eligible Inventory.

1.14 "Eligible Inventory" shall mean Inventory consisting of finished goods held for resale in the ordinary course of the business of Borrower, including Eligible In-Transit Inventory, which are acceptable to Lender based on the criteria set forth below. In general, Eligible Inventory shall not include (a) work-in-process; (b) raw materials; (c) components which are not part of finished goods; (d) spare parts for equipment; (e) packaging and shipping materials; (f) supplies used or consumed in Borrower's business; (g) odd-sized Inventory; (h) Inventory at premises other than those owned and controlled by Borrower, except for Eligible In-Transit Inventory, and except if Lender shall have received an agreement in writing from the person in possession of such Inventory and/or the owner or operator of such premises in form and substance satisfactory to Lender acknowledging Lender's first priority security interest in the Inventory, waiving security interests and claims by such person against the Inventory and permitting Lender access to, and the right to remain on, the premises so as to exercise Lender's rights and remedies and otherwise deal with the Collateral; (i) Inventory subject to a security interest or lien in favor of any person other than Lender except those permitted in this Agreement; (j) bill and hold goods; (k) unserviceable, obsolete or slow moving Inventory; (l) Inventory which is not subject to the first priority, valid and perfected security interest of Lender; (m) returned, damaged and/or defective Inventory; and (n) Inventory purchased or sold on consignment. General criteria for Eligible Inventory may be established and revised from time to time by Lender in good faith. Any Inventory which is not Eligible Inventory shall nevertheless be part of the Collateral.

1.15 "Environmental Laws" shall mean all federal, state, district, local and foreign laws, rules, regulations, ordinances, and consent decrees relating to health, safety, hazardous substances, pollution and environmental matters, as now or at any time hereafter in effect, applicable to Borrower's business and facilities (whether or not owned by it), including laws

relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes.

1.16 “Equipment” shall mean all of Borrower’s now owned and hereafter acquired equipment, machinery, computers and computer hardware and software (whether owned or licensed), vehicles, tools, furniture, fixtures, all attachments, accessions and property now or hereafter affixed thereto or used in connection therewith, and substitutions and replacements thereof, wherever located.

1.17 “ERISA” shall mean the United States Employee Retirement Income Security Act of 1974, as the same now exists or may hereafter from time to time be amended, modified, recodified or supplemented, together with all rules, regulations and interpretations thereunder or related thereto.

1.18 “ERISA Affiliate” shall mean any person required to be aggregated with Borrower or any of its Subsidiaries under Sections 414(b), 414(c), 414(m) or 414(o) of the Code.

1.19 “Eurodollar Rate Loans” shall mean any Loans or portion thereof on which interest is payable based on the Adjusted Eurodollar Rate in accordance with the terms hereof.

1.20 “Eurodollar Rate” shall mean with respect to the Interest Period for a Eurodollar Rate Loan, the interest rate per annum equal to the arithmetic average of the rates of interest per annum (rounded upwards, if necessary, to the next one-sixteenth (1/16) of one (1%) percent) at which Reference Bank is offered deposits of United States dollars in the London interbank market (or other Eurodollar Rate market selected by Borrower and approved by Lender) on or about 9:00 a.m. (New York time) two (2) Business Days prior to the commencement of such Interest Period in amounts substantially equal to the principal amount of the Eurodollar Rate Loans requested by and available to Borrower in accordance with this Agreement, with a maturity of comparable duration to the Interest Period selected by Borrower.

1.21 “Event of Default” shall mean the occurrence or existence of any event or condition described in Section 10.1 hereof.

1.22 “Excess Availability” shall mean the amount, as determined by Lender, calculated at any time, equal to: (a) the lesser of: (i) the amount of the Revolving Loans available to Borrower as of such time based on the applicable lending formulas set forth in Section 2.1 hereof multiplied by the Net Amount of Eligible Accounts and the Value of Eligible Inventory, as determined by Lender, plus unadvanced amounts available under the Overadvance Facility, if any, subject to the sublimits and Availability Reserves from time to time established by Lender hereunder, and (ii) the Maximum Credit, minus (b) the sum of:

(i) the amount of all then outstanding and unpaid Obligations, plus (ii) the aggregate amount of all then outstanding and unpaid trade payables of Borrower which are more than sixty (60) days past due as of such time, plus (iii) the aggregate amount of Borrower's bank overdrafts, plus (iv) the aggregate amount of fees and expenses incurred or to be incurred by Borrower with respect to all transactions related to the Purchase Agreements or this Agreement as reasonably determined by Lender; provided, however, that clause (iv) above shall only be a deduction in the calculation of Excess Availability in determining compliance with the condition precedent set forth in Section 4.1(h) hereof and shall not be a deduction in the calculation of Excess Availability to determine whether principal repayments may be made by Borrower on the Subordinated Indebtedness under Section 3b of the Subordination Agreement.

1.23 "Federal Taxable Income" shall mean the taxable income of Borrower for any taxable year computed pursuant to Section 1363(b) or any successor provision of the IRC but calculated as if the taxable year of Borrower ended on the date with respect to which such taxable income calculation is made.

1.24 "Financing Agreements" shall mean, collectively, this Agreement and all notes, guarantees, security agreements and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by Borrower or any Obligor in connection with this Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.25 "GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Boards which are applicable to the circumstances as of the date of determination consistently applied, except that, for purposes of Section 9.13 hereof, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the audited financial statements delivered to Lender prior to the date hereof.

1.26 "Hazardous Materials" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law).

1.27 "Information Certificate" shall mean the Information Certificate of Borrower constituting Exhibit A hereto containing material information with respect to Borrower, its business and assets provided by or on behalf of Borrower to Lender in connection with the

preparation of this Agreement and the other Financing Agreements and the financing arrangements provided for herein.

1.28 “Interest Period” shall mean for any Eurodollar Rate Loan, a period of approximately one (1), two (2), or three (3) months duration as Borrower may elect, the exact duration to be determined in accordance with the customary practice in the applicable Eurodollar Rate market; provided, that, Borrower may not elect an Interest Period which will end after the last day of the then-current term of this Agreement.

1.29 “Interest Rate” shall mean, (i) as to Prime Rate Loans excluding Prime Rate Loans advanced under the Overadvance Facility, a rate of one-half of one (.5) percentage point per annum in excess of the Prime Rate, (ii) as to Prime Rate Loans consisting of advances under the Overadvance Facility, a rate of two (2) percentage points per annum in excess of the Prime Rate, and (iii) as to Eurodollar Rate Loans, a rate of three (3) percentage points per annum in excess of the Adjusted Eurodollar Rate (based on the Eurodollar Rate applicable for the Interest Period selected by Borrower as in effect three (3) Business Days after the date of receipt by Lender of the request of Borrower for such Eurodollar Rate Loans in accordance with the terms hereof, whether such rate is higher or lower than any rate previously quoted to Borrower); provided, that, the Interest Rate shall mean (i) the rate of two and one-half (2.5) percentage points per annum in excess of the Prime Rate as to Prime Rate Loans excluding Prime Rate Loans advanced under the Overadvance Facility, (ii) the rate of four (4) percentage points per annum in excess of the Prime Rate as to Prime Rate Loans consisting of advances under the Overadvance Facility, and (iii) the rate of five (5) percentage points per annum in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans, at Lender’s option, without notice, (a) for the period on and after the date of termination of the term or any renewal term hereof, or the date of the occurrence of any Event of Default and for so long as such Event of Default is continuing as determined by Lender and until such time as all Obligations are indefeasibly paid in full (notwithstanding entry of any judgment against Borrower) and (b) on the Revolving Loans at any time outstanding in excess of the amounts available to Borrower under Section 2 subject to the Overadvance Facility (whether or not such excess(es), arise or are made with or without Lender’s knowledge or consent and whether made before or after an Event of Default).

1.30 “Inventory” shall mean all of Borrower’s now owned and hereafter existing or acquired raw materials, work in process, finished goods and all other inventory of whatsoever kind or nature, wherever located.

1.31 “Inventory Advance Rate” shall have the meaning set forth in Section 2.1(a)(ii).

1.32 “IRC” shall mean the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

1.33 “Letter of Credit Accommodations” shall mean the letters of credit, merchandise purchase or other guaranties which are from time to time either (a) issued or opened by Lender for the account of Borrower or any Obligor or (b) with respect to which

Lender has agreed to indemnify the issuer or guaranteed to the issuer the performance by Borrower of its obligations to such issuer.

1.34 “Loans” shall mean the Revolving Loans.

1.35 “License Agreement” shall mean that certain Trademark License Agreement between Ocean Pacific Apparel Corp. and Borrower, dated on or about January 28, 1993, as amended to date.

1.36 “Maximum Credit” shall mean the amount of Twenty-Eight Million Dollars (\$28,000,000.00).

1.37 “Maximum Effective California Rate” shall mean the product of (a) the maximum California personal income tax rate imposed on individuals pursuant to Sections 17041(a) and (c) or any successor provisions of the California Revenue and Taxation Code times (b) the difference between one (1.0) and the Maximum Federal Rate expressed as a decimal.

1.38 “Maximum Federal Rate” shall mean the maximum Federal income tax rate imposed on individuals pursuant to Sections 1(a)-(d) or any successor provisions of the IRC, as adjusted pursuant to Section 15 or any successor provision of the IRC, if applicable.

1.39 “Net Amount of Eligible Accounts” shall mean the gross amount of Eligible Accounts less (a) sales, excise or similar taxes included in the amount thereof and (b) returns, discounts, claims, credits and allowances of any nature at any time issued, owing, granted, outstanding, available or claimed with respect thereto.

1.40 “Obligations” shall mean any and all Revolving Loans, Letter of Credit Accommodations and all other obligations, liabilities and indebtedness of every kind, nature and description owing by Borrower to Lender and/or its affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, whether arising under this Agreement or otherwise, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any case with respect to Borrower under the United States Bankruptcy Code or any similar statute (including, without limitation, the payment of interest and other amounts which would accrue and become due but for the commencement of such case), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by Lender.

1.41 “Obligor” shall mean any guarantor, endorser, acceptor, surety or other person liable on or with respect to the Obligations or who is the owner of any property which is security for the Obligations, other than Borrower.

1.42 “Overadvance Facility” shall have the meaning set forth in Section 2.1(c).

1.43 “Payment Account” shall have the meaning set forth in Section 6.3 hereof.

1.44 "Permitted Dividend Amount" shall mean the amount by which the Dividend Limitation for the taxable year exceeds the aggregate dividends paid by Borrower for such year pursuant to Section 9.17, including dividends paid within one hundred five (105) days after the end of the taxable year which are designated by Borrower as attributable to such year; provided that:

(a) if, at the end of any taxable year of Borrower, the Dividend Limitation for such year exceeds the aggregate dividends paid by Borrower for such year pursuant to Section 9.17, then such excess shall be ignored for purposes of computing the Permitted Dividend Amount for any subsequent period;

(b) if, at the end of any taxable year of Borrower, the aggregate dividends paid by Borrower for such year pursuant to Section 9.17 exceed the Dividend Limitation, the Permitted Dividend Amount shall be zero (0), and such excess shall be included in the calculation of the aggregate dividends paid by Borrower for the following taxable year(s); and

(c) if Borrower's S corporation election made pursuant to IRC Section 1362 or any successor provision shall be determined to be invalid, or is revoked or terminated, then the Permitted Dividend Amount shall be zero (0) from and after the date of such invalidity, revocation, or termination.

1.45 "Person" or "person" shall mean any individual, sole proprietorship, partnership, corporation (including, without limitation, any corporation which elects subchapter S status under the Internal Revenue Code of 1986, as amended), business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

1.46 "Prime Rate" shall mean the rate from time to time publicly announced by CoreStates Bank, N.A., or its successors, at its office in Philadelphia, Pennsylvania, as its prime rate, whether or not such announced rate is the best rate available at such bank.

1.47 "Prime Rate Loans" shall mean any Loans or portion thereof on which interest is payable based on the Prime Rate in accordance with the terms thereof.

1.48 "Purchase Agreements" shall mean, individually and collectively, the Asset Purchase Agreement dated May 31, 1996, between Borrower and Seller, together with bills of sale, quitclaim deeds, assignment and assumption agreements and such other instruments of transfer as are referred to therein and all side letters with respect thereto, and all agreements, documents and instruments executed and/or delivered in connection therewith, as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced; provided, that, "Purchase Agreements" as used herein shall not include any of the "Financing Agreements" as such terms is defined herein.

1.49 "Purchase Assets" shall mean certain of the assets and properties acquired by Borrower from Seller pursuant to the Purchase Agreement.

1.50 “Records” shall mean all of Borrower’s present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrower with respect to the foregoing maintained with or by any other person).

1.51 “Reference Bank” shall mean CoreStates Bank, N.A., or such other bank as Lender may from time to time designate.

1.52 “Revolving Loans” shall mean the loans now or hereafter made by Lender to or for the benefit of Borrower on a revolving basis (involving advances, repayments and readvances) as set forth in Section 2.1 hereof.

1.53 “Seller” shall mean AVIA Group International, Inc., a Delaware corporation, and its successors and assigns.

1.54 “Subordination Agreement” shall mean that certain Intercreditor and Subordination Agreement among Lender, Margaret M. Oung and Borrower of even date herewith providing for the respective priorities between the Obligations and the Subordinated Indebtedness.

1.55 “Subordinated Indebtedness” shall mean the indebtedness in the amount of Two Million Dollars (\$2,000,000) of Borrower payable to Margaret M. Oung pursuant to the Subordinated Note.

1.56 “Subordinated Note” shall mean that certain Promissory Note of even date herewith between Margaret M. Oung and Borrower, pursuant to which Margaret M. Oung has made the Subordinated Indebtedness available to Borrower.

1.57 “Value” shall mean, as determined by Lender in good faith, with respect to Inventory, the lower of (a) cost computed on a first-in-first-out basis in accordance with GAAP or (b) market value.

SECTION 2. CREDIT FACILITIES

2.1 Revolving Loans.

(a) Subject to, and upon the terms and conditions contained herein, Lender agrees to make Revolving Loans to Borrower from time to time in amounts requested by Borrower up to the amount equal to the sum of:

(i) eighty-five percent (85%) of the Net Amount of Eligible Accounts not included as part of the Purchased Assets, and ninety percent

(90%) of the Net Amount of Accounts included as part of the Purchased Assets otherwise meeting the definition of Eligible Accounts; plus

(ii) the lesser of: (A) sixty-five percent (65%) of the Value of Eligible Inventory (including Eligible In-Transit Inventory less reserves established by Lender in its reasonable credit judgment for charges, costs and expenses in paying for and obtaining actual delivery of such Eligible In-Transit Inventory, including, without limitation, duty and freight charges), which percentage advance rate of sixty-five percent (65%) shall be reduced by one (1) percentage point per month commencing on the first day of the first month following ninety (90) days after the Closing Date and continuing to similarly reduce each month thereafter until an advance rate of sixty percent (60%) is reached (the applicable percentage of the Value of Eligible Inventory being referred to herein as the "Inventory Advance Rate"); or (B) the amount equal to: (1) Eighteen Million Dollars (\$18,000,000), provided that no more than Three Million Dollars (\$3,000,000) in advances shall be outstanding against Eligible In-Transit Inventory at any one time, and provided further, that no more than Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000) in advances shall be outstanding against Eligible Inventory subject to the License Agreement at any one time, minus (2) the then undrawn amounts of the outstanding Letter of Credit Accommodations multiplied by the applicable percentages as provided in Section 2.2(c) below; less

(iii) any Availability Reserves.

(b) Lender may, in its discretion, from time to time, upon not less than five (5) days prior notice to Borrower, (i) reduce the lending formula with respect to Eligible Accounts to the extent that Lender determines in good faith that: (A) the dilution with respect to the Accounts for any period (based on the ratio of (1) the aggregate amount of reductions in Accounts other than as a result of payments in cash to (2) the aggregate amount of total sales) has increased in any material respect or may be reasonably anticipated to increase in any material respect above historical levels, or (B) the general creditworthiness of account debtors has declined, (ii) reduce the lending formula(s) with respect to Eligible Inventory to the extent that Lender determines that: (A) the number of days of the turnover or the mix of the Inventory for any period has changed in any material respect or (B) the orderly liquidation value of the Eligible Inventory, or any category thereof, has decreased, or (C) the nature and quality of the Inventory has deteriorated. In determining whether to reduce the lending formula(s), Lender may consider events, conditions, contingencies or risks which are also considered in determining Eligible Accounts, Eligible Inventory or in establishing Availability Reserves, or (iii) reduce the amounts to be advanced against Eligible In-Transit Inventory or require Borrower to repay advances previously advanced against Eligible In-Transit Inventory in the event that the United States imposes import quotas or takes other punitive measures against footwear imported from the Peoples Republic of China.

(c) Except in Lender's discretion, the aggregate amount of the Loans and the Letter of Credit Accommodations outstanding at any time shall not exceed the Maximum Credit. In the event that the outstanding amount of any component of the Loans, or the

aggregate amount of the outstanding Loans and Letter of Credit Accommodations, exceed the amounts available under the lending formulas set forth in Section 2.1(a) hereof, the sublimits for Letter of Credit Accommodations set forth in Section 2.2(c) or the Maximum Credit, as applicable, such event shall not limit, waive or otherwise affect any rights of Lender in that circumstance or on any future occasions and Borrower shall, upon demand by Lender, which may be made at any time or from time to time, immediately repay to Lender the entire amount of any such excess(es) for which payment is demanded. Notwithstanding the foregoing, and provided the conditions set forth below have been met, Lender agrees to provide additional borrowing availability to Borrower in excess of the amounts otherwise available under the lending formulas set forth in Section 2.1(a) above, of up to One Million Dollars (\$1,000,000) outstanding at any one time under this facility (the "Overadvance Facility") during the period from the Closing Date through the date immediately prior to the first anniversary date of the Closing Date and the Overadvance Facility shall terminate on the first anniversary date of the Closing Date. The Overadvance Facility shall be made available by Lender to Borrower, subject to compliance by Borrower with all of the following conditions: (i) Borrower shall have provided Lender with at least two (2) Business Days prior notice of its requirement to access the Overadvance Facility; (ii) no Event of Default shall have occurred and be continuing or would result from the use by Borrower of the Overadvance Facility; and (iii) the sum of the Revolving Loans and amounts advanced under the Overadvance Facility shall not at any time exceed the Maximum Credit. All amounts outstanding under the Overadvance Facility shall be fully repaid by Borrower to Lender on or before the first anniversary date of the Closing Date.

2.2 Letter of Credit Accommodations.

(a) Subject to, and upon the terms and conditions contained herein, at the request of Borrower, Lender agrees to provide or arrange for Letter of Credit Accommodations for the account of Borrower containing terms and conditions acceptable to Lender and the issuer thereof. Any payments made by Lender to any issuer thereof and/or related parties in connection with the Letter of Credit Accommodations shall constitute additional Revolving Loans to Borrower pursuant to this Section 2.

(b) In addition to any charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations, Borrower shall pay to Lender a letter of credit fee at a rate equal to one and three-quarters percent (1.75%) per annum on the daily outstanding balance of the Letter of Credit Accommodations for the immediately preceding month (or part thereof), payable in arrears as of the first day of each succeeding month. Such letter of credit fee shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed and the obligation of Borrower to pay such fee shall survive the termination or non-renewal of this Agreement.

(c) No Letter of Credit Accommodations shall be available unless on the date of the proposed issuance of any Letter of Credit Accommodations, the Revolving Loans available to Borrower (subject to the Maximum Credit and any Availability Reserves) are equal to or greater than: (i) if the proposed Letter of Credit Accommodation is for the purpose of purchasing Eligible Inventory, the sum of (A) the amount equal to the Value of such Eligible Inventory multiplied by that percentage equal to one (1) minus the Inventory

Advance Rate expressed as a decimal, plus (B) freight, taxes, duty and other amounts which Lender estimates must be paid in connection with such Inventory upon arrival and for delivery to one of Borrower's locations for Eligible Inventory within the United States of America and (ii) if the proposed Letter of Credit Accommodation is for any other purpose, an amount equal to one hundred (100%) percent of the face amount thereof and all other commitments and obligations made or incurred by Lender with respect thereto. Effective on the issuance of each Letter of Credit Accommodation, the amount of Revolving Loans which might otherwise be available to Borrower shall be reduced by the applicable amount set forth in Section 2.2(c)(i) or Section 2.2(c)(ii).

(d) Except in Lender's discretion, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Lender in connection therewith, shall not at any time exceed Four Million Five Hundred Thousand Dollars (\$4,500,000). At any time an Event of Default exists or has occurred and is continuing, upon Lender's request, Borrower will either furnish cash collateral to secure the reimbursement obligations to the issuer in connection with any Letter of Credit Accommodations or furnish cash collateral to Lender for the Letter of Credit Accommodations, and in either case, the Revolving Loans otherwise available to Borrower shall not be reduced as provided in Section 2.2(c) to the extent of such cash collateral.

(e) Borrower shall indemnify and hold Lender harmless from and against any and all losses, claims, damages, liabilities, costs and expenses which Lender may suffer or incur, except as a result of Lender's gross negligence or wilful misconduct, in connection with any Letter of Credit Accommodations and any documents, drafts or acceptances relating thereto, including, but not limited to, any losses, claims, damages, liabilities, costs and expenses due to any action taken by any issuer or correspondent with respect to any Letter of Credit Accommodation. Borrower assumes all risks with respect to the acts or omissions of the drawer under or beneficiary of any Letter of Credit Accommodation and for such purposes the drawer or beneficiary shall be deemed Borrower's agent. Borrower assumes all risks for, and agrees to pay, all foreign, Federal, State and local taxes, duties and levies relating to any goods subject to any Letter of Credit Accommodations or any documents, drafts or acceptances thereunder. Borrower hereby releases and holds Lender harmless from and against any acts, waivers, errors, delays or omissions, whether caused by Borrower, by any issuer or correspondent or otherwise, but not if caused by the gross negligence or wilful misconduct of Lender, with respect to or relating to any Letter of Credit Accommodation. The provisions of this Section 2.2(e) shall survive the payment of Obligations and the termination or non-renewal of this Agreement.

(f) Nothing contained herein shall be deemed or construed to grant Borrower any right or authority to pledge the credit of Lender in any manner. Lender shall have no liability of any kind with respect to any Letter of Credit Accommodation provided by an issuer other than Lender unless Lender has duly executed and delivered to such issuer the application or a guarantee or indemnification in writing with respect to such Letter of Credit Accommodation. Borrower shall be bound by any interpretation made in good faith by Lender, or any other issuer or correspondent under or in connection with any Letter of Credit Accommodation or any documents, drafts or acceptances thereunder, notwithstanding that such interpretation may be inconsistent with any instructions of Borrower. Lender shall

have the sole and exclusive right and authority to, and Borrower shall not: (i) at any time an Event of Default exists or has occurred and is continuing, (A) approve or resolve any questions of non-compliance of documents, (B) give any instructions as to acceptance or rejection of any documents or goods or (C) execute any and all applications for steamship or airway guaranties, indemnities or delivery orders, and (ii) at all times, (A) grant any extensions of the maturity of, time of payment for, or time of presentation of, any drafts, acceptances, or documents, and (B) agree to any amendments, renewals, extensions, modifications, changes or cancellations of any of the terms or conditions of any of the applications, Letter of Credit Accommodations, or documents, drafts or acceptances thereunder or any letters of credit included in the Collateral. Lender may take such actions either in its own name or in Borrower's name.

(g) Any rights, remedies, duties or obligations granted or undertaken by Borrower to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been granted or undertaken by Borrower to Lender. Any duties or obligations undertaken by Lender to any issuer or correspondent in any application for any Letter of Credit Accommodation, or any other agreement by Lender in favor of any issuer or correspondent relating to any Letter of Credit Accommodation, shall be deemed to have been undertaken by Borrower to Lender and to apply in all respects to Borrower.

SECTION 3. INTEREST AND FEES

3.1 Interest.

(a) Borrower shall pay to Lender interest on the outstanding principal amount of the non-contingent Obligations at the Interest Rate. All interest accruing hereunder on and after the date of any Event of Default, and for so long as such Event of Default is continuing, or on or after the termination of the term or any renewal term hereof shall be payable on demand.

(b) Borrower may from time to time request that Prime Rate Loans be converted to Eurodollar Rate Loans or that any existing Eurodollar Rate Loans continue for an additional Interest Period. Such request from Borrower shall specify the amount of the Prime Rate Loans which will constitute Eurodollar Rate Loans (subject to the limits set forth below) and the Interest Period to be applicable to such Eurodollar Rate Loans. Subject to the terms and conditions contained herein, three (3) Business Days after receipt by Lender of such a request from Borrower, such Prime Rate Loans shall be converted to Eurodollar Rate Loans or such Eurodollar Rate Loans shall continue, as the case may be, provided, that, (i) no Event of Default exists or has occurred and is continuing, (ii) no party hereto shall have sent any notice of termination or non-renewal of this Agreement, (iii) Borrower shall have complied with such customary procedures as are established by Lender and specified by Lender to Borrower from time to time for requests by Borrower for Eurodollar Rate Loans, (iv) no more than four (4) Interest Periods may be in effect at any one time, (v) the aggregate amount of the Eurodollar Rate Loans must be in an amount not less than

\$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, (vi) the maximum amount of the Eurodollar Rate Loans at any time requested by Borrower shall not exceed the amount equal to eighty (80%) percent of the daily average of the principal amount of the Revolving Loans which it is anticipated will be outstanding during the applicable Interest Period, in each case as determined by Lender (but with no obligation of Lender to make such Revolving Loans) and (vii) Lender shall have determined that the Interest Period or Adjusted Eurodollar Rate is available to Lender through the Reference Bank and can be readily determined as of the date of the request for such Eurodollar Rate Loan by Borrower. Any request by Borrower to convert Prime Rate Loans to Eurodollar Rate Loans or to continue any existing Eurodollar Rate Loans shall be irrevocable. Notwithstanding anything to the contrary contained herein, Lender and Reference Bank shall not be required to purchase United States Dollar deposits in the London interbank market or other applicable Eurodollar Rate market to fund any Eurodollar Rate Loans, but the provisions hereof shall be deemed to apply as if Lender and Reference Bank had purchased such deposits to fund the Eurodollar Rate Loans.

(c) Any Eurodollar Rate Loans shall automatically convert to Prime Rate Loans upon the last day of the applicable Interest Period, unless Lender has received and reviewed a request, and Borrower is entitled, to continue such Eurodollar Rate Loan at least three (3) Business Days prior to such last day in accordance with the terms hereof. Any Eurodollar Rate Loans shall, at Lender's option, upon notice by Lender to Borrower, convert to Prime Rate Loans in the event that (i) an Event of Default shall exist or has occurred and is continuing, (ii) this Agreement shall terminate or not be renewed, or (iii) the aggregate principal amount of the Prime Rate Loans which have previously been converted to Eurodollar Rate Loans or existing Eurodollar Rate Loans continued, as the case may be, at the beginning of an Interest Period shall at any time during such Interest Period exceed either (A) the aggregate principal amount of the Loans then outstanding, or (B) the sum of the then outstanding principal amount of the Revolving Loans then available to Borrower under Section 2 hereof. Borrower shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person, as a result of the conversion of Eurodollar Rate Loans to Prime Rate Loans pursuant to any of the foregoing.

(d) Interest shall be payable by Borrower to Lender monthly in arrears not later than the first day of each calendar month and shall be calculated on the basis of a three hundred sixty (360) day year and actual days elapsed. The interest rate on non-contingent Obligations (other than Eurodollar Rate Loans) shall increase or decrease by an amount equal to each increase or decrease in the Prime Rate effective on the first day of the month after any change in such Prime Rate is announced based on the Prime Rate in effect on the last day of the month in which any such change occurs. In no event shall charges constituting interest payable by Borrower to Lender exceed the maximum amount or the rate permitted under any applicable law or regulation, and if any such part or provision of this Agreement is in contravention of any such law or regulation, such part or provision shall be deemed amended to conform thereto.

3.2 Closing Fee. Borrower shall pay to Lender as a Closing Fee the amount of Two Hundred Eighty Thousand Dollars (\$280,000), which shall be fully earned as of and payable on the date hereof.

3.3 Loan Servicing Fee. Borrower shall pay to Lender annually a Loan Servicing Fee in an amount equal to one-eighth of one percent (0.125%) of the Maximum Credit while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be fully earned as of and payable in advance as of the Closing Date and on each anniversary of the Closing Date.

3.4 Changes in Laws and Increased Costs of Loans.

(a) Notwithstanding anything to the contrary contained herein, all Eurodollar Rate Loans shall, upon notice by Lender to Borrower, convert to Prime Rate Loans in the event that (i) any change in applicable law or regulation (or the interpretation or administration thereof) shall either (A) make it unlawful for Lender or Reference Bank to make or maintain Eurodollar Rate Loans or to comply with the terms hereof in connection with the Eurodollar Rate Loans, by an amount deemed by Lender to be material, or (B) shall result in the increase in the costs to Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans or (C) reduce the amounts received or receivable by Lender in respect thereof, by an amount deemed by Lender to be material or (ii) the cost to Lender, Reference Bank or any participant of making or maintaining any Eurodollar Rate Loans shall otherwise increase by an amount deemed by Lender to be material. Borrower shall pay to Lender, upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any loss (including loss of anticipated profits), cost or expense incurred by such person as a result of the foregoing, including, without limitation, any such loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain the Eurodollar Rate Loans or any portion thereof. A certificate of Lender setting forth the basis for the determination of such amount necessary to compensate Lender as aforesaid shall be delivered to Borrower and shall be conclusive, absent manifest error.

(b) If any payments or prepayments in respect of the Eurodollar Rate Loans are received by Lender other than on the last day of the applicable Interest Period (whether pursuant to acceleration, upon maturity or otherwise), including any payments pursuant to the application of collections under Section 6.3 or any other payments made with the proceeds of Collateral, Borrower shall pay to Lender upon demand by Lender (or Lender may, at its option, charge any loan account of Borrower) any amounts required to compensate Lender, the Reference Bank or any participant with Lender for any additional loss (including loss of anticipated profits), cost or expense incurred by such person as a result of such prepayment or payment, including, without limitation, any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such person to make or maintain such Eurodollar Rate Loans or any portion thereof.

SECTION 4. CONDITIONS

4.1 Conditions Precedent to Initial Loans and Letter of Credit Accommodations.

Each of the following is a condition precedent to Lender making the initial Loans and providing the initial Letter of Credit Accommodations hereunder:

(a) Lender shall have received, in form and substance satisfactory to Lender, all releases, terminations and such other documents as Lender may request to evidence and effectuate the termination by any supplier or any existing lender or lenders to Borrower or Seller of their respective financing arrangements with Borrower or Seller and the termination and release by it or them, as the case may be, of any interest in and to any assets and properties of Borrower and each Obligor, duly authorized, executed and delivered by it or each of them, including, but not limited to, UCC termination statements for all UCC financing statements previously filed by it or any of them or their predecessors, as secured party, and Borrower or any Obligor, as debtor;

(b) Lender shall have received evidence, in form and substance satisfactory to Lender, that Lender has valid perfected and first priority security interests in and liens upon the Collateral and any other property which is intended to be security for the Obligations or the liability of any Obligor in respect thereof, subject only to the security interests and liens permitted herein or in the other Financing Agreements;

(c) all requisite corporate action and proceedings in connection with this Agreement and the other Financing Agreements shall be satisfactory in form and substance to Lender, and Lender shall have received all information and copies of all documents, including, without limitation, records of requisite corporate action and proceedings which Lender may have requested in connection therewith, such documents where requested by Lender or its counsel to be certified by appropriate corporate officers or governmental authorities;

(d) no material adverse change shall have occurred in the assets, business or prospects of Borrower since the date of Lender's latest field examination and no change or event shall have occurred which would impair the ability of Borrower or any Obligor to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize upon the Collateral;

(e) Lender shall have completed a field review of the Records and such other information with respect to the Collateral as Lender may require to determine the amount of Revolving Loans available to Borrower, the results of which shall be satisfactory to Lender, not more than five (5) business days prior to the date hereof;

(f) Lender shall have received, in form and substance satisfactory to Lender, all consents, waivers, acknowledgments and other agreements from third persons which Lender may deem necessary or desirable in order to permit, protect and perfect its security interests in and liens upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Financing Agreements, including, without limitation, acknowledgements by lessors, mortgagees and warehousemen of Lender's security interests

in the Collateral, waivers by such persons of any security interests, liens or other claims by such persons to the Collateral and agreements permitting Lender access to, and the right to remain on, the premises to exercise its rights and remedies and otherwise deal with the Collateral;

(g) Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Financing Agreements, in form and substance satisfactory to Lender, and certificates of insurance policies and/or endorsements naming Lender as loss payee;

(h) the Excess Availability as determined by Lender, as of the date hereof, shall be not less than Two Million Dollars (\$2,000,000) after giving effect to the initial Loans made or to be made and Letter of Credit Accommodations issued or to be issued in connection with the initial transactions hereunder;

(i) Lender shall have received, in form and substance satisfactory to Lender, the opinion letter of counsel(s) to Borrower with respect to the Purchase Agreements, the Financing Agreements and the security interests and liens of Lender with respect to the Collateral and such other matters as Lender may request;

(j) Lender shall have received and approved the Purchase Agreements and shall have received, in form and substance satisfactory to Lender, evidence that the Purchase Agreements have been duly executed and delivered by and to the appropriate parties thereto and the transactions contemplated under the terms of the Purchase Agreement have been consummated prior to or contemporaneously with the execution of this Agreement;

(k) Lender shall have received evidence, in form and substance satisfactory to Lender, that the Subordinated Note has been executed and delivered by all parties thereto and become effective in accordance with their terms and that the Subordinated Debt to be provided Borrower thereunder in the net amount not less than Two Million Dollars (\$2,000,000) has been advanced prior to or contemporaneously with the execution of this Agreement on terms and conditions acceptable to Lender;

(l) Lender shall have received in form and substance satisfactory to Lender, the agreement of the Seller consenting to the collateral assignment by Borrower to Lender of all of Borrower's rights and remedies and claims for damages or other relief under the Purchase Agreements and granting Lender such other rights as Lender may require, duly authorized, executed and delivered by Seller;

(m) Lender shall have received, in form and substance satisfactory to Lender, a pro-forma balance sheet of Borrower reflecting the initial transactions contemplated hereunder, including, but not limited to, (i) the consummation of the acquisition of the Purchased Assets by Borrower from Seller and the other transactions contemplated by the Purchase Agreements and (ii) the Loans and Letter of Credit Accommodations provided by Lender to Borrower on the date hereof and the use of the proceeds of the initial Loan as provided herein, accompanied by a certificate, dated of even date herewith, of the chief financial officer of Borrower stating that such pro-forma balance sheet represents the

reasonable, good faith opinion of such officer as to the subject matter thereof as of the date of such certificate;

(n) Lender shall have reviewed and approved the Subordination Agreement and shall have received, in form and substance satisfactory to Lender, evidence that the Subordination Agreement, as acknowledged and agreed to by Borrower, providing for the subordination and permitted repayment of the Subordinated Indebtedness and related matters, has been duly authorized, executed and delivered by the parties thereto and has become effective in accordance with its terms;

(o) Lender shall have received, in form and substance satisfactory to Lender, a letter agreement from Ocean Pacific Apparel Corp. authorizing the Lender to sell Inventory subject to the License Agreement upon the occurrence of an Event of Default hereunder;

(p) Lender shall have received, in form and substance satisfactory to Lender, the Limited Guarantee of Jerome A. Turner guaranteeing the Obligations of Borrower to Lender up to the specific maximum amounts set forth therein;

(q) Lender shall have received, in form and substance satisfactory to Lender, Collateral Assignment of Patents (Security Agreement) and Collateral Assignment of Trademarks, each executed by Borrower in favor of Lender; and

(r) This Agreement and the other Financing Agreements and all instruments and documents hereunder and thereunder shall have been duly executed and delivered to Lender, in form and substance satisfactory to Lender.

4.2 Conditions Precedent to All Loans and Letter of Credit Accommodations. Each of the following is an additional condition precedent to Lender making Loans and/or providing Letter of Credit Accommodations to Borrower, including the initial Loans and Letter of Credit Accommodations and any future Loans and Letter of Credit Accommodations:

(a) all representations and warranties contained herein and in the other Financing Agreements shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of each such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto; and

(b) no Event of Default and no event or condition which, with notice or passage of time or both, would constitute an Event of Default, shall exist or have occurred and be continuing on and as of the date of the making of such Loan or providing each such Letter of Credit Accommodation and after giving effect thereto.

4.3 Condition(s) Subsequent. Within sixty (60) days of the Closing Date, Borrower shall have obtained a life insurance policy, in favor of Lender, issued by an insurer

and in a form acceptable to Lender, insuring the life of Jerome A. Turner in an amount not less than Two Million Dollars (\$2,000,000).

SECTION 5. GRANT OF SECURITY INTEREST

To secure payment and performance of all Obligations, Borrower hereby grants to Lender a continuing security interest in, a lien upon, and a right of set off against, and hereby assigns to Lender as security, the following property and interests in property, whether now owned or hereafter acquired or existing, and wherever located (collectively, the "Collateral"):

5.1 Accounts;

5.2 all present and future contract rights, general intangibles (including, but not limited to, tax and duty refunds, registered and unregistered patents, trademarks, service marks, copyrights, trade names, applications for the foregoing, trade secrets, goodwill, processes, drawings, blueprints, customer lists, licenses, whether as licensor or licensee, choses in action and other claims and existing and future leasehold interests in equipment, real estate and fixtures), chattel paper, documents, instruments, letters of credit, bankers' acceptances and guaranties;

5.3 all present and future monies, securities, credit balances, deposits, deposit accounts and other property of Borrower now or hereafter held or received by or in transit to Lender or its affiliates or at any other depository or other institution from or for the account of Borrower, whether for safekeeping, pledge, custody, transmission, collection or otherwise, and all present and future liens, security interests, rights, remedies, title and interest in, to and in respect of Accounts and other Collateral, including, without limitation, (a) rights and remedies under or relating to guaranties, contracts of suretyship, letters of credit and credit and other insurance related to the Collateral, (b) rights of stoppage in transit, replevin, repossession, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party, (c) goods described in invoices, documents, contracts or instruments with respect to, or otherwise representing or evidencing, Accounts or other Collateral, including, without limitation, returned, repossessed and reclaimed goods, and (d) deposits by and property of account debtors or other persons securing the obligations of account debtors;

5.4 Inventory;

5.5 Equipment;

5.6 Records; and

5.7 all products and proceeds of the foregoing, in any form, including, without limitation, insurance proceeds and all claims against third parties for loss or damage to or destruction of any or all of the foregoing.

SECTION 6. COLLECTION AND ADMINISTRATION

6.1 Borrower's Loan Account. Lender shall maintain one or more loan account(s) on its books in which shall be recorded (a) all Loans, Letter of Credit Accommodations and other Obligations and the Collateral, (b) all payments made by or on behalf of Borrower and (c) all other appropriate debits and credits as provided in this Agreement, including, without limitation, fees, charges, costs, expenses and interest. All entries in the loan account(s) shall be made in accordance with Lender's customary practices as in effect from time to time.

6.2 Statements. Lender shall render to Borrower each month a statement setting forth the balance in the Borrower's loan account(s) maintained by Lender for Borrower pursuant to the provisions of this Agreement, including principal, interest, fees, costs and expenses. Each such statement shall be subject to subsequent adjustment by Lender but shall, absent manifest errors or omissions, be considered correct and deemed accepted by Borrower and conclusively binding upon Borrower as an account stated except to the extent that Lender receives a written notice from Borrower of any specific exceptions of Borrower thereto within thirty (30) days after delivery in accordance with Section 12.2 hereof. Until such time as Lender shall have rendered to Borrower a written statement as provided above, the balance in Borrower's loan account(s) shall be presumptive evidence of the amounts due and owing to Lender by Borrower.

6.3 Collection of Accounts.

(a) Borrower shall establish and maintain, at its expense, blocked accounts or lockboxes and related blocked accounts (in either case, "Blocked Accounts"), as Lender may specify, with such banks as are acceptable to Lender into which Borrower shall promptly deposit and direct its account debtors to directly remit all payments on Accounts and all payments constituting proceeds of Inventory or other Collateral in the identical form in which such payments are made, whether by cash, check or other manner. The banks at which the Blocked Accounts are established shall enter into an agreement, in form and substance satisfactory to Lender, providing that all items received or deposited in the Blocked Accounts are the property of Lender, that the depository bank has no lien upon, or right to setoff against, the Blocked Accounts, the items received for deposit therein, or the funds from time to time on deposit therein and that the depository bank will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into the Blocked Accounts to such bank account of Lender as Lender may from time to time designate for such purpose ("Payment Account"). Borrower agrees that all payments made to such Blocked Accounts or other funds received and collected by Lender, whether on the Accounts or as proceeds of Inventory or other Collateral or otherwise shall be the property of Lender.

(b) For purposes of calculating interest on the Obligations, such payments or other funds received will be applied (conditional upon final collection) to the Obligations one (1) business day following the date of receipt of immediately available funds by Lender in the Payment Account or three (3) business days following the date of receipt of funds that are not immediately available to Lender in the Payment Account, as applicable. For purposes of calculating the amount of the Revolving Loans available to Borrower such

payments will be applied (conditional upon final collection) to the Obligations on the business day of receipt by Lender in the Payment Account, if such payments are received within sufficient time (in accordance with Lender's usual and customary practices as in effect from time to time) to credit Borrower's loan account on such day, and if not, then on the next business day.

(c) Borrower and all of its affiliates, subsidiaries, shareholders, directors, employees or agents shall, acting as trustee for Lender, receive, as the property of Lender, any monies, checks, notes, drafts or any other payment relating to and/or proceeds of Accounts or other Collateral which come into their possession or under their control and immediately upon receipt thereof, shall deposit or cause the same to be deposited in the Blocked Accounts, or remit the same or cause the same to be remitted, in kind, to Lender. In no event shall the same be commingled with Borrower's own funds. Borrower agrees to reimburse Lender on demand for any amounts owed or paid to any bank at which a Blocked Account is established or any other bank or person involved in the transfer of funds to or from the Blocked Accounts arising out of Lender's payments to or indemnification of such bank or person. The obligation of Borrower to reimburse Lender for such amounts pursuant to this Section 6.3 shall survive the termination or non-renewal of this Agreement.

6.4 Payments. All Obligations shall be payable to the Payment Account as provided in Section 6.3 or such other place as Lender may designate from time to time. Lender may apply payments received or collected from Borrower or for the account of Borrower (including, without limitation, the monetary proceeds of collections or of realization upon any Collateral) to such of the Obligations, whether or not then due, in such order and manner as Lender determines. At Lender's option, all principal, interest, fees, costs, expenses and other charges provided for in this Agreement or the other Financing Agreements may be charged directly to the loan account(s) of Borrower. Borrower shall make all payments to Lender on the Obligations free and clear of, and without deduction or withholding for or on account of, any setoff, counterclaim, defense, duties, taxes, levies, imposts, fees, deductions, withholding, restrictions or conditions of any kind. If after receipt of any payment of, or proceeds of Collateral applied to the payment of, any of the Obligations, Lender is required to surrender or return such payment or proceeds to any Person for any reason, then the Obligations intended to be satisfied by such payment or proceeds shall be reinstated and continue and this Agreement shall continue in full force and effect as if such payment or proceeds had not been received by Lender. Borrower shall be liable to pay to Lender, and does hereby indemnify and hold Lender harmless for the amount of any payments or proceeds surrendered or returned. This Section 6.4 shall remain effective notwithstanding any contrary action which may be taken by Lender in reliance upon such payment or proceeds. This Section 6.4 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

6.5 Authorization to Make Loans. Lender is authorized to make the Loans and provide the Letter of Credit Accommodations based upon telephonic or other instructions received from anyone purporting to be an officer of Borrower or other authorized person or, at the discretion of Lender, if such Loans are necessary to satisfy any Obligations. All requests for Loans or Letter of Credit Accommodations hereunder shall specify the date on which the requested advance is to be made or Letter of Credit Accommodations established

(which day shall be a business day) and the amount of the requested Loan. Requests received after 10:30 a.m., Los Angeles time on any day shall be deemed to have been made as of the opening of business on the immediately following business day. All Loans and Letter of Credit Accommodations under this Agreement shall be conclusively presumed to have been made to, and at the request of and for the benefit of, Borrower when deposited to the credit of Borrower or otherwise disbursed or established in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

6.6 Use of Proceeds. Borrower shall use the initial proceeds of the Loans provided by Lender to Borrower hereunder only for: (a) payments to each of the persons listed in the disbursement direction letter furnished by Borrower to Lender on or about the date hereof and (b) costs, expenses and fees in connection with the preparation, negotiation, execution and delivery of this Agreement and the other Financing Agreements. All other Loans made or Letter of Credit Accommodations provided by Lender to Borrower pursuant to the provisions hereof shall be used by Borrower only for general operating, working capital and other proper corporate purposes of Borrower not otherwise prohibited by the terms hereof. None of the proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security or for the purposes of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Loans to be considered a "purpose credit" within the meaning of Regulation G of the Board of Governors of the Federal Reserve System, as amended.

SECTION 7. COLLATERAL REPORTING AND COVENANTS

7.1 Collateral Reporting. Borrower shall provide Lender with the following documents in a form satisfactory to Lender: (a) on a regular basis as required by Lender, a schedule of Accounts; (b) on a monthly basis or more frequently as Lender may request, (i) perpetual inventory reports, (ii) inventory reports by category, (iii) agings of accounts receivable, and (iv) agings of accounts payable, (c) upon Lender's request, (i) copies of customer statements and credit memos, remittance advices and reports, and copies of deposit slips and bank statements, (ii) copies of shipping and delivery documents, and (iii) copies of purchase orders, invoices and delivery documents for Inventory acquired by Borrower; and (d) such other reports as to the Collateral as Lender shall request from time to time. If any of Borrower's records or reports of the Collateral are prepared or maintained by an accounting service, contractor, shipper or other agent, Borrower hereby irrevocably authorizes such service, contractor, shipper or agent to deliver such records, reports, and related documents to Lender and to follow Lender's instructions with respect to further services at any time that an Event of Default exists or has occurred and is continuing.

7.2 Accounts Covenants

(a) Borrower shall notify Lender promptly of: (i) any material delay in Borrower's performance of any of its obligations to any account debtor or the assertion of any claims, offsets, defenses or counterclaims by any account debtor, or any disputes with account debtors, or any settlement, adjustment or compromise thereof, (ii) all material

adverse information relating to the financial condition of any account debtor and (iii) any event or circumstance which, to Borrower's knowledge would cause Lender to consider any then existing Accounts as no longer constituting Eligible Accounts. No credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor without Lender's consent, except in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed in writing to Lender. So long as no Event of Default exists or has occurred and is continuing, Borrower shall settle, adjust or compromise any claim, offset, counterclaim or dispute with any account debtor. At any time that an Event of Default exists or has occurred and is continuing, Lender shall, at its option, have the exclusive right to settle, adjust or compromise any claim, offset, counterclaim or dispute with account debtors or grant any credits, discounts or allowances.

(b) Borrower shall promptly report, through the issuance of appropriate credit memoranda, to Lender any return of Inventory by an account debtor. At any time that Inventory is returned, reclaimed or repossessed, the related Account shall not be deemed an Eligible Account. In the event any account debtor returns Inventory when an Event of Default exists or has occurred and is continuing, Borrower shall, upon Lender's request, (i) hold the returned Inventory in trust for Lender, (ii) segregate all returned Inventory from all of its other property, (iii) dispose of the returned Inventory solely according to Lender's instructions, and (iv) not issue any credits, discounts or allowances with respect thereto without Lender's prior written consent.

(c) With respect to each Account: (i) the amounts shown on any invoice delivered to Lender or schedule thereof delivered to Lender shall be true and complete, (ii) no payments shall be made thereon except payments immediately delivered to Lender pursuant to the terms of this Agreement, (iii) no credit, discount, allowance or extension or agreement for any of the foregoing shall be granted to any account debtor except as reported to Lender in accordance with this Agreement and except for credits, discounts, allowances or extensions made or given in the ordinary course of Borrower's business in accordance with practices and policies previously disclosed to Lender, (iv) there shall be no setoffs, deductions, chargebacks, contras, defenses, counterclaims or disputes existing or asserted with respect thereto except as reported to Lender in accordance with the terms of this Agreement, (v) none of the transactions giving rise thereto will violate any applicable State or Federal laws or regulations, all documentation relating thereto will be legally sufficient under such laws and regulations and all such documentation will be legally enforceable in accordance with its terms.

(d) Lender shall have the right at any time or times, in Lender's name or in the name of a nominee of Lender, to verify the validity, amount or any other matter relating to any Account or other Collateral, by mail, telephone, facsimile transmission or otherwise.

(e) Borrower shall deliver or cause to be delivered to Lender, with appropriate endorsement and assignment, with full recourse to Borrower, all chattel paper and instruments which Borrower now owns or may at any time acquire immediately upon Borrower's receipt thereof, except as Lender may otherwise agree.

(f) Lender may, at any time or times that an Event of Default exists or has occurred and is continuing, (i) notify any or all account debtors that the Accounts have been assigned to Lender and that Lender has a security interest therein and Lender may direct any or all accounts debtors to make payment of Accounts directly to Lender, (ii) extend the time of payment of, compromise, settle or adjust for cash, credit, return of merchandise or otherwise, and upon any terms or conditions, any and all Accounts or other obligations included in the Collateral and thereby discharge or release the account debtor or any other party or parties in any way liable for payment thereof without affecting any of the Obligations, (iii) demand, collect or enforce payment of any Accounts or such other obligations, but without any duty to do so, and Lender shall not be liable for its failure to collect or enforce the payment thereof nor for the negligence of its agents or attorneys with respect thereto and (iv) take whatever other action Lender may deem necessary or desirable for the protection of its interests. At any time that an Event of Default exists or has occurred and is continuing, at Lender's request, all invoices and statements sent to any account debtor shall state that the Accounts and such other obligations have been assigned to Lender and are payable directly and only to Lender and Borrower shall deliver to Lender such originals of documents evidencing the sale and delivery of goods or the performance of services giving rise to any Accounts as Lender may require.

7.3 Inventory Covenants. With respect to the Inventory: (a) Borrower shall at all times maintain inventory records reasonably satisfactory to Lender, keeping correct and accurate records itemizing and describing the kind, type, quality and quantity of Inventory, Borrower's cost therefor and daily withdrawals therefrom and additions thereto; (b) Borrower shall conduct a physical count of the Inventory at least once each year, but at any time or times as Lender may request on or after an Event of Default, and promptly following such physical inventory shall supply Lender with a report in the form and with such specificity as may be reasonably satisfactory to Lender concerning such physical count; (c) Borrower shall not remove any Inventory from the locations set forth or permitted herein, without the prior written consent of Lender, except for sales of Inventory in the ordinary course of Borrower's business and except to move Inventory directly from one location set forth or permitted herein to another such location; (d) upon Lender's request, Borrower shall, at its expense, no more than once in any twelve (12) month period, but at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Inventory in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender, addressed to Lender or upon which Lender is expressly permitted to rely; (e) Borrower shall produce, use, store and maintain the Inventory, with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with applicable laws (including, but not limited to, the requirements of the Federal Fair Labor Standards Act of 1938, as amended and all rules, regulations and orders related thereto); (f) Borrower assumes all responsibility and liability arising from or relating to the production, use, sale or other disposition of the Inventory; (g) Borrower shall not sell Inventory to any customer on approval, or any other basis which entitles the customer to return or may obligate Borrower to repurchase such Inventory; (h) Borrower shall keep the Inventory in good and marketable condition; and (i) Borrower shall not, without prior written notice to Lender, acquire or accept any Inventory on consignment or approval.

7.4 Equipment Covenants. With respect to the Equipment: (a) upon Lender's request, Borrower shall, at its expense, at any time or times as Lender may request on or after an Event of Default, deliver or cause to be delivered to Lender written reports or appraisals as to the Equipment in form, scope and methodology acceptable to Lender and by an appraiser acceptable to Lender; (b) Borrower shall keep the Equipment in good order, repair, running and marketable condition (ordinary wear and tear excepted); (c) Borrower shall use the Equipment with all reasonable care and caution and in accordance with applicable standards of any insurance and in conformity with all applicable laws; (d) the Equipment is and shall be used in Borrower's business and not for personal, family, household or farming use; (e) Borrower shall not remove any Equipment from the locations set forth or permitted herein, except to the extent necessary to have any Equipment repaired or maintained in the ordinary course of the business of Borrower or to move Equipment directly from one location set forth or permitted herein to another such location and except for the movement of motor vehicles used by or for the benefit of Borrower in the ordinary course of business; (f) the Equipment is now and shall remain personal property and Borrower shall not permit any of the Equipment to be or become a part of or affixed to real property; and (g) Borrower assumes all responsibility and liability arising from the use of the Equipment.

7.5 Power of Attorney. Borrower hereby irrevocably designates and appoints Lender (and all persons designated by Lender) as Borrower's true and lawful attorney-in-fact, and authorizes Lender, in Borrower's or Lender's name, to: (a) at any time an Event of Default or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred and is continuing (i) demand payment on Accounts or other proceeds of Inventory or other Collateral, (ii) enforce payment of Accounts by legal proceedings or otherwise, (iii) exercise all of Borrower's rights and remedies to collect any Account or other Collateral, (iv) sell or assign any Account upon such terms, for such amount and at such time or times as the Lender deems advisable, (v) settle, adjust, compromise, extend or renew an Account, (vi) discharge and release any Account, (vii) prepare, file and sign Borrower's name on any proof of claim in bankruptcy or other similar document against an account debtor, (viii) notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Lender, and open and dispose of all mail addressed to Borrower, and (ix) do all acts and things which are necessary, in Lender's determination, to fulfill Borrower's obligations under this Agreement and the other Financing Agreements and (b) at any time to (i) take control in any manner of any item of payment or proceeds thereof, (ii) have access to any lockbox or postal box into which Borrower's mail is deposited, (iii) endorse Borrower's name upon any items of payment or proceeds thereof and deposit the same in the Lender's account for application to the Obligations, (iv) endorse Borrower's name upon any chattel paper, document, instrument, invoice, or similar document or agreement relating to any Account or any goods pertaining thereto or any other Collateral, (v) sign Borrower's name on any verification of Accounts and notices thereof to account debtors and (vi) execute in Borrower's name and file any UCC financing statements or amendments thereto. Borrower hereby releases Lender and its officers, employees and designees from any liabilities arising from any act or acts under this power of attorney and in furtherance thereof, whether of omission or commission, except as a result of Lender's own gross negligence or wilful misconduct as determined pursuant to a final non-appealable order of a court of competent jurisdiction.

7.6 Right to Cure. Lender may, at its option, (a) cure any default by Borrower under any agreement with a third party or pay or bond on appeal any judgment entered against Borrower, (b) discharge taxes, liens, security interests or other encumbrances at any time levied on or existing with respect to the Collateral and (c) pay any amount, incur any expense or perform any act which, in Lender's judgment, is necessary or appropriate to preserve, protect, insure or maintain the Collateral and the rights of Lender with respect thereto. Lender may add any amounts so expended to the Obligations and charge Borrower's account therefor, such amounts to be repayable by Borrower on demand. Lender shall be under no obligation to effect such cure, payment or bonding and shall not, by doing so, be deemed to have assumed any obligation or liability of Borrower. Any payment made or other action taken by Lender under this Section shall be without prejudice to any right to assert an Event of Default hereunder and to proceed accordingly.

7.7 Access to Premises. From time to time as requested by Lender, at the cost and expense of Borrower, (a) Lender or its designee shall have complete access to all of Borrower's premises during normal business hours and after notice to Borrower, or at any time and without notice to Borrower if an Event of Default exists or has occurred and is continuing, for the purposes of inspecting, verifying and auditing the Collateral and all of Borrower's books and records, including, without limitation, the Records, and (b) Borrower shall promptly furnish to Lender such copies of such books and records or extracts therefrom as Lender may request, and (c) use during normal business hours such of Borrower's personnel, equipment, supplies and premises as may be reasonably necessary for the foregoing and if an Event of Default exists or has occurred and is continuing for the collection of Accounts and realization of other Collateral.

SECTION 8. REPRESENTATIONS AND WARRANTIES

Borrower hereby represents and warrants to Lender the following (which shall survive the execution and delivery of this Agreement), the truth and accuracy of which are a continuing condition of the making of Loans and providing Letter of Credit Accommodations by Lender to Borrower:

8.1 Corporate Existence, Power and Authority; Subsidiaries. Borrower is a corporation duly organized and in good standing under the laws of its state of incorporation and is duly qualified as a foreign corporation and in good standing in all states or other jurisdictions where the nature and extent of the business transacted by it or the ownership of assets makes such qualification necessary, except for those jurisdictions in which the failure to so qualify would not have a material adverse effect on Borrower's financial condition, results of operation or business or the rights of Lender in or to any of the Collateral. The execution, delivery and performance of this Agreement, the other Financing Agreements and the transactions contemplated hereunder and thereunder are all within Borrower's corporate powers, have been duly authorized and are not in contravention of law or the terms of Borrower's certificate of incorporation, by-laws, or other organizational documentation, or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property are bound. This Agreement and the other Financing Agreements constitute legal, valid and binding obligations of Borrower enforceable in accordance with their

respective terms. Borrower does not have any subsidiaries except as set forth on the Information Certificate.

8.2 Financial Statements; No Material Adverse Change. All financial statements relating to Borrower which have been or may hereafter be delivered by Borrower to Lender have been prepared in accordance with GAAP (except for the omission of footnotes and year end adjustments with respect to interim financial statements) and fairly present the financial condition and the results of operation of Borrower as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by Borrower to Lender prior to the date of this Agreement, there has been no material adverse change in the assets, liabilities, properties and condition, financial or otherwise, of Borrower, since the date of the most recent audited financial statements furnished by Borrower to Lender prior to the date of this Agreement.

8.3 Chief Executive Office; Collateral Locations. The chief executive office of Borrower and Borrower's Records concerning Accounts are located only at the address set forth below and its only other places of business and the only other locations of Collateral, if any, are the addresses set forth in the Information Certificate, subject to the right of Borrower to establish new locations in accordance with Section 9.2 below. The Information Certificate correctly identifies any of such locations which are not owned by Borrower and sets forth the owners and/or operators thereof and to the best of Borrower's knowledge, the holders of any mortgages on such locations.

8.4 Priority of Liens; Title to Properties. The security interests and liens granted to Lender under this Agreement and the other Financing Agreements constitute valid and perfected first priority liens and security interests in and upon the Collateral subject only to the liens indicated on Schedule 8.4 hereto and the other liens permitted under Section 9.8 hereof. Borrower has good and marketable title to all of its properties and assets subject to no liens, mortgages, pledges, security interests, encumbrances or charges of any kind, except those granted to Lender and such others as are specifically listed on Schedule 8.4 hereto or permitted under Section 9.8 hereof.

8.5 Tax Returns. Borrower has filed, or caused to be filed, in a timely manner all tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Borrower has paid or caused to be paid all taxes due and payable or claimed due and payable in any assessment received by it, except taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books. Adequate provision has been made for the payment of all accrued and unpaid Federal, State, county, local, foreign and other taxes whether or not yet due and payable and whether or not disputed.

8.6 Litigation. Except as set forth on the Information Certificate, there is no present investigation by any governmental agency pending, or to the best of Borrower's knowledge threatened, against or affecting Borrower, its assets or business and there is no action, suit, proceeding or claim by any Person pending, or to the best of Borrower's

knowledge threatened, against Borrower or its assets or goodwill, or against or affecting any transactions contemplated by this Agreement, which if adversely determined against Borrower would result in any material adverse change in the assets, business or prospects of Borrower or would impair the ability of Borrower to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce any Obligations or realize upon any Collateral.

8.7 Compliance with Other Agreements and Applicable Laws. Borrower is not in default in any material respect under, or in violation in any material respect of any of the terms of, any agreement, contract, instrument, lease or other commitment to which it is a party or by which it or any of its assets are bound and Borrower is in compliance in all material respects with all applicable provisions of laws, rules, regulations, licenses, permits, approvals and orders of any foreign, Federal, State or local governmental authority.

8.8 Environmental Compliance. Borrower has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with the operations of Borrower under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.

8.9 Employee Benefits.

(a) Borrower has not engaged in any transaction in connection with which Borrower or any of its ERISA Affiliates could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, including any accumulated funding deficiency described in Section 8.9(c) hereof and any deficiency with respect to vested accrued benefits described in Section 8.9(d) hereof.

(b) No liability to the Pension Benefit Guaranty Corporation has been or is expected by Borrower to be incurred with respect to any employee pension benefit plan of Borrower or any of its ERISA Affiliates. There has been no reportable event (within the meaning of Section 4043(b) of ERISA) or any other event or condition with respect to any employee pension benefit plan of Borrower or any of its ERISA Affiliates which presents a risk of termination of any such plan by the Pension Benefit Guaranty Corporation.

(c) Full payment has been made of all amounts which Borrower or any of its ERISA Affiliates is required under Section 302 of ERISA and Section 412 of the Code to have paid under the terms of each employee pension benefit plan as contributions to such plan as of the last day of the most recent fiscal year of such plan ended prior to the date hereof, and no accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any employee pension benefit plan, including any penalty or tax described in Section 8.9(a) hereof and any deficiency with respect to vested accrued benefits described in Section 8.9(d) hereof.

(d) The current value of all vested accrued benefits under all employee pension benefit plans maintained by Borrower that are subject to Title IV of ERISA does not exceed the current value of the assets of such plans allocable to such vested accrued benefits, including any penalty or tax described in Section 8.9(a) hereof and any

accumulated funding deficiency described in Section 8.9(c) hereof. The terms "current value" and "accrued benefit" have the meanings specified in ERISA.

(e) Neither Borrower nor any of its ERISA Affiliates is or has ever been obligated to contribute to any "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA) that is subject to Title IV of ERISA.

8.10 Acquisition of Purchased Assets.

(a) The Purchase Agreements and the transactions contemplated thereunder have been or will be simultaneously duly executed, delivered and performed in accordance with their terms by the respective parties thereto in all respects, including the fulfillment (not merely the waiver, except as may be disclosed to Lender and consented to in writing by Lender) of all conditions precedent set forth therein and giving effect to the terms of the Purchase Agreements and the assignments to be executed and delivered by Seller (or any of its affiliates or subsidiaries) thereunder, Borrower acquired and has good and marketable title to the Purchased Assets, free and clear of all claims, liens, pledges and encumbrances of any kind, except as scheduled in the Purchase Agreements or as permitted hereunder.

(b) All actions and proceedings, required by the Purchase Agreements, applicable law or regulation (including, but not limited to, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended) have been taken and the transactions required thereunder have been duly and validly taken and consummated.

(c) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Purchase Agreements and no governmental or other action or proceeding has been threatened or commenced, seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Purchase Agreements.

(d) Borrower has delivered, or caused to be delivered, to Lender, true, correct and complete copies of the Purchase Agreements.

8.11 Capitalization.

(a) Sixty percent (60%) of the issued and outstanding shares of capital stock of Borrower is directly and beneficially owned and held by Margaret M. Oung, twenty percent (20%) by Jerome A. Turner, ten percent (10%) by Camille V. King and ten percent (10%) by James Oung, and all of such shares have been duly authorized and are fully paid and non-assessable, free and clear of all claims, liens, pledges and encumbrances of any kind, except as disclosed in writing to Lender.

(b) Borrower is solvent and will continue to be solvent after the creation of the Obligations, the security interests of Lender and the other transaction contemplated hereunder, is able to pay its debts as they mature and has (and has reason to believe it will continue to have) sufficient capital (and not unreasonably small capital) to carry on its business and all businesses in which it is about to engage. The assets and properties of

Borrower at a fair valuation and at their present fair salable value are, and will be, greater than the Indebtedness of Borrower, and including subordinated and contingent liabilities computed at the amount which, to the best of Borrower's knowledge, represents an amount which can reasonably be expected to become an actual or matured liability.

(c) Margaret M. Oung has, on or before the date hereof, made the Subordinated Indebtedness cash capital contribution to Borrower in a net amount not less than Two Million Dollars (\$2,000,000) and the proceeds of the Subordinated Indebtedness have been applied, contemporaneously herewith, to the cash portion of the purchase price for the Purchased Assets.

8.12 Accuracy and Completeness of Information. All information furnished by or on behalf of Borrower in writing to Lender in connection with this Agreement or any of the other Financing Agreements or any transaction contemplated hereby or thereby, including, without limitation, all information on the Information Certificate is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. No event or circumstance has occurred which has had or could reasonably be expected to have a material adverse affect on the business, assets or prospects of Borrower, which has not been fully and accurately disclosed to Lender in writing.

8.13 Subchapter S Election. Borrower has made an S corporation election in accordance with IRC Section 1362 which is effective for its current fiscal year. Borrower has not elected, pursuant to California Revenue and Taxation Code Section 23801, not to be treated as an S corporation for California income tax purposes.

8.14 Survival of Warranties; Cumulative. All representations and warranties contained in this Agreement or any of the other Financing Agreements shall survive the execution and delivery of this Agreement and shall be deemed to have been made again to Lender on the date of each additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by Lender regardless of any investigation made or information possessed by Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which Borrower shall now or hereafter give, or cause to be given, to Lender.

SECTION 9. AFFIRMATIVE AND NEGATIVE COVENANTS

9.1 Maintenance of Existence. Borrower shall at all times preserve, renew and keep in full, force and effect its corporate existence and rights and franchises with respect thereto and maintain in full force and effect all permits, licenses, trademarks, trade names, approvals, authorizations, leases and contracts necessary to carry on the business as presently or proposed to be conducted. Borrower shall give Lender thirty (30) days prior written notice of any proposed change in its corporate name, which notice shall set forth the new name and Borrower shall deliver to Lender a copy of the amendment to the Certificate of Incorporation of Borrower providing for the name change certified by the Secretary of State of the jurisdiction of incorporation of Borrower as soon as it is available.

9.2 New Collateral Locations. Borrower may open any new location within the continental United States provided Borrower (a) gives Lender thirty (30) days prior written notice of the intended opening of any such new location and (c) executes and delivers, or causes to be executed and delivered, to Lender such agreements, documents, and instruments as Lender may deem reasonably necessary or desirable to protect its interests in the Collateral at such location, including, without limitation, UCC financing statements.

9.3 Compliance with Laws, Regulations.

(a) Borrower shall, at all times, comply in all material respects with all laws, rules, regulations, licenses, permits, approvals and orders applicable to it and duly observe all requirements of any Federal, State or local governmental authority, including, without limitation, the Employee Retirement Security Act of 1974, as amended, the Occupational Safety and Hazard Act of 1970, as amended, the Fair Labor Standards Act of 1938, as amended, and all statutes, rules, regulations, orders, permits and stipulations relating to environmental pollution and employee health and safety, including, without limitation, all of the Environmental Laws.

(b) Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by Borrower to Lender. Borrower shall take prompt and appropriate action to respond to any non-compliance with any of the Environmental Laws and shall regularly report to Lender on such response.

(c) Borrower shall give both oral and written notice to Lender immediately upon Borrower's receipt of any notice of, or Borrower's otherwise obtaining knowledge of, (i) the occurrence of any event involving the release, spill or discharge, threatened or actual, of any Hazardous Material or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any non-compliance with or violation of any Environmental Law by Borrower or (B) the release, spill or discharge, threatened or actual, of any Hazardous Material or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or (D) any other environmental, health or safety matter, which affects Borrower or its business, operations or assets or any properties at which Borrower transported, stored or disposed of any Hazardous Materials.

(d) Borrower shall indemnify and hold harmless Lender, its directors, officers, employees, agents, invitees, representatives, successors and assigns, from and against any and all losses, claims, damages, liabilities, costs, and expenses (including attorneys' fees and legal expenses) directly or indirectly arising out of or attributable to the use, generation, manufacture, reproduction, storage, release, threatened release, spill, discharge, disposal or presence of a Hazardous Material, including, without limitation, the costs of any required or necessary repair, cleanup or other remedial work, with respect to any property of Borrower and the preparation and implementation of any closure, remedial or other required plans. All representations, warranties, covenants and indemnifications in this Section 9.3 shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.4 Payment of Taxes and Claims. Borrower shall duly pay and discharge all taxes, assessments, contributions and governmental charges upon or against it or its properties or assets, except for taxes the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books. Borrower shall be liable for any tax or penalties imposed on Lender as a result of the financing arrangements provided for herein and Borrower agrees to indemnify and hold Lender harmless with respect to the foregoing, and to repay to Lender on demand the amount thereof, and until paid by Borrower such amount shall be added and deemed part of the Loans, provided, that, nothing contained herein shall be construed to require Borrower to pay any income or franchise taxes attributable to the income of Lender from any amounts charged or paid hereunder to Lender. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

9.5 Insurance. Borrower shall, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to Lender as to form, amount and insurer. Borrower shall furnish certificates, policies or endorsements to Lender as Lender shall require as proof of such insurance, and, if Borrower fails to do so, Lender is authorized, but not required, to obtain such insurance at the expense of Borrower. All policies shall provide for at least thirty (30) days prior written notice to Lender of any cancellation or reduction of coverage and that Lender may act as attorney for Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and canceling such insurance. Borrower shall cause Lender to be named as a loss payee and an additional insured (but without any liability for any premiums) under such insurance policies and Borrower shall obtain non-contributory lender's loss payable endorsements to all insurance policies in form and substance satisfactory to Lender. Such lender's loss payable endorsements shall specify that the proceeds of such insurance shall be payable to Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of its affiliates. At its option, Lender may apply any insurance proceeds received by Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as Lender may determine or hold such proceeds as cash collateral for the Obligations.

9.6 Financial Statements and Other Information.

(a) Borrower shall keep proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the business of Borrower and its subsidiaries (if any) in accordance with GAAP (except for the omission of footnotes and year end adjustments with respect to interim financial statements) and Borrower shall furnish or cause to be furnished to Lender: (i) within forty-five (45) days after the end of each fiscal month, monthly unaudited consolidated financial statements, and, if Borrower has any subsidiaries, unaudited consolidating financial statements (including in each case balance sheets, statements of income and loss and statements of shareholders'

equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its subsidiaries as of the end of and through such fiscal month and (ii) within ninety (90) days after the end of each fiscal year, audited consolidated financial statements and, if Borrower has any subsidiaries, audited consolidating financial statements of Borrower and its subsidiaries (including in each case balance sheets, statements of income and loss, statements of cash flow and statements of shareholders' equity), and the accompanying notes thereto, all in reasonable detail, fairly presenting the financial position and the results of the operations of Borrower and its subsidiaries as of the end of and for such fiscal year, together with the opinion of independent certified public accountants, which accountants shall be an independent accounting firm selected by Borrower and reasonably acceptable to Lender, that such financial statements have been prepared in accordance with GAAP, and present fairly the results of operations and financial condition of Borrower and its subsidiaries as of the end of and for the fiscal year then ended.

(b) Borrower shall promptly notify Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations which is reasonably likely to result in any material adverse change in the value of the Collateral or in Borrower's business, properties, assets, goodwill or condition, financial or otherwise or impair Lender's ability to enforce the Obligations or realize on the Collateral and (ii) the occurrence of any Event of Default or event which, with the passage of time or giving of notice or both, would constitute an Event of Default.

(c) Borrower shall promptly after the sending or filing thereof furnish or cause to be furnished to Lender copies of all reports which Borrower sends to its stockholders generally and copies of all reports and registration statements which Borrower files with the Securities and Exchange Commission, any national securities exchange or the National Association of Securities Dealers, Inc., if any.

(d) Borrower shall furnish or cause to be furnished to Lender such budgets, forecasts, projections and other information respecting the Collateral and the business of Borrower, as Lender may, from time to time, reasonably request. Lender is hereby authorized to deliver a copy of any financial statement or any other information relating to the business of Borrower to any court or other government agency to the extent required by applicable law or governmental regulation or in response to court order or other judicial process, or to any participant or assignee or prospective participant or assignee provided that such participant or assignee has agreed to appropriate confidentiality restrictions. Borrower hereby irrevocably authorizes and directs all accountants or auditors to deliver to Lender, at Borrower's expense, copies of the financial statements of Borrower and any reports or management letters prepared by such accountants or auditors on behalf of Borrower and to disclose to Lender such information as they may have regarding the business of Borrower. Any documents, schedules, invoices or other papers delivered to Lender may be destroyed or otherwise disposed of by Lender one (1) year after the same are delivered to Lender, except as otherwise designated by Borrower to Lender in writing.

(e) Borrower shall furnish or cause to be furnished to Lender such reports, as and when, and in such form, as required by Lender in its reasonable credit judgment, to

substantiate Borrower's compliance with its royalty obligations to Ocean Pacific Apparel Corp. under that certain Trademark License Agreement dated on or about January 28, 1993, as amended from time to time, and under any other license agreement material to the assets or business prospects of Borrower or its ability to perform its obligations hereunder or under any of the other Financing Agreements to which it is a party or of Lender to enforce the Obligations or realize on the Collateral.

9.7 Sale of Assets, Consolidation, Merger, Dissolution, Etc. Borrower shall not, directly or indirectly, (a) merge into or with or consolidate with any other Person or permit any other Person to merge into or with or consolidate with it, or (b) sell, assign, lease, transfer, abandon or otherwise dispose of any stock or indebtedness of any other Person to any other Person or any of its assets to any other Person (except for (i) sales of Inventory in the ordinary course of business, (ii) the disposition of worn-out or obsolete Equipment or Equipment no longer used in the business of Borrower so long as (A) if an Event of Default exists or has occurred and is continuing, any proceeds are paid to Lender and (B) such sales do not involve Equipment having an aggregate fair market value in excess of One Hundred Fifty Thousand Dollars (\$150,000) for all such Equipment disposed of in any fiscal year of Borrower and (iii) the sale of Equipment included as part of the Purchased Assets, provided that Borrower has determined that such Equipment is not needed for the business of Borrower, and provided further, that the proceeds of any such sale are paid to Lender), or (c) form or acquire any subsidiaries, or (d) wind up, liquidate or dissolve or (e) agree to do any of the foregoing.

9.8 Encumbrances. Borrower shall not create, incur, assume or suffer to exist any security interest, mortgage, pledge, lien, charge or other encumbrance of any nature whatsoever on any of its assets or properties, including, without limitation, the Collateral, except: (a) liens and security interests of Lender; (b) liens securing the payment of taxes, either not yet overdue or the validity of which are being contested in good faith by appropriate proceedings diligently pursued and available to Borrower and with respect to which adequate reserves have been set aside on its books; (c) non-consensual statutory liens (other than liens securing the payment of taxes) arising in the ordinary course of Borrower's business to the extent: (i) such liens secure indebtedness which is not overdue or (ii) such liens secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested in good faith by appropriate proceedings diligently pursued and available to Borrower, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves have been set aside on its books; (d) zoning restrictions, easements, licenses, covenants and other restrictions affecting the use of real property which do not interfere in any material respect with the use of such real property or ordinary conduct of the business of Borrower as presently conducted thereon or materially impair the value of the real property which may be subject thereto; (e) purchase money security interests in Equipment (including capital leases) so long as such security interests do not apply to any property of Borrower other than the Equipment so acquired, and the indebtedness secured thereby does not exceed the cost of the Equipment so acquired; and (f) the security interests and liens set forth on Schedule 8.4 hereto.

9.9 Indebtedness. Borrower shall not incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness, except (a) the Obligations; (b) trade obligations and normal accruals in the ordinary course of business not yet due and payable or due and being repaid in a manner consistent with past practices, or with respect to which the Borrower is contesting in good faith the amount or validity thereof by appropriate proceedings diligently pursued and available to Borrower, and with respect to which adequate reserves have been set aside on its books; (c) purchase money indebtedness (including capital leases) to the extent not incurred or secured by liens (including capital leases) in violation of any other provision of this Agreement; (d) obligations or indebtedness set forth on the Information Certificate; provided, that, (i) Borrower may only make regularly scheduled payments of principal and interest in respect of such indebtedness in accordance with the terms of the agreement or instrument evidencing or giving rise to such indebtedness as in effect on the date hereof, (ii) Borrower shall not, directly or indirectly, (A) amend, modify, alter or change the terms of such indebtedness or any agreement, document or instrument related thereto as in effect on the date hereof, or (B) redeem, retire, defease, purchase or otherwise acquire such indebtedness, or set aside or otherwise deposit or invest any sums for such purpose, and (iii) Borrower shall furnish to Lender all notices or demands in connection with such indebtedness either received by Borrower or on its behalf, promptly after the receipt thereof, or sent by Borrower or on its behalf, concurrently with the sending thereof, as the case may be; and (e) the Subordinated Indebtedness subject to the terms and provisions of the Subordinated Agreement.

9.10 Loans, Investments, Guarantees, Etc. Borrower shall not, directly or indirectly, make any loans or advance money or property to any person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the stock or indebtedness or all or a substantial part of the assets or property of any person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in: (i) short-term direct obligations of the United States Government, (ii) negotiable certificates of deposit issued by any bank satisfactory to Lender, payable to the order of the Borrower or to bearer and delivered to Lender, and (iii) commercial paper rated A1 or P1; provided, that, as to any of the foregoing, unless waived in writing by Lender, Borrower shall take such actions as are deemed necessary by Lender to perfect the security interest of Lender in such investments and (c) the guarantees set forth in the Information Certificate.

9.11 Dividends and Redemptions. Except as set forth in Section 9.17, Borrower shall not, directly or indirectly, declare or pay any dividends on account of any shares of class of capital stock of Borrower now or hereafter outstanding, or set aside or otherwise deposit or invest any sums for such purpose, or redeem, retire, defease, purchase or otherwise acquire any shares of any class of capital stock (or set aside or otherwise deposit or invest any sums for such purpose) for any consideration other than common stock or apply or set apart any sum, or make any other distribution (by reduction of capital or otherwise) in respect of any such shares or agree to do any of the foregoing.

9.12 Transactions with Affiliates. Borrower shall not enter into any transaction for the purchase, sale or exchange of property or the rendering of any service to or by any affiliate, except in the ordinary course of and pursuant to the reasonable requirements of Borrower's business and upon fair and reasonable terms no less favorable to the Borrower than Borrower would obtain in a comparable arm's length transaction with an unaffiliated person.

9.13 Adjusted Net Worth. Borrower shall, at all times, maintain Adjusted Net Worth of not less than Six Million Dollars (\$6,000,000).

9.14 Compliance with ERISA. Borrower shall not with respect to any "employee pension benefit plan" maintained by Borrower or any of its ERISA Affiliates:

(a) (i) terminate any of such employee pension benefit plans so as to incur any liability to the Pension Benefit Guaranty Corporation established pursuant to ERISA, (ii) allow or suffer to exist any prohibited transaction involving any of such employee pension benefit plans or any trust created thereunder which would subject Borrower or such ERISA Affiliate to a tax or penalty or other liability on prohibited transactions imposed under Section 4975 of the Code or ERISA, (iii) fail to pay to any such employee pension benefit plan any contribution which it is obligated to pay under Section 302 of ERISA, Section 412 of the Code or the terms of such plan, (iv) allow or suffer to exist any accumulated funding deficiency, whether or not waived, with respect to any such employee pension benefit plan, (v) allow or suffer to exist any occurrence of a reportable event or any other event or condition which presents a material risk of termination by the Pension Benefit Guaranty Corporation of any such employee pension benefit plan that is a single employer plan, which termination could result in any liability to the Pension Benefit Guaranty Corporation or (vi) incur any withdrawal liability with respect to any multiemployer pension plan.

(b) As used in this Section 9.15, the term "employee pension benefit plans," "employee benefit plans", "accumulated funding deficiency" and "reportable event" shall have the respective meanings assigned to them in ERISA, and the term "prohibited transaction" shall have the meaning assigned to it in Section 4975 of the Code and ERISA.

9.15 Costs and Expenses. Borrower shall pay to Lender on demand all costs, expenses, filing fees and taxes paid or payable in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, Lender's rights in the Collateral, this Agreement, the other Financing Agreements and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including, but not limited to: (a) all costs and expenses of filing or recording (including Uniform Commercial Code financing statement filing taxes and fees, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) costs and expenses and fees for title insurance and other insurance premiums, environmental audits, surveys, assessments, engineering reports and inspections, appraisal fees and search fees; (c) costs and expenses of remitting loan proceeds, collecting checks and other items of payment, and establishing and maintaining the Blocked Accounts, together with Lender's customary

charges and fees with respect thereto; (d) charges, fees or expenses charged by any bank or issuer in connection with the Letter of Credit Accommodations; (e) costs and expenses of preserving and protecting the Collateral; (f) costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the security interests and liens of Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Financing Agreements or defending any claims made or threatened against Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (g) all out-of-pocket expenses and costs heretofore and from time to time hereafter incurred by Lender during the course of periodic field examinations of the Collateral and Borrower's operations, plus a per diem charge at the rate of Six Hundred Dollars (\$600) per person per day for Lender's examiners in the field and office; and (h) the fees and disbursements of counsel (including legal assistants) to Lender in connection with clauses (a), (e) and (f) above.

9.16 Further Assurances. At the request of Lender at any time and from time to time, Borrower shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents and instruments, and do or cause to be done such further acts as may be necessary or proper to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Financing Agreements. Lender may at any time and from time to time request a certificate from an officer of Borrower representing that all conditions precedent to the making of Loans and providing Letter of Credit Accommodations contained herein are satisfied. In the event of such request by Lender, Lender may, at its option, cease to make any further Loans or provide any further Letter of Credit Accommodations until Lender has received such certificate and, in addition, Lender has determined that such conditions are satisfied. Where permitted by law, Borrower hereby authorizes Lender to execute and file one or more UCC financing statements signed only by Lender.

9.17 Subchapter S Distributions. Notwithstanding Section 9.11, Borrower, at its option, may declare and pay cash dividends to its shareholders not more frequently than quarterly with respect to each period for which an installment of estimated tax would be required to be paid by its shareholders for each taxable year for which Borrower has a valid S corporation election in effect under IRC Section 1362 or any successor provision; provided, however, that the amount of such dividends shall not exceed the Permitted Dividend Amount. For purposes of computing the amount of aggregate dividends paid by Borrower for any taxable year, amounts paid in such taxable year by Borrower to the State of California on behalf of nonresident shareholders as estimated taxes pursuant to California Revenue and Taxation Code Sections 23810 and 18408.5 or any successor provisions shall be treated as dividends paid by Borrower. However, if nonresident shareholders recontribute to Borrower any such amounts paid on their behalf, then the amounts contributed shall be subtracted from the amount of aggregate dividends paid by Borrower for the taxable year in which the contributions are made.

SECTION 10. EVENTS OF DEFAULT AND REMEDIES

10.1 Events of Default. The occurrence or existence of any one or more of the following events are referred to herein individually as an "Event of Default", and collectively as "Events of Default":

(a) (i) Borrower fails to pay any of the Obligations within two (2) days after the same becomes due and payable or (ii) Borrower or any Obligor fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement or any of the other Financing Agreements other than as described in Section 10.1(a)(i) and such failure shall continue for ten (10) days; provided, that, such ten (10) day period shall not apply in the case of: (A) any failure to observe any such term, covenant, condition or provision which is not capable of being cured at all or within such ten (10) day period or which has been the subject of a prior failure within a six (6) month period, or (B) an intentional breach by Borrower or any Obligor of any such term, covenant, condition or provision, or (C) the failure to observe or perform any of the covenants or provisions contained in Section 7.1, 9.1 or 9.5 of this Agreement or any covenants or agreements covering substantially the same matter as such sections in any of the other Financing Agreements;

(b) any representation, warranty or statement of fact made by Borrower to Lender in this Agreement, the other Financing Agreements or any other agreement, schedule, confirmatory assignment or otherwise shall when made or deemed made be false or misleading in any material respect;

(c) any Obligor revokes, terminates or fails to perform any of the terms, covenants, conditions or provisions of any guarantee, endorsement or other agreement of such party in favor of Lender;

(d) any judgment for the payment of money is rendered against Borrower or any Obligor in excess of Two Hundred Thousand Dollars (\$200,000) in any one case or in excess of Three Hundred Thousand Dollars (\$300,000) in the aggregate and shall remain undischarged or unvacated for a period in excess of thirty (30) days or execution shall at any time not be effectively stayed, or any judgment other than for the payment of money, or injunction, attachment, garnishment or execution is rendered against Borrower or any Obligor or any of their assets;

(e) any Obligor (being a natural person or a general partner of an Obligor which is a partnership) dies or Borrower or any Obligor, which is a partnership or corporation, dissolves or suspends or discontinues doing business;

(f) Borrower or any Obligor becomes insolvent (however defined or evidenced), makes a general assignment for the benefit of creditors, makes or sends notice of a bulk transfer or calls a meeting of its creditors or principal creditors;

(g) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed against Borrower or any Obligor or all or any part of its properties and such petition or application is not dismissed within sixty

(60) days after the date of its filing or Borrower or any Obligor shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

(h) a case or proceeding under the bankruptcy laws of the United States of America now or hereafter in effect or under any insolvency, reorganization, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed by Borrower or any Obligor or for all or any material part of its property; or

(i) any default by Borrower or any Obligor under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favor of any person other than Lender, in any case in an amount in excess of Two Hundred Fifty Thousand Dollars (\$250,000), which default continues for more than the applicable cure period, if any, with respect thereto, or any default by Borrower or any Obligor under any material contract, lease, license or other obligation to any person other than Lender, which default continues for more than the applicable cure period, if any, with respect thereto and which default allows such person other than Lender to accelerate Borrower's obligations to such person, or to terminate such material contract, lease, license or other obligation;

(j) any change in the controlling ownership of Borrower;

(k) the indictment of Borrower or any Obligor under any criminal statute, or commencement or threatened commencement of criminal or civil proceedings against Borrower or any Obligor, pursuant to which statute or proceedings the penalties or remedies sought or available include forfeiture of any of the property of Borrower or such Obligor;

(l) there shall be a material adverse change in the business, assets or prospects of Borrower or any Obligor after the date hereof; or

(m) there shall be an event of default under any of the other Financing Agreements.

10.2 Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, Lender shall have all rights and remedies provided in this Agreement, the other Financing Agreements, the Uniform Commercial Code and other applicable law, all of which rights and remedies may be exercised without notice to or consent by Borrower or any Obligor, except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to Lender hereunder, under any of the other Financing Agreements, the Uniform Commercial Code or other applicable law, are cumulative, not exclusive and enforceable, in Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right

to apply to a court of equity for an injunction to restrain a breach or threatened breach by Borrower of this Agreement or any of the other Financing Agreements. Lender may, at any time or times, proceed directly against Borrower or any Obligor to collect the Obligations without prior recourse to the Collateral.

(b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, Lender may, in its discretion and without limitation, (i) accelerate the payment of all Obligations and demand immediate payment thereof to Lender (provided, that, upon the occurrence of any Event of Default described in Sections 10.1(g) and 10.1(h), all Obligations shall automatically become immediately due and payable), (ii) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral, (iii) require Borrower, at Borrower's expense, to assemble and make available to Lender any part or all of the Collateral at any place and time designated by Lender, (iv) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (v) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (vi) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including, without limitation, entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of Lender or elsewhere) at such prices or terms as Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of Borrower, which right or equity of redemption is hereby expressly waived and released by Borrower and/or (vii) terminate this Agreement. If any of the Collateral is sold or leased by Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by Lender. If notice of disposition of Collateral is required by law, five (5) days prior notice by Lender to Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be reasonable notice thereof and Borrower waives any other notice. In the event Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of prejudgment remedy, Borrower waives the posting of any bond which might otherwise be required.

(c) Lender may apply the cash proceeds of Collateral actually received by Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations, in whole or in part and in such order as Lender may elect, whether or not then due. Borrower shall remain liable to Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including attorneys' fees and legal expenses.

(d) Without limiting the foregoing, upon the occurrence of an Event of Default or an event which with notice or passage of time or both would constitute an Event of Default, Lender may, at its option, without notice, (i) cease making Loans or arranging for Letter of Credit Accommodations or reduce the lending formulas or amounts of Revolving Loans and Letter of Credit Accommodations available to Borrower and/or (ii)

terminate any provision of this Agreement providing for any future Loans or Letter of Credit Accommodations to be made by Lender to Borrower.

SECTION 11. JURY TRIAL WAIVER; OTHER WAIVERS AND CONSENTS; GOVERNING LAW

11.1 Governing Law; Choice of Forum; Service of Process; Jury Trial Waiver.

(a) The validity, interpretation and enforcement of this Agreement and the other Financing Agreements and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the internal laws of the State of California (without giving effect to principles of conflicts of law).

(b) Borrower and Lender irrevocably consent and submit to the non-exclusive jurisdiction of the Superior Court of the State of California for the County of Los Angeles and the United States District Court for the Central District of California and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Agreement or any of the other Financing Agreements or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Financing Agreements or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that Lender shall have the right to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction which Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against Borrower or its property).

(c) Borrower hereby waives personal service of any and all process upon it and consents that all such service of process may be made by certified mail (return receipt requested) directed to its address set forth on the signature pages hereof, with a copy of such service of process to its counsel, Gary L. Cohen, Esq., Sidley & Austin, 555 W. Sixth Street, Los Angeles, California 90013, and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the U.S. mails, or, at Lender's option, by service upon Borrower in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, unless an extension to such time period is granted by counsel to Lender, Borrower shall appear in answer to such process, failing which Borrower shall be deemed in default and judgment may be entered by Lender against Borrower for the amount of the claim and other relief requested.

(d) BORROWER AND LENDER EACH HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE OTHER FINANCING AGREEMENTS OR THE

TRANSACTIONS RELATED HERETO OR THERETO IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE. BORROWER AND LENDER EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT BORROWER OR LENDER MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

(e) Lender shall not have any liability to Borrower (whether in tort, contract, equity or otherwise) for losses suffered by Borrower in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final and non-appealable judgment or court order binding on Lender, that the losses were the result of acts or omissions constituting gross negligence or willful misconduct. In any such litigation, Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement.

11.2 Waiver of Notices. Borrower hereby expressly waives demand, presentment, protest and notice of protest and notice of dishonor with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on Borrower which Lender may elect to give shall entitle Borrower to any other or further notice or demand in the same, similar or other circumstances.

11.3 Amendments and Waivers. Neither this Agreement nor any provision hereof shall be amended, modified, waived or discharged orally or by course of conduct, but only by a written agreement signed by an authorized officer of Lender. Lender shall not, by any act, delay, omission or otherwise be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and signed by an authorized officer of Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

11.4 Waiver of Counterclaims. Borrower waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

11.5 Indemnification. Borrower shall indemnify and hold Lender, and its directors, agents, employees and counsel, harmless from and against any and all losses, claims,

damages, liabilities, costs or expenses imposed on, incurred by or asserted against any of them in connection with any litigation, investigation, claim or proceeding commenced or threatened related to the negotiation, preparation, execution, delivery, enforcement, performance or administration of this Agreement, any other Financing Agreements, or any undertaking or proceeding related to any of the transactions contemplated hereby or any act, omission, event or transaction related or attendant thereto, including, without limitation, amounts paid in settlement, court costs, and the fees and expenses of counsel, excluding any losses which were the result of acts or omissions constituting the gross negligence or wilful misconduct of Lender. To the extent that the undertaking to indemnify, pay and hold harmless set forth in this Section may be unenforceable because it violates any law or public policy, Borrower shall pay the maximum portion which it is permitted to pay under applicable law to Lender in satisfaction of indemnified matters under this Section. The foregoing indemnity shall survive the payment of the Obligations and the termination or non-renewal of this Agreement.

SECTION 12. TERM OF AGREEMENT; MISCELLANEOUS

12.1 Term.

(a) This Agreement and the other Financing Agreements shall become effective as of the date set forth on the first page hereof and shall continue in full force and effect for a term ending on the date three (3) years from the date hereof (the "Renewal Date"), and from year to year thereafter, unless sooner terminated pursuant to the terms hereof. Lender or Borrower may terminate this Agreement and the other Financing Agreements effective on the Renewal Date or on the anniversary of the Renewal Date in any year by giving to the other party at least sixty (60) days prior written notice; provided, that, this Agreement and all other Financing Agreements must be terminated simultaneously. Upon the effective date of termination or non-renewal of the Financing Agreements, Borrower shall pay to Lender, in full, all outstanding and unpaid Obligations and shall furnish cash collateral to Lender in such amounts as Lender determines are reasonably necessary to secure Lender from loss, cost, damage or expense, including attorneys' fees and legal expenses, in connection with any contingent Obligations, including issued and outstanding Letter of Credit Accommodations and checks or other payments provisionally credited to the Obligations and/or as to which Lender has not yet received final and indefeasible payment. Such cash collateral shall be remitted by wire transfer in Federal funds to such bank account of Lender, as Lender may, in its discretion, designate in writing to Borrower for such purpose. Interest shall be due until and including the next business day, if the amounts so paid by Borrower to the bank account designated by Lender are received in such bank account later than 10:30 a.m., Los Angeles time.

(b) No termination of this Agreement or the other Financing Agreements shall relieve or discharge Borrower of its respective duties, obligations and covenants under this Agreement or the other Financing Agreements until all Obligations have been fully and finally discharged and paid, and Lender's continuing security interest in the Collateral and the rights and remedies of Lender hereunder, under the other Financing Agreements and

applicable law, shall remain in effect until all such Obligations have been fully and finally discharged and paid.

(c) If for any reason this Agreement is terminated prior to the end of the then current term or renewal term of this Agreement, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrower agrees to pay to Lender, upon the effective date of such termination, an early termination fee in the amount set forth below if such termination is effective in the period indicated:

	<u>Amount</u>	<u>Period</u>
(i)	2% of Maximum Credit	from the date hereof to and including May 30, 1997;
(ii)	1% of Maximum Credit	from May 31, 1997 to and including May 30, 1999; and
(iii)	0.25% of Maximum Credit	for any renewal term.

Such early termination fee shall be presumed to be the amount of damages sustained by Lender as a result of such early termination and Borrower agrees that it is reasonable under the circumstances currently existing. The early termination fee provided for in this Section 12.1 shall be deemed included in the Obligations.

Notwithstanding the foregoing, in the event that Lender reduces the lending formulas under Section 2.1(b) hereof which has the effect of reducing Borrower's borrowing availability by greater than ten percent (10%) under Section 2.1 hereof, Borrower may, at any time during a period of ninety (90) days following the date of such action taken by Lender, and provided that no Event of Default shall have occurred and be continuing hereunder other than as a result of any such reduction in borrowing availability, fully refinance the Obligations hereunder with a lender that refinances at the lending formulas equal or better than in effect prior to the reduction giving rise to the refinance hereunder and fully repay all Obligations by the end of such period, and terminate this Agreement as provided in Section 12.1(a) above; and, in such event, the Borrower shall have no obligation to pay the early termination fee otherwise provided for in Section 12.1(c) hereof.

12.2 Notices. All notices, requests and demands hereunder shall be in writing and (a) made to Lender at its address set forth below and to Borrower at its chief executive office set forth below, or to such other address as either party may designate by written notice to the other in accordance with this provision, and (b) deemed to have been given or made: if delivered in person, immediately upon delivery; if by telex, telegram or facsimile transmission, immediately upon sending and upon confirmation of receipt; if by nationally recognized overnight courier service with instructions to deliver the next business day, one (1) business day after sending; and if by certified mail, return receipt requested, five (5) days after mailing.

12.3 Partial Invalidity. If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced only to such extent as shall be permitted by applicable law.

12.4 Successors. This Agreement, the other Financing Agreements and any other document referred to herein or therein shall be binding upon and inure to the benefit of and be enforceable by Lender, Borrower and their respective successors and assigns, except that Borrower may not assign its rights under this Agreement, the other Financing Agreements and any other document referred to herein or therein without the prior written consent of Lender. Lender may, after notice to Borrower, assign its rights and delegate its obligations under this Agreement and the other Financing Agreements and further may assign, or sell participations in, all or any part of the Loans, the Letter of Credit Accommodations or any other interest herein to another financial institution or other person, in which event, the assignee or participant shall have, to the extent of such assignment or participation, the same rights and benefits as it would have if it were the Lender hereunder, except as otherwise provided by the terms of such assignment or participation.

12.5 Entire Agreement. This Agreement, the other Financing Agreements, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written.

IN WITNESS WHEREOF, Lender and Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

CONGRESS FINANCIAL
CORPORATION (WESTERN)

By: Donald A. McLeod
Donald A. McLeod

Title: Senior Vice President

Address:

225 South Lake Avenue, Suite 1000
Pasadena, California 91101

BORROWER

AMERICAN SPORTING GOODS
CORPORATION

By: Jerome A. Turner
Jerome A. Turner

Title: President

Chief Executive Office:

17021 Von Karman Avenue
Irvine, California 92714

INFORMATION CERTIFICATE
OF
AMERICAN SPORTING GOODS CORP.

Dated: APR. 29, 1996

Congress Financial Corporation (Western)
225 South Lake Avenue - Suite 1000
Pasadena, CA 91101

In order to assist you in the continuing evaluation of the financing you are considering for AMERICAN SPORTING GOODS CORP. ("the Corporation"), and to expedite the preparation of any documentation which may be required, and to induce you to provide such financing to the Corporation, we represent and warrant to you the following information about the Corporation, its organizational structure and other matters of interest to you:

1. The full and exact name of the Corporation as set forth in its Certificate of Incorporation is:

AMERICAN SPORTING GOODS CORPORATION

2. The Corporation uses and owns the following trade name(s) in the operation of its business (i.e. billing, advertising, etc.); (Note: do not include names which are product names only):

TURNTEC NEVADO G-PIN
OCEAN PACIFIC

3. The date of incorporation of the Corporation was 12/29, 1983, under the laws of the State of DELAWARE, and the Corporation is in good standing under those laws.

Check one: Correct Incorrect . If incorrect, explain:

4. The Corporation has never been involved in a bankruptcy or reorganization. Check one: Correct Incorrect . If incorrect, explain:

5. The Corporation is duly qualified and authorized to transact business as a foreign corporation in the following states and is in good standing in such states:

CALIFORNIA, MARYLAND

EXHIBIT A

6. Since the date of incorporation, the corporate name of the Corporation has been changed as follows: *Check, if appropriate:* Not Applicable X

<u>Date</u>	<u>Prior Name</u>
_____	_____
_____	_____

7. Since the date of incorporation, the Corporation has made or entered into the following mergers or acquisitions: *Check, if appropriate:* None X

8. The chief executive office of the Corporation is located at:
17021 VON KARMAN AVE. IRVINE, CA ORANGE

<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>County</u>
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9. The books and records of the Corporation pertaining to accounts, contract rights, inventory, etc. are located at (if other than the chief executive office referred to in Section 7 above):

SAME AS ABOVE

<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>County</u>
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10. The Corporation has other places of business and/or maintains inventory or other assets at the following addresses (indicate whether locations are owned, leased or operated by third parties and if leased or operated by third parties, their names and addresses): N/A

Street Address:	City	State	County	Leased/ Owned
Lessor/Operator	Street Address	State	County	Phone Number

Street Address:	City	State	County	Leased/ Owned
Lessor/Operator	Street Address	State	County	Phone Number

Street Address:	City	State	County	Leased/ Owned
Lessor/Operator	Street Address	State	County	Phone Number

- 11. Listed below is a complete list of real property owned by the Corporation with all respective trust deeds or mortgages against the properties. Check, if appropriate: No real property owned x.

<u>Location</u>	<u>Beneficiary/Mortgagee</u>	<u>Principal Balance</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

- 12. The places of business or other locations of any assets utilized by the Corporation during the last four (4) months other than those listed above are as follows:

2323 MAIN ST. BLDG. B	IRVINE	CA	ORANGE (TERMINATE 4/30/96)
<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>County</u>
_____	_____	_____	_____
<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>County</u>
_____	_____	_____	_____
<u>Street Address</u>	<u>City</u>	<u>State</u>	<u>County</u>
_____	_____	_____	_____

- 13. The Corporation is affiliated with, or has ownership in, the following corporations (including subsidiaries):

<u>Exact Name</u>	<u>Chief Executive Office</u>	<u>Jurisdiction of Incorporation</u>	<u>Ownership Percentage or Relationship</u>	<u>Fed Tax ID Number</u>
GENERAL RESOURCES CORP.		CA	0%	33-0319821
3 SEASHELL, NEWPORT COAST, CA 92657.				

- 14. The Federal Employer Identification Number of the Corporation is as follows: 13-3191696

- 15. There is no provision in the Certificate of Incorporation or By-laws of the Corporation, or in the laws of the State of its incorporation, requiring any vote or consent of shareholders to borrow or to authorize the mortgage or pledge of or creation of a security interest in any assets of the Corporation or any subsidiary. Such power is vested exclusively in its Board of Directors. Check one: Correct x Incorrect _____. If incorrect, explain: _____

16. The primary officers of the Corporation and their respective titles are as follows:

<u>Title</u>	<u>Name</u>
PRESIDENT	JEROME A. TURNER
TREASURER	JEROME A. TURNER
SECRETARY	JENNIFER MIN-HUE CHANG LIN
BLANK	

The following will have signatory powers as to all of your transactions with the Corporation:

BLANK

17. With respect to the officers noted above, such officers are affiliated with or have ownership in the following corporations: If none, check here _____

<u>Officer's Name</u>	<u>Corporate Name</u>	<u>Type of Business</u>	<u>% Ownership</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

18. The members of the Board of Directors of the Corporation are:

MARGARET M. OUNG

JEROME A. TURNER

BLANK

19. The name of the stockholders of the Corporation and their stock holdings are as follows (if stock is widely held indicate only stockholders owning 10% or more of the voting stock):

<u>Name</u>	<u>No. of Shares</u>	<u>% Ownership</u>
MARGARET M. OUNG	180	60%
JEROME A. TURNER	60	20%
CAMILLE V. KING	30	10%
JAMES OUNG	30	10%

20. There are no pending or threatened judgments and there is no pending or threatened litigation by or against the Corporation, its subsidiaries and/or affiliates or any of its officers/principals.

Check one: Correct Incorrect . If incorrect, explain exceptions: _____

21. At the present time, there are no delinquent taxes due (including, but not limited to, all payroll taxes, personal property taxes).

Check one: Correct Incorrect . If incorrect, explain exceptions: _____

22. The Corporation's assets are owned and held free and clear of any security interests, liens or attachments. CNB-A/B, INVENTORY LOAN

Check one: Correct Incorrect . If incorrect, list below:

<u>Lienholder</u>	<u>Assets</u>	<u>Amount of Debt Secured</u>
CAPITAL LEASE	LIST WILL FOLLOW	
_____	_____	_____
_____	_____	_____
_____	_____	_____

23. The Corporation has not guaranteed and is not otherwise liable for the obligations of others.

Check one: Correct Incorrect . If incorrect, explain:

24. The Corporation does not own or license any trademarks, patents, copyrights or other intellectual property.

Check one: Correct Incorrect . If incorrect, indicate the type of intellectual property and whether owned or licensed, registration number, date of registration, and, if licensed, the name and address of the licensor:

TRADEMARK LIST WILL FOLLOW
LICENSE AGREEMENT-OCEAN PACIFIC APPAREL CORP.

25. The Corporation's fiscal year end is: 1/1-12/31

26. With regard to any pension or profit sharing plan: 401k PLAN

- (a.) A determination as to qualification has been issued: Yes X No _____
- (b.) Funding is on a current basis and in compliance with established requirements: Yes X No _____

27. The Certified Public Accounting firm for the Corporation is:

Name of firm EISNER & LUBIN
 Address 250 PARK AVE. , NY NY 10177
 Partner handling relationship TONY LAVERDA
 Phone Number (212) 370-9000
 Were financial statements uncertified for any fiscal year Yes _____ No X

28. The law firm for the Corporation is:

Name of firm HOWSER, GERTNER & BROWN
 Address 4340 CAMPUS DRIVE, NEWPORT BEACH, CA 92660
 Partner handling relationship JOHN ELLINGSON
 Phone Number (714) 852-8500

Gary Cohen
 S.S.A
 213 896-
 6013

29. The following are all banks or savings institutions at which the Corporation and its subsidiaries maintain deposit accounts:

<u>Institution</u>	<u>Account Number</u>	<u>Branch Address</u>	<u>Corporation or Subsidiary</u>
CNB	GENERAL: 023-679469	NEWPORT BEACH	CORP.
	OP: 023-686104		
	PAYROLL: 023-684950		

30. Prompt written notice will be given to you of any change or amendment with respect to any of the foregoing. Until such notice is received by you, you shall be entitled to rely upon the foregoing in all respects.

CORPORATE SEAL TO BE AFFIXED HEREIN BELOW

Very Truly yours,

 By: [Signature]
 Title: PRESIDENT
 By: _____
 Title: _____

Schedule 8.4

Existing Liens

(None)

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT (the "Amendment"), dated as of June 5, 1997, is entered into between CONGRESS FINANCIAL CORPORATION (WESTERN), a California corporation ("Lender"), with a place of business at 225 South Lake Avenue, Suite 1000, Pasadena, California 91101, and AMERICAN SPORTING GOODS CORPORATION, a Delaware corporation ("Borrower"), with its chief executive office located at 2323 Main Street, Irvine, California 92614.

RECITAL

A. Borrower and Lender have previously entered into that certain Loan and Security Agreement dated as of May 31, 1996 (the "Loan Agreement"), pursuant to which Lender has made certain loans and financial accommodations available to Borrower. Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Borrower has requested Lender to amend the Loan Agreement to extend the Overadvance Facility, to increase the subline for Letter of Credit Accommodations and to revise the Adjusted Net Worth financial covenant.

C. Lender is willing to further amend the Loan Agreement under the terms and conditions set forth in this Amendment. Borrower is entering into this Amendment with the understanding and agreement that, except as specifically provided herein, none of Lender's rights or remedies as set forth in the Loan Agreement is being waived or modified by the terms of this Amendment.

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

1. The third sentence of Section 2.1(c) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Notwithstanding the foregoing, and provided the conditions set forth below have been met, Lender agrees to provide additional borrowing availability to Borrower in excess of the amounts otherwise available under the lending formulas set forth in Section 2.1(a) above, of up to One Million Dollars (\$1,000,000) outstanding at any one time under this facility (the "Overadvance Facility") during the period from the Closing Date through the date immediately prior to the second anniversary date of the Closing Date and the

Overadvance Facility shall terminate on the second anniversary date of the Closing Date."

2. The first sentence of Section 2.2(d) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Except in Lender's discretion, the amount of all outstanding Letter of Credit Accommodations and all other commitments and obligations made or incurred by Lender in connection therewith, shall not at any time exceed Six Million Dollars (\$6,000,000)."

3. Section 9.13 of the Loan Agreement is hereby amended to read in its entirety as follows:

"9.13 Adjusted Net Worth. Borrower shall, at all times, maintain Adjusted Net Worth of not less than: (i) Six Million Dollars (\$6,000,000) for the period from the Closing Date through December 31, 1996; Nine Million Dollars (\$9,000,000) for the period from January 1, 1997 through December 31, 1997; and thereafter, Nine Million Dollars (\$9,000,000) plus fifty percent (50%) of Borrower's net income after deduction of cash distributions to its shareholders permitted under Section 9.17 hereof, minus principal payments on the Subordinated Indebtedness in accordance with the terms and provisions of the Subordination Agreement as permitted by Section 9.9(e) hereof, for Borrower's immediately preceding fiscal year as reported by Borrower to Lender on its audited annual consolidated financial statements provided by Borrower to Lender pursuant to Section 9.6(a)(ii) hereof."

4. Effectiveness of this Amendment. Lender must have received the following items, in form and content acceptable to Lender, before this Amendment is effective and before Lender is required to extend any credit to Borrower as provided for by this Amendment. The date on which all of the following conditions have been satisfied is the "Closing Date".

(a) Amendment. This Amendment fully executed in a sufficient number of counterparts for distribution to Lender and Borrower.

(b) Authorizations. Evidence that the execution, delivery and performance by Borrower and each guarantor or subordinating creditor of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

(c) Representations and Warranties. The Representations and Warranties set forth in the Loan Agreement must be true and correct.

(d) Consent. Lender has received counterparts of the Consent appended hereto (the "Consent") executed by Mr. Jerome A. Turner ("Guarantor") (such Guarantor, together with the Borrower, each a "Loan Party" and, collectively, the "Loan Parties").

(e) Updated Appraisal. Lender shall have received from Borrower, in form, substance and methodology satisfactory to Lender, an updated Inventory appraisal conducted by an appraiser acceptable to Lender.

(f) Financial Statements. Lender shall have received Borrower's audited annual consolidated financial statements for Borrower's 1996 fiscal year provided by Borrower to Lender pursuant to Section 9.6(a)(ii) of the Loan Agreement, and the results set forth in such financial statements shall be consistent with Borrower's interim results previously provided by Borrower to Lender.

(g) Other Required Documentation. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Lender.

5. Representations and Warranties. The Borrower represents and warrants as follows:

(a) Authority. The Borrower has the requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the other Financing Agreements (as amended or modified hereby) to which it is a party. The execution, delivery and performance by the Borrower of this Amendment have been duly approved by all necessary corporate action of the Borrower and no other corporate proceedings on the part of the Borrower are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by the Borrower. The Consent has been duly executed and delivered by the Guarantor. This Amendment and each other Financing Agreement (as amended or modified hereby) is the legal, valid and binding obligation of each Loan Party hereto or thereto, enforceable against such Loan Party in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in each Financing Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) No Default. No event has occurred and is continuing that constitutes an Event of Default.

6. Choice of Law. The validity of this Amendment, its construction, interpretation and enforcement, the rights of the parties hereunder, shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State.

7. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment or the Consent by telefacsimile shall be effective as delivery of a manually executed counterpart of this Amendment or such Consent.

8. Due Execution. The execution, delivery and performance of this Amendment are within the power of Borrower, have been duly authorized by all necessary corporate action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on Borrower.

9. Reference to and Effect on the Loan Documents.

(a) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Financing Agreements to "the Loan Agreement", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(b) Except as specifically amended above, the Loan Agreement and all other Financing Agreements, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of Borrower to Lender.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Loan Documents.

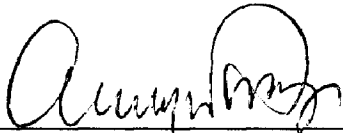
(d) To the extent that any terms and conditions in any of the Financing Agreements shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

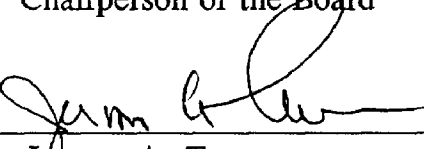
10. Ratification. Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement, as amended hereby, and the other Financing Agreements effective as of the date hereof.

11. Estoppel. To induce Lender to enter into this Amendment and to continue to make advances to Borrower under the Loan Agreement, Borrower hereby acknowledges and agrees that, after giving effect to this Amendment, as of the date hereof, there exists no Event of Default and no right of offset, defense, counterclaim or objection in favor of Borrower as against Lender with respect to the Obligations.

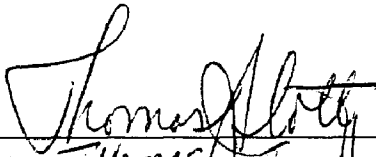
IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

AMERICAN SPORTING GOODS
CORPORATION,
a Delaware corporation

By: 
Name: Margaret M. Oung
Title: Chairperson of the Board

By: 
Name: Jerome A. Turner
Title: President


CONGRESS FINANCIAL CORPORATION
(WESTERN)

By: 
Name: THOMAS J. STOLTZ
Title: Sr. V.P.

CONSENT

Dated as of June 5, 1997

The undersigned, as Guarantor under that certain Limited Guarantee in favor of Congress Financial Corporation (Western) dated May 31, 1996 (the "Guarantee"), hereby consents and agrees to the foregoing Amendment and hereby confirms and agrees that the Guarantee is, and shall continue to be in, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of said Amendment, each reference in the Guarantee to the Loan Agreement referred to in the Amendment, "thereunder", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended or modified by the said Amendment.



JEROME A. TURNER

**SECOND AMENDMENT TO
LOAN AND SECURITY AGREEMENT**

THIS SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT (the "Amendment"), dated as of December 24, 1997, is entered into between CONGRESS FINANCIAL CORPORATION (WESTERN), a California corporation ("Lender"), with a place of business at 225 South Lake Avenue, Suite 1000, Pasadena, California 91101, and AMERICAN SPORTING GOODS CORPORATION, a Delaware corporation ("Borrower"), with its chief executive office located at 2323 Main Street, Irvine, California 92614.

RECITAL

A. Borrower and Lender have previously entered into that certain Loan and Security Agreement dated as of May 31, 1996, as amended by that certain First Amendment to Loan and Security Agreement dated as of June 5, 1997 (collectively, the "Loan Agreement"), pursuant to which Lender has made certain loans and financial accommodations available to Borrower. Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Borrower has informed Lender that it intends to acquire from Lensley (Hong Kong Company, Ltd.) ("Lensley") all of its right, title and interest in and to Suzhou Turntec Footwear Co., Ltd., a foreign invested enterprise organized under the laws of the People's Republic of China ("Suzhou"), pursuant to that certain Bill of Sale dated as of July 14, 1997 by Lensley (Hong Kong Company, Ltd.) in favor of Borrower, as the foregoing now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, the "Suzhou Bill of Sale") (such acquisition hereinafter referred to as the "Suzhou Acquisition").

C. Borrower has requested that Lender (i) consent to the Suzhou Acquisition as required under Section 9.7 of the Loan Agreement and (ii) provide a portion of the financing required for the Suzhou Acquisition through proceeds from advances by Lender to Borrower against Eligible In-Transit Inventory.

D. Further, Borrower has requested that Lender amend the Loan Agreement to (i) increase the Maximum Credit, (ii) extend the expiration date of the Overadvance Facility, (iii) allow Borrower to distribute to its shareholders up to Five Million Five Hundred Thousand Dollars (\$5,500,000) of its retained earnings, which distribution shall be lent back to Borrower in the form of subordinated debt and (iv) release Lender's security interest in the trademark "TX-Traction."

E. Lender is willing give such consent and to further amend the Loan Agreement under the terms and conditions set forth in this Amendment. Borrower is entering into this Amendment with the understanding and agreement that, except as specifically provided herein, none of Lender's rights or remedies as set forth in the Loan Agreement is being waived or modified by the terms of this Amendment.

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

1. Amendment to Definitions to Loan Agreement.

(a) The following definitions are hereby added to Section 1 of the Loan Agreement in proper alphabetical order:

(i) "In-Transit Inventory Subline' shall mean the Revolving Loans made by Lender to or for the benefit of Borrower advanced against Eligible In-Transit Inventory as set forth in Section 2.1(a)(ii)(A)(2)."

(iii) "Oung Subordinated Indebtedness' shall mean the indebtedness in the amount of Two Million Dollars (\$2,000,000) of Borrower payable to Margaret M. Oung pursuant to the Oung Subordinated Note."

(iv) "Oung Subordinated Note' shall mean that certain Promissory Note dated as of May 31, 1996 by Borrower in favor of Margaret M. Oung, pursuant to which Margaret M. Oung has made the Oung Subordinated Indebtedness available to Borrower."

(v) "Oung Subordination Agreement' shall mean that certain Intercreditor and Subordination Agreement among Lender, Margaret M. Oung and Borrower dated as of May 31, 1996 providing for the respective priorities between the Obligations and the Oung Subordinated Indebtedness."

(vi) "Shareholders' shall mean collectively, Margaret M. Oung, an individual, Jerome A. Turner, an individual, Camille V. King, an individual, and James Oung, an individual."

(vii) "Shareholder Subordinated Indebtedness' shall mean the indebtedness in the aggregate amount not to exceed Five Million Five Hundred Thousand Dollars (\$5,500,000) of Borrower payable to the Shareholders pursuant to their respective Shareholder Subordinated Notes."

(viii) "Shareholder Subordinated Notes' shall mean those certain Promissory Notes dated as of December 24, 1997 by Borrower to each of the Shareholders, pursuant to which the Shareholders has made the Shareholder Subordinated Indebtedness available to Borrower."

(ix) "Shareholder Subordination Agreements" shall mean those certain Subordination Agreements among Lender, Borrower and each of the Shareholders of even date herewith providing for the respective priorities between the Obligations and the Shareholder Subordinated Indebtedness."

(b) The definition of "Eligible In-Transit Inventory" set forth in Section 1.13 of the Loan Agreement is hereby amended to read in its entirety as follows:

"Eligible In-Transit Inventory" shall mean Eligible Inventory which is in transit, indefeasibly owned by Borrower endorsed to Lender or its assignees and meets all criteria for Eligible Inventory."

(c) Clause (I) of the definition of "Eligible Inventory" set forth in Section 1.14 of the Loan Agreement is hereby amended to read in its entirety as follows:

"(I) Inventory which is not subject to the first priority, valid, and perfected security interest of Lender, except in the case of determining Eligible In-Transit Inventory, delivery of original bills of lading to Lender for in-transit Inventory shall not be required to deem such in-transit Inventory Eligible In-Transit Inventory;"

(d) The proviso at the end of the definition of "Excess Availability" set forth in Section 1.22 of the Loan Agreement is hereby amended to read in its entirety as follows:

"provided, however, that clause (iv) above shall only be a deduction in the calculation of Excess Availability in determining compliance with the condition precedent set forth in Section 4.1(h) hereof and shall not be a deduction in the calculation of Excess Availability to determine whether principal repayments may be made by Borrower on the Oung Subordinated Indebtedness and the Shareholder Subordinated Indebtedness under Section 3b of the Oung Subordination Agreement and the Shareholder Subordination Agreements, respectively."

(e) The definition of "Interest Rate" set forth in Section 1.29 of the Loan Agreement is hereby amended to read in its entirety as follows:

"Interest Rate" shall mean, (i) as to Prime Rate Loans excluding Prime Rate Loans advanced under the Overadvance Facility and the In-Transit Inventory Subline, a rate of one-half of one (.5) percentage point per annum in excess of the Prime Rate, (ii) as to Prime Rate Loans consisting of advances under the Overadvance Facility or the In-Transit Inventory Subline, a rate of two (2) percentage points per annum in excess of the Prime Rate, and (iii) as to Eurodollar Rate Loans, a rate of three (3) percentage points per annum in excess of the Adjusted Eurodollar Rate (based on the Eurodollar Rate applicable for the Interest Period selected by Borrower as in effect three (3) Business Days after the date of receipt by Lender of the request of Borrower

for such Eurodollar Rate Loans in accordance with the terms hereof, whether such rate is higher or lower than any rate previously quoted to Borrower); provided, that, the Interest Rate shall mean (i) the rate of two and one-half (2.5) percentage points per annum in excess of the Prime Rate as to Prime Rate Loans excluding Prime Rate Loans advanced under the Overadvance Facility and the In-Transit Inventory Subline, (ii) the rate of four (4) percentage points per annum in excess of the Prime Rate as to Prime Rate Loans consisting of advances under the Overadvance Facility and the In-Transit Inventory Subline, and (iii) the rate of five (5) percentage points per annum in excess of the Adjusted Eurodollar Rate as to Eurodollar Rate Loans, at Lender's option, without notice, (a) for the period on and after the date of termination of the term or any renewal term hereof, or the date of the occurrence of any Event of Default and for so long as such Event of Default is continuing as determined by Lender and until such time as all Obligations are indefeasibly paid in full (notwithstanding entry of any judgment against Borrower) and (b) on the Revolving Loans at any time outstanding in excess of the amounts available to Borrower under Section 2 subject to the Overadvance Facility (whether or not such excess(es), arise or are made with or without Lender's knowledge or consent and whether made before or after an Event of Default)."

(f) The definition of "Inventory Advance Rate" set forth in Section 1.31 of the Loan Agreement is hereby amended to read in its entirety as follows:

"Inventory Advance Rate' shall mean the advance rate applicable to Eligible Inventory and Eligible In-Transit Inventory as determined in accordance with Section 2.1(a)(i)(A)."

(g) The definition of "Maximum Credit" set forth in Section 1.36 of the Loan Agreement is hereby amended to read in its entirety as follows:

"Maximum Credit' shall mean the amount of Thirty Million Dollars (\$30,000,000.00)."

(h) The definitions of "Subordination Agreement", "Subordinated Indebtedness" and "Subordinated Note" set forth respectively in Sections 1.54, 1.55 and 1.56 of the Loan Agreement are hereby deleted in their entirety.

2. Amendment to Credit Facilities Provisions

(a) Clauses (ii) and (iii) of Section 2.1(a) of the Loan Agreement is hereby amended to read in its entirety as follows:

"(ii) the lesser of: (A) the sum of (1) sixty percent (60%) of the Value of Eligible Inventory (excluding Eligible In-Transit), plus (2) the lesser of sixty percent (60%) of the Value of Eligible In-Transit Inventory (less reserves established by Lender in its reasonable credit judgment for charges, costs and

expenses in paying for and obtaining actual delivery of such Eligible In-Transit Inventory, including, without limitation, duty and freight charges) or Two Million Dollars (\$2,000,000); or (B) the amount equal to: (1) Eighteen Million Dollars (\$18,000,000), provided that no more than Two Million Two Hundred Fifty Thousand Dollars (\$2,250,000) in advances shall be outstanding against Eligible Inventory subject to the License Agreement at any one time, minus (2) the then undrawn amounts of the outstanding Letter of Credit Accommodations multiplied by the applicable percentages as provided in Section 2.2(c) below; less"

(b) The following shall hereby be added as Section 2.1(b) and existing Sections 2.1(b) and (c) shall hereby be redesignated as Sections 2.1(c) and 2.1(d), respectively:

"(b) Notwithstanding Section 2.1(a)(ii) above, the In-Transit Inventory Subline shall be made available by Lender to Borrower, subject to compliance by Borrower with all of the following conditions: (i) no Event of Default has occurred or would result from the use by Borrower of the In-Transit Inventory Subline; and (ii) Borrower's financial statements delivered to Lender pursuant to Section 9.6 hereof reflect a net profit. All amounts outstanding under the In-Transit Subline shall be fully paid by Borrower to Lender on or before the Renewal Date."

(c) The third sentence of Section 2.1(c) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Notwithstanding the foregoing, and provided the conditions set forth below have been met, Lender agrees to provide additional borrowing availability to Borrower in excess of the amounts otherwise available under the lending formulas set forth in Section 2.1(a) above, of up to One Million Dollars (\$1,000,000) outstanding at any one time under this facility (the 'Overadvance Facility')."

(c) The last sentence of Section 2.1(c) of the Loan Agreement is hereby amended to read in its entirety as follows:

"Five Hundred Thousand Dollars (\$500,000) of the amount due under the Overadvance Facility shall be payable by Borrower on or before June 30, 1998 with the remaining balance of the Overadvance Facility payable on or before July 31, 1998."

3. Amendment to Interest and Fees Provisions. Section 3.3 of the Loan Agreement, entitled "Loan Servicing Fee", is hereby amended to read in its entirety as follows:

"Loan Servicing Fee. Borrower shall pay to Lender annually a Loan Servicing Fee in an amount equal to Thirty Five Thousand Dollars (\$35,000) while this Agreement is in effect and for so long thereafter as any of the Obligations are outstanding, which fee shall be fully earned as of and payable in advance as of the Closing Date and on each anniversary of the Closing Date."

4. Amendment to Affirmative and Negative Covenants Provisions. Clause (e) of Section 9.9 of the Loan Agreement, entitled "Indebtedness", is hereby amended in its entirety as follows:

"(e) the Oung Subordinated Indebtedness subject to the terms and provisions of the Oung Subordination Agreement and the Shareholder Subordinated Indebtedness subject to the terms and provisions of the Shareholder Subordination Agreement."

5. Amendment to Term of Agreement Provisions. Section 12.1(c) of the Loan Agreement is hereby amended in its entirety as follows:

"(c) If for any reason this Agreement is terminated prior to the end of the then current term or renewal term of this Agreement, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Lender's lost profits as a result thereof, Borrower agrees to pay to Lender, upon the effective date of such termination, an early termination fee in the amount set forth below if such termination is effective in the period indicated:

	<u>Amount</u>	<u>Period</u>
(i)	\$560,000	from the date hereof to and including May 30, 1997;
(ii)	\$280,000	from May 31, 1997 to and including May 30, 1999; and
(iii)	\$75,000	for any renewal term.

Such early termination fee shall be presumed to be the amount of damages sustained by Lender as a result of such early termination and Borrower agrees that it is reasonable under the circumstances currently existing. The early termination fee provided for in this Section 12.1 shall be deemed included in the Obligations."

6. Consent to Suzhou Acquisition. Lender hereby consents to the Suzhou Acquisition subject to the terms and conditions of this Amendment and the Suzhou Acquisition; provided, however, that the aggregate purchase price under the Suzhou Acquisition shall not exceed Two Million Dollars (\$2,000,000).

7. Consent to Shareholder Indebtedness. Lender hereby consents to the incurrence by Borrower of the Shareholder Indebtedness subject to the terms and conditions of this Amendment and the Shareholder Subordination Agreement.

8. Effectiveness of this Amendment. Lender must have received the following items, in form and content acceptable to Lender, before this Amendment is effective and before Lender is required to extend any credit to Borrower as provided for by this Amendment. The date on which all of the following conditions have been satisfied is the "Closing Date".

(a) Amendment. This Amendment fully executed in a sufficient number of counterparts for distribution to Lender and Borrower.

(b) Authorizations. Evidence that the execution, delivery and performance by Borrower and each guarantor or subordinating creditor of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

(c) Representations and Warranties. The Representations and Warranties set forth in the Loan Agreement must be true and correct.

(d) Consent. Lender has received counterparts of the Consent appended hereto (the "Consent") executed by Mr. Jerome A. Turner ("Guarantor") (such Guarantor, together with the Borrower, each a "Loan Party" and, collectively, the "Loan Parties").

(e) Suzhou Bill of Sale. Lender shall have received, in form and substance satisfactory to Lender, evidence that the Suzhou Bill of Sale has been duly executed and delivered by and to the appropriate parties thereto and the transactions contemplated under the terms of the Suzhou Bill of Sale have been consummated prior to or contemporaneously with the execution of this Amendment.

(f) Shareholder Subordinated Notes. Lender shall have received evidence, in form and substance satisfactory to Lender, that the Shareholder Subordinated Notes have been executed and delivered by Borrower and become effective in accordance with their terms and that the Shareholder Subordinated Indebtedness to be provided to Borrower thereunder in the net amount not less than Five Million Five Hundred Thousand Dollars (\$5,500,000) has been advanced prior to or contemporaneously with the execution of this Amendment on terms and conditions acceptable to Lender.

(g) Shareholder Subordination Agreements. Lender shall have received, in form and substance satisfactory to Lender, the Shareholder Subordination Agreements, providing for the subordination and permitted repayment of the Shareholder Subordinated Indebtedness and related matters, has been duly authorized, executed and delivered by the parties thereto and have become effective in accordance with their respective terms.

(h) Other Required Documentation. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Lender.

(i) Payment of Modification Fee. Lender shall have received from Borrower a Modification Fee of Twenty Thousand Dollars (\$20,000) for the processing and approval of this Amendment.

9. Condition Subsequent. On or before thirty (30) days after the date hereof, Lender shall have received, in form and substance satisfactory to Lender, a pro-forma balance sheet of Borrower reflecting the initial transactions contemplated hereunder, including, but not limited to, the consummation of the Suzhou Acquisition and the other transactions contemplated by the Suzhou Bill of Sale, accompanied by a certificate, dated of even date herewith, of the chief financial officer of Borrower stating that such pro-forma balance sheet represents the reasonable, good faith opinion of such officer as to the subject matter thereof as of the date of such certificate.

10. Representations and Warranties. The Borrower represents and warrants as follows:

(a) Authority. The Borrower has the requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the other Financing Agreements (as amended or modified hereby) to which it is a party. The execution, delivery and performance by the Borrower of this Amendment have been duly approved by all necessary corporate action of the Borrower and no other corporate proceedings on the part of the Borrower are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by the Borrower. The Consent has been duly executed and delivered by the Guarantor. This Amendment and each other Financing Agreement (as amended or modified hereby) is the legal, valid and binding obligation of each Loan Party hereto or thereto, enforceable against such Loan Party in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in each Financing Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) Acquisition of Purchased Assets.

(i) The Suzhou Bill of Sale and the transactions contemplated thereunder have been or will be simultaneously duly executed, delivered and performed in accordance with their terms by the respective parties thereto in

all respects, including the fulfillment (not merely the waiver, except as may be disclosed to Lender and consented to in writing by Lender) of all conditions precedent set forth therein and giving effect to the terms of the Suzhou Bill of Sale and the assignments to be executed and delivered by Lensley (or any of its affiliates or subsidiaries) thereunder, Borrower acquired and has good and marketable title to the assets purchase thereunder, free and clear of all claims, liens, pledges and encumbrances of any kind, except as scheduled in the Suzhou Bill of Sale or as permitted hereunder.

(ii) All actions and proceedings, required by the Suzhou Bill of Sale, applicable law or regulation (including, but not limited to, compliance with the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended) have been taken and the transactions required thereunder have been duly and validly taken and consummated.

(iii) No court of competent jurisdiction has issued any injunction, restraining order or other order which prohibits consummation of the transactions described in the Suzhou Bill of Sale and no governmental or other action or proceeding has been threatened or commenced, seeking any injunction, restraining order or other order which seeks to void or otherwise modify the transactions described in the Suzhou Bill of Sale.

(iv) Borrower has delivered, or caused to be delivered, to Lender, a true, correct and complete copy of the Suzhou Bill of Sale and no other agreements, documents and instruments have been executed and/or delivered in connection with the Suzhou Acquisition.

(e) No Default. No event has occurred and is continuing that constitutes an Event of Default.

11. Choice of Law. The validity of this Amendment, its construction, interpretation and enforcement, the rights of the parties hereunder, shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State.

12. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment or the Consent by telefacsimile shall be effective as delivery of a manually executed counterpart of this Amendment or such Consent.

13. Due Execution. The execution, delivery and performance of this Amendment are within the power of Borrower, have been duly authorized by all necessary corporate action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on Borrower.

14. Reference to and Effect on the Loan Documents.

(a) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Financing Agreements to "the Loan Agreement", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(b) Except as specifically amended above, the Loan Agreement and all other Financing Agreements, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of Borrower to Lender.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Loan Documents.

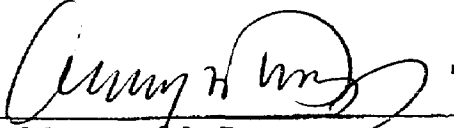
(d) To the extent that any terms and conditions in any of the Financing Agreements shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

15. Ratification. Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement, as amended hereby, and the other Financing Agreements effective as of the date hereof.

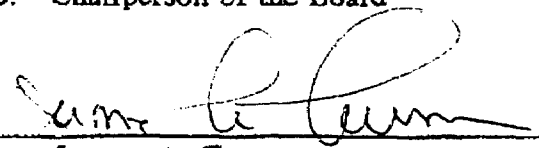
16. Estoppel. To induce Lender to enter into this Amendment and to continue to make advances to Borrower under the Loan Agreement, Borrower hereby acknowledges and agrees that, after giving effect to this Amendment, as of the date hereof, there exists no Event of Default and no right of offset, defense, counterclaim or objection in favor of Borrower as against Lender with respect to the Obligations.

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

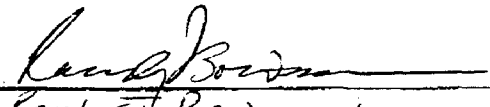
AMERICAN SPORTING GOODS
CORPORATION,
a Delaware corporation

By: 
Name: Margaret M. Oung

Title: Chairperson of the Board

By: 
Name: Jerome A. Turner
Title: President

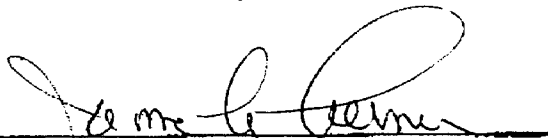
CONGRESS FINANCIAL CORPORATION
(WESTERN)

By: 
Name: Randy T. Bowman
Title: SR. VICE PRESIDENT

CONSENT

Dated as of December 29, 1997

The undersigned, as Guarantor under that certain Limited Guarantee in favor of Congress Financial Corporation (Western) dated May 31, 1996 (the "Guarantee"). hereby consents and agrees to the foregoing Amendment and hereby confirms and agrees that the Guarantee is, and shall continue to be in, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of said Amendment, each reference in the Guarantee to the Loan Agreement referred to in the Amendment, "thereunder", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended or modified by the said Amendment.



JEROME A. TURNER

THIRD AMENDMENT TO
LOAN AND SECURITY AGREEMENT

THIS THIRD AMENDMENT TO LOAN AND SECURITY AGREEMENT (the "Amendment"), dated as of April 1, 1998, is entered into between CONGRESS FINANCIAL CORPORATION (WESTERN), a California corporation ("Lender"), with a place of business at 225 South Lake Avenue, Suite 1000, Pasadena, California 91101, and AMERICAN SPORTING GOODS CORPORATION, a Delaware corporation ("Borrower"), with its chief executive office located at 2323 Main Street, Irvine, California 92614.

RECITAL

A. Borrower and Lender have previously entered into that certain Loan and Security Agreement dated as of May 31, 1996, as amended by that certain First Amendment to Loan and Security Agreement dated as of June 5, 1997 and that certain Second Amendment to Loan and Security Agreement dated as of December 29, 1997 (collectively, the "Loan Agreement"), pursuant to which Lender has made certain loans and financial accommodations available to Borrower. Terms used herein without definition shall have the meanings ascribed to them in the Loan Agreement.

B. Borrower has requested that Lender amend the Loan Agreement to increase the Maximum Credit from Thirty Million Dollars to Thirty Four Million Dollars (\$34,000,000).

C. Lender is willing to further amend the Loan Agreement under the terms and conditions set forth in this Amendment. Borrower is entering into this Amendment with the understanding and agreement that, except as specifically provided herein, none of Lender's rights or remedies as set forth in the Loan Agreement is being waived or modified by the terms of this Amendment.

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

1. Amendment to Definitions to Loan Agreement. The definition of "Maximum Credit" set forth in Section 1.36 of the Loan Agreement is hereby amended to read in its entirety as follows:

"Maximum Credit' shall mean the amount of Thirty Four Million Dollars (\$34,000,000.00)."

2. Effectiveness of this Amendment. Lender must have received the following items, in form and content acceptable to Lender, before this Amendment is effective and before Lender is required to extend any credit to Borrower as provided for by this Amendment.

(a) Amendment. This Amendment fully executed in a sufficient number of counterparts for distribution to Lender and Borrower.

(b) Authorizations. Evidence that the execution, delivery and performance by Borrower and each guarantor or subordinating creditor of this Amendment and any instrument or agreement required under this Amendment have been duly authorized.

(c) Representations and Warranties. The Representations and Warranties set forth in the Loan Agreement must be true and correct.

(d) Consent. Lender has received counterparts of the Consent appended hereto (the "Consent") executed by Mr. Jerome A. Turner ("Guarantor") (such Guarantor, together with the Borrower, each a "Loan Party" and, collectively, the "Loan Parties").

(e) Other Required Documentation. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered or executed or recorded and shall be in form and substance satisfactory to Lender.

3. Representations and Warranties. The Borrower represents and warrants as follows:

(a) Authority. The Borrower has the requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the other Financing Agreements (as amended or modified hereby) to which it is a party. The execution, delivery and performance by the Borrower of this Amendment have been duly approved by all necessary corporate action of the Borrower and no other corporate proceedings on the part of the Borrower are necessary to consummate such transactions.

(b) Enforceability. This Amendment has been duly executed and delivered by the Borrower. The Consent has been duly executed and delivered by the Guarantor. This Amendment and each other Financing Agreement (as amended or modified hereby) is the legal, valid and binding obligation of each Loan Party hereto or thereto, enforceable against such Loan Party in accordance with its terms, and is in full force and effect.

(c) Representations and Warranties. The representations and warranties contained in each Financing Agreement (other than any such representations or warranties that, by their terms, are specifically made as of a date other than the date

hereof) are correct on and as of the date hereof as though made on and as of the date hereof.

(d) No Default. No event has occurred and is continuing that constitutes an Event of Default.

4. Choice of Law. The validity of this Amendment, its construction, interpretation and enforcement, the rights of the parties hereunder, shall be determined under, governed by, and construed in accordance with the internal laws of the State of California governing contracts only to be performed in that State.

5. Counterparts. This Amendment may be executed in any number of counterparts and by different parties and separate counterparts, each of which when so executed and delivered, shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment or the Consent by telefacsimile shall be effective as delivery of a manually executed counterpart of this Amendment or such Consent.

6. Due Execution. The execution, delivery and performance of this Amendment are within the power of Borrower, have been duly authorized by all necessary corporate action, have received all necessary governmental approval, if any, and do not contravene any law or any contractual restrictions binding on Borrower.

7. Reference to and Effect on the Financing Agreements.

(a) Upon and after the effectiveness of this Amendment, each reference in the Loan Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Loan Agreement, and each reference in the other Financing Agreements to "the Loan Agreement", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as modified and amended hereby.

(b) Except as specifically amended above, the Loan Agreement and all other Financing Agreements, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed and shall constitute the legal, valid, binding and enforceable obligations of Borrower to Lender.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Financing Agreements, nor constitute a waiver of any provision of any of the Financing Agreements.

(d) To the extent that any terms and conditions in any of the Financing Agreements shall contradict or be in conflict with any terms or conditions of the Loan Agreement, after giving effect to this Amendment, such terms and conditions are

hereby deemed modified or amended accordingly to reflect the terms and conditions of the Loan Agreement as modified or amended hereby.

8. Ratification. Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Loan Agreement, as amended hereby, and the other Financing Agreements effective as of the date hereof.

9. Estoppel. To induce Lender to enter into this Amendment and to continue to make advances to Borrower under the Loan Agreement, Borrower hereby acknowledges and agrees that, after giving effect to this Amendment, as of the date hereof, there exists no Event of Default and no right of offset, defense, counterclaim or objection in favor of Borrower as against Lender with respect to the Obligations.

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

AMERICAN SPORTING GOODS
CORPORATION,
a Delaware corporation

By: _____

Name: Margaret M. Oung

Title: Chairperson of the Board

By: _____

Name: Jerome A. Turner

Title: President

CONGRESS FINANCIAL CORPORATION
(WESTERN)

By: _____

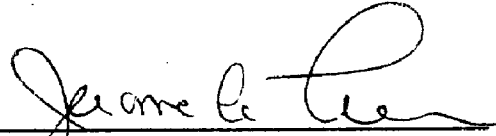
Name: _____

Title: _____

CONSENT

Dated as of April 8, 1998

The undersigned, as Guarantor under that certain Limited Guarantee in favor of Congress Financial Corporation (Western) dated May 31, 1996 (the "Guarantee"), hereby consents and agrees to the foregoing Amendment and hereby confirms and agrees that the Guarantee is, and shall continue to be in, in full force and effect and is hereby ratified and confirmed in all respects except that, upon the effectiveness of, and on and after the date of said Amendment, each reference in the Guarantee to the Loan Agreement referred to in the Amendment, "thereunder", "thereof" or words of like import referring to the Loan Agreement, shall mean and be a reference to the Loan Agreement as amended or modified by the said Amendment.



JEROME A. TURNER

ASSET PURCHASE AGREEMENT

AMONG

**AMERICAN SPORTING GOODS CORPORATION
A DELAWARE CORPORATION**

AND

**ACT IT OUT, INC.
A CALIFORNIA CORPORATION**

AND

CRISTOFER SMITH

672885.5

**TRADEMARK
REEL: 1884 FRAME: 0872**

ASSET PURCHASE AGREEMENT

This agreement ("Agreement") is made this 29th day of January 1999 among American Sporting Goods Corporation, a Delaware corporation ("ASGC") and Act It Out, Inc., a California corporation ("AIO") and Cristofer Smith ("Smith").

RECITALS

A. This Agreement is for the purchase and sale of substantially all the Assets of AIO.

B. Smith is the sole shareholder, a director and the President and the Chief Executive Officer of AIO.

C. ASGC desires to purchase and AIO and Smith desire to sell certain assets of AIO pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, agreements, representations and warranties contained herein, the parties hereto agree as follows:

AGREEMENT

1. **Definitions.** The terms defined in this Section 1 shall have the respective meanings indicated below for all purposes of this Agreement. Other terms not defined in this Section 1 shall have the definitions described thereunder. All references to a Section, Article or Schedule are to a Section, Article or Schedule to this Agreement.

1.1. *Assets* - The assets of the Business to be purchased by ASGC as described in Sections 2.1 through 2.6 of this Agreement.

1.2. *Apparel Line* - all apparel and clothing accessories, but excluding all footwear, bearing the brand names of "Urban Sport," "Urban Flex" or "Avia" sold worldwide by ASGC.

1.3. *Business* - the business of apparel design, manufacturing, distribution and sales, owned and operated by Seller under the name and style "Act It Out, Inc.," headquartered at 1601 N. Sepulveda Blvd. #307, Manhattan Beach, California.

1.4. *Buyer* - ASGC.

1.5. *Earnout*- Contingent consideration that may be earned by Seller after Closing based on Seller's attainment of certain minimum yearly Gross Sales and Gross Profit Margin targets.

1.6. *Escrow* - the account established by ASGC for the deposit of funds and other deliverables required for the Closing.

1.7. *Gross Sales* - the gross receipts less any sales taxes, returns, refunds, credits or discounts from sales of the Apparel Line.

1.8. *Gross Profit Margin* - the percentage of gross profits earned by ASGC on the Gross Sales, as determined by ASGC pursuant to ASGC's standard accounting procedures.

1.9. *Inventory* - all the inventory owned or held by Seller for use and sale in the operation of the Business as described in Schedule 2.1 hereto.

1.10. *Material Contracts* - Seller's assignable rights and obligations under those contracts and agreements for manufacturing, distribution, vendor, sales agreements and equipment leases listed on Schedule 2.2 attached hereto.

1.11. *Purchase Price* - the consideration paid by ASGC in consideration for the sale, transfer and assignment of the Assets from Seller to ASGC, and in consideration for the representations, warranties and covenants contained herein.

1.12. *Sales Years*. For purposes of this Agreement, the calendar year commencing January 1, 1999 shall be referred to as the First Sales Year, the calendar year commencing January 1, 2000 shall be referred to as the Second Sales Year, and the calendar year commencing January 1, 2001 shall be referred to as the Third Sales Year. Collectively, the First Sales Year, the Second Sales Year and the Third Sales Year shall be referred to as the "Sales Years."

1.13. *Seller* - collectively, the individual Smith and the corporation AIO.

2. **Sale of Assets.** Upon the terms and subject to the conditions of this Agreement, Seller agrees to sell, transfer, convey, assign and set over unto ASGC and ASGC agrees to purchase all Seller's right, title and interest in and to the following assets of the Business:

2.1. The Inventory;

2.2. The Material Contracts;

2.3. All prepaid expenses, tradeshow deposits, including payments for the "Supershow" in Atlanta, Georgia, security deposits, customer deposits, and warranties if any, relating to the operation of the Business;

2.4. All Seller's right, title and interest in any trade names, trade-marks, service marks, patents, trade secrets, know-how and copyrights relating to the operation of the Business including the trademarks "Urban Flex" and "Urban Sport;"

2.5. All of Seller's customer lists, customer files, customer records, accounting books and records, forms and other documentation relating to the operation of the Business; and,

2.6. All other miscellaneous personal property owned or leased by Seller in the operation of the Business as listed on Schedule 2.6 attached hereto.

3. **Purchase Price.** The Purchase Price shall be as follows:

3.1. Inventory. The book value of the Inventory ("Inventory Price") as listed on Schedule 2.1, subject to post-closing adjustment as provided in Section 11.3 below;

3.2. Non-Inventory. Two Hundred Sixty Thousand Dollars (\$260,000) ("Non-Inventory Price"); and

3.3. Earnout. Contingent consideration of up to Six Hundred Thousand Dollars (\$600,000) payable subject to the terms and conditions of Section 4.2 through 4.4 of this Agreement.

4. **Payment of Purchase Price.** The Purchase Price shall be payable as follows:

4.1. Upon Execution. \$60,000 upon execution of this Agreement, refundable in full if this Agreement is terminated prior to Closing for any reason.

4.2. At Closing. The Inventory Price and the Non-Inventory Price shall be paid to Seller at Closing from Escrow subject to Section 5 of this Agreement.

4.3. Full Earnout. The Earnout shall be payable as follows:

4.3.1 \$200,000 for the First Sales Year if Gross Sales exceed \$5,000,000 and the Gross Profit Margin exceeds 40% for that year.

4.3.2 \$200,000 for the Second Sales Year if Gross Sales exceed \$8,000,000 and the Gross Profit Margin exceeds 45% for that year.

4.3.3 \$200,000 for the Third Sales Year if Gross Sales exceed \$11,000,000 and the Gross Profit Margin exceeds 45% for that year.

4.4. Partial Earnout. If in any Sales Year, the Gross Profit Margin target established for that year in Section 4.3 above is achieved, but the Gross Sales target is not, a partial Earnout shall be payable as follows:

4.4.1 An amount equal to \$200,000 x (actual Gross Sales in the First Sales Year divided by \$5,000,000) for the First Sales Year if actual Gross Sales exceed \$4,000,000.

4.4.2 An amount equal to \$200,000 x (actual Gross Sales in the Second Sales Year divided by \$8,000,000) for the Second Sales Year if actual Gross Sales exceed \$6,000,000.

4.4.3 An amount equal to \$200,000 x (actual Gross Sales in the Third Sales Year divided by \$11,000,000) for the Third Sales Year if actual Gross Sales exceed \$8,000,000.

4.5. Earnout Recapture. The maximum Earnout in the Second Sales Year shall be increased by the difference between \$200,000 and the Earnout earned in the First Sales Year if Gross Sales for the First and Second Sales Years exceed \$13,000,000. The maximum Earnout in the Third Sales Year shall be increased by the difference between \$400,000 and the sum of the Earnouts earned in the First and Second Sales Year if Gross Sales in the First, Second and Third Sales Years exceed \$24,000,000. Notwithstanding anything to the contrary contained herein, the Earnout paid to Seller hereunder shall not exceed \$600,000.

4.6. Additional Contingent Consideration. For each Sales Year in which Seller meets the Gross Sales and Gross Profit Margins established in Section 4.2.1 through 4.2.3, as applicable, ASGC shall pay Seller additional consideration ("Additional Consideration") in the amount of Fifty Thousand Dollars (\$50,000) for each of the first and second One Million Dollars (\$1,000,000) by which actual Gross Sales for that Sales Year exceeds the Gross Sales target.

4.7. Payment Terms. The Earnout and Additional Consideration, if any, shall be paid within Ninety (90) days after the end of the Sales Year in which such consideration is calculated via check.

4.8. Employment. Smith will be employed as an "at-will" employee by ASGC to supervise and oversee the design, production, marketing, distribution, merchandising and sales of the Apparel Line ("Employment"). Notwithstanding anything to the contrary contained herein, in the event that the Employment is terminated for the following reasons, the Earnout and the Additional Consideration shall be adjusted as follows:

4.8.1 Termination Without Cause: In the event that Smith is terminated without cause, then the calculation of the Earnout and the Additional Consideration will be prorated to the date of such termination. For example, if the First Sales Year is the calendar year 2000 and Smith is terminated on July 1, 2000, then the Gross Sales target for the First Sales Year shall be divided in half, calculations shall be based on the actual Gross Sales for the period from January 1, 2000 through June 30, 2000, and the maximum Earnout shall be One Hundred Thousand Dollars (\$100,000). The Gross Profit Margin for the Sales Year in question will not change. The Additional Consideration shall be divided in half and shall be calculated on the first and second Five Hundred Thousand Dollars (\$500,000) by which the Gross Sales exceed the prorated Gross Sales target for the period of January 1 through June 30, 2000. Any Earnout recapture rights from previous years shall be waived. Upon

such termination, Seller and Smith's rights to receive and ASGC's obligations to pay any Earnout and Additional Consideration other than the prorated amount described herein shall be terminated.

4.8.2 Termination For Cause or Voluntary Resignation. In the event that Smith is terminated for cause or voluntarily resigns, Seller's and Smith's rights to receive and ASGC's obligations to pay any Earnout and Additional Consideration for the year that such termination or resignation occurs and all future years, if any, shall be terminated. For the purposes of this Agreement, termination for cause includes but is not limited to (1) acting or failing to act that results in detriment to ASGC; (ii) exhibiting unfitness or unavailability for service (other than as a result of disability, as provided for in this Agreement), unsatisfactory performance, misconduct, dishonesty, habitual neglect, or incompetence; (iii) conviction of a crime; or (iv) breaching any term of this Agreement.

Nothing in this Agreement shall be construed as an agreement for employment.

4.9. Allocation of Purchase Price. The Purchase Price shall be allocated against the Assets pursuant to the allocations described in Schedule 4.9, attached hereto.

5. **Escrow**. On or before Closing, ASGC shall deposit the Non-Inventory Price and the Inventory Price (collectively the "Base Purchase Price") into Escrow. The escrow holder shall deposit the Base Purchase Price into an interest bearing account. All interest shall accrue to the benefit of ASGC. ASGC shall deliver escrow instructions ("Escrow Instructions") in the form attached hereto as Schedule 5 which shall provide for closing by February 28, 1999 ("Closing Date") or at such time upon which the Base Purchase Price can be distributed to Seller subject to the satisfaction of the Bulk Transfer Laws of the State of California, the terms and conditions of this Agreement and the Escrow Instructions. In the event of a breach of any term, condition, representation or warranty contained in this Agreement by Seller, ASGC shall have the unilateral right to withdraw the Base Purchase Price. All Escrow related fees and costs shall be paid equally between Seller and Buyer.

6. **No Assumption of Liabilities**. ASGC shall not assume any liabilities of Seller or Smith of any kind or nature other than those liabilities contained in the Material Contracts specifically listed under Schedule 2.2 ("Assumed Liabilities").

7. **Representations Warranties and Covenants of Seller**. Seller and Smith, jointly and severally, represent, warrant and covenant to ASGC that, as of the date of this Agreement and as of the Closing Date, the following statements are and shall be true and correct in all respects. The representations and warranties set forth in this Section 7 shall survive for a period of two (2) years from the Closing Date.

7.1. Organization and Standing of Seller. Seller is duly organized, validly existing and in good standing under the laws of the State of California. Smith is the sole shareholder, a director and the president and chief executive officer of Seller. Seller has all necessary corporate powers to conduct its business as it is has been and is currently conducted (including, without limitation, the operation of the Business) and to own or hold all of the

property now owned or held by it which is necessary to conduct Seller's business as it has been and is presently conducted.

7.2. Incumbency. Each person signing this Agreement on behalf of Seller has been duly authorized to do so by all necessary corporate action and has the power and authority to execute this Agreement on behalf of Seller.

7.3. Authorization of Agreement. All corporate action on the part of Seller necessary for the authorization, execution and delivery of this Agreement and for the performance of all of its obligations hereunder has been taken, and this Agreement, when executed and delivered, shall constitute a valid and legally binding obligation of Seller enforceable against Seller in accordance with its terms.

7.4. Title to Assets. Seller has good and marketable title to the Assets, whether real, personal, tangible or intangible, and, on the Closing Date, as defined herein, all of the Assets will be free and clear of restrictions on or conditions to transfer or assignment, and free and clear of mortgages, liens, pledges, encumbrances, claims, conditions or restrictions, except as set forth in the Schedule 7.4 to this Agreement. All the tangible personal property included in the Assets is in a reasonable state of maintenance and repair.

7.5. Material Contracts. Schedule 2.2 to this Agreement is a full and complete list of the contacts and agreements to which Seller is a party and which are to be assigned by Seller to ASGC upon Closing (the "Material Contracts, including, without limitation, all payor contracts, contracts or agreements for the purchase of inventory or supplies, personal property leases, and license agreements (including license agreements for the use of computer software)). All the Material Contracts are valid and in full force and effect, and there does not exist, nor will there exist as a result of the sale of the Assets or any other transaction contemplated by this Agreement, any default or event which, with notice: or lapse of time or both, would constitute a breach of or default under any of the Material Contracts. Except as set forth on Schedule 7.5 to this Agreement, no consent, authorization or approval is required to effect the assignment of each of the Material Contracts to ASGC.

7.6. No Violation of Statute or Breach of Contract. Seller is not, and upon consummation of transactions contemplated by this Agreement will not be in default under, or in violation of, nor has Seller received any notice of default or violation of (a) any applicable statute, law, ordinance, building or other code, decree, order, rule, regulatory injunction or judgment of any governmental body or court; (b) any provision of any permit or license to which Seller is a party; (c) any promissory note, indenture or any other evidence of indebtedness or security therefor, (d) any lease, contract, purchase or other commitment (whether written or oral); or (e) any other agreement by which Seller is bound.

7.7. Governmental Consents. All consents, authorizations, licenses, permits, registrations, approvals of, or exemptions or other actions by, any governmental or public body or authority required in connection with Seller's execution and delivery of this Agreement with the performance by Seller of its obligations under this Agreement have been obtained.

7.8. Financial Information. Seller has delivered to ASGC or its representatives: (a) unaudited statements of income and cash flow for the year ending 12/31/98, (b) the Balance Sheet and related statements of income and cash flow as of 12/31/98. All the above referenced financial statements are collectively referred to herein as the "Financial Statements." The Financial Statements fairly present the financial condition and the results of operations and cash flow of Seller as of the respective dates and for the periods referred to therein. The Financial Statements have been prepared in accordance with normal accounting principles for a business of the size and type of Seller, applied on a consistent basis throughout the periods reported, subject only, in the case of interim financial statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse). Except as set forth in this Agreement or in the Financial Statements, there are no liabilities, contingent or otherwise, of Seller other than those shown on the Financial Statements.

7.9. Tax Returns and Payments. All tax returns (federal, state, local, foreign and other) required to be filed by or on behalf of Seller have been filed, and all taxes due and payable thereon including, without limitation, all foreign, federal, state, county and local income, ad valorem, excise, sales, use, transfer and other taxes and assessments, have been paid. There are no unpaid taxes so due or payable which are, or could become, a lien on the Assets of ASGC, and no deficiencies have been assessed or notices of deficiency delivered with respect to federal, or state income or other taxes of Seller. Seller shall file all tax returns and pay all taxes required to be paid by Seller attributable to all periods of operation of the Business prior to the Closing Date.

7.10. Employment Contracts; At-Will Employment; Employment Related Claims. Seller is not either a party to, nor bound by, any employment contract or agreement, whether oral or written, express or implied; all of Seller's employees are "at-will" employees and can be terminated at any time, with or without cause and with or without advance notice; and there are no bonuses (cash or otherwise) payable to or which Seller has agreed to pay to any of its employees, officers, managers or directors, nor is there any commitment by Seller to promote or increase the compensation of any employee, officer, manager or director, or, any agreement by Seller to continue the employment of any employee, officer, manager or director for any period of time. To the best knowledge of Seller there are no pending, or threatened actions or claims by any current or former employee against Seller or ASGC, including (without limitation) any charges or complaints filed or threatened to be filed with the California Department of Fair Employment and Housing, the United States Equal Employment Opportunity Commission, the California Labor Commission or any other federal, state or local governmental agency or administrative body.

7.11. Employee Benefit Plans. Seller does not maintain, offer or provide any employee pension benefit and employee welfare benefit plans or other deferred compensation, incentive or fringe benefit plans applicable to officers, directors and employees of Seller (the "Employee Benefit Plans"). Seller has complied with all applicable laws relating to requirements of any Employee Benefit Plans, including the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if and to the extent applicable, and shall comply with all such applicable laws. To the best knowledge of Seller there are no threatened

or pending claims by or on behalf of any employee employed by Seller nor is there a basis for any claims relating to employee benefits.

7.12. Litigation and Labor Disputes.

7.12.1 There is no known suit, action, claim, arbitration, or legal, administrative, or other proceeding, governmental or other investigation, complaint or contract renegotiation ("Legal Action") pending or threatened before or by any court, arbitral body, administrative or regulatory body, or governmental agency or other tribunal or court of any kind, or threatened, against or affecting either Seller or Seller's employees, business, assets, trade names or financial condition.

7.12.2 Seller has not agreed to indemnify, defend or hold harmless any third party against the outcome of any legal action.

7.12.3 There is no known pending or threatened labor or collective bargaining dispute, petition, strike or work stoppage or slowdown which would affect all or any portion of the Business of Seller or ASGC. The Seller and ASGC are not governed in any respect by any agreement calling for collective bargaining with its employees.

7.13. Trade Names, Trademarks, Service Marks, and Copyrights. Seller has full right, title, and ownership to the tradenames and trademarks associated thereto of "Urban Flex" and "Urban Sport." Seller has no knowledge of any infringement by others of such trade names, trademarks, service marks or copyrights. Seller has not infringed and is not now infringing on any trade name, trademark, service mark, or copyright of any third party.

7.14. Insurance Policies. Seller maintains reasonable insurance in connection with the assets and properties owned or leased by Seller and in connection with the conduct of the Business. All of such policies are in full force and effect as of the date hereof and shall be in full force and effect immediately prior to the Closing. The Seller has at all times carried such insurance, including (without limitation) commercial general liability, property and professional liability as Seller was or is required to carry pursuant to the terms of any contract or agreement to which Seller was or is a party.

7.15. Hazardous Materials.

7.15.1 Seller is not aware of the use, treatment, storage, handling or disposal, whether temporarily or permanently, of any Hazardous Materials, as described herein, in or about any of the premises used in connection with the Business, other than (a) customary cleaning and janitorial supplies, materials for the routine use and maintenance of office equipment and first aid kits, (b) faucets at the Premises which may contain small amounts of lead, and (c) otherwise in substantial compliance with all applicable Hazardous Materials Laws as described herein.

7.15.2 Seller has not received or become aware of any existing civil, criminal, or administrative actions, suits, proceedings, judgments, orders, decrees, defaults, delinquencies, deficiencies, demands, claims, hearings, notices of violation, investigations,

proceedings, notices or demand letters pending or outstanding or, to the best of Seller's knowledge, threatened against Seller's employees relating in any way to any Hazardous Materials Laws or to any federal, state or local agency having jurisdiction with regard to Hazardous Materials Laws.

7.15.3 "Hazardous Materials" means any substance, material, or waste which was heretofore and/or is currently regulated by federal, state, or local governmental authority, including, but not limited to, (i) any material or any substance which is defined as hazardous, dangerous or toxic pursuant to any current federal, state or local statute, ordinance, order, rule or regulation of any type; (ii) petroleum; (iii) asbestos; or (iv) polychlorinated biphenyls.

7.15.4 "Hazardous Materials Laws" means any current federal, state, or local statute, ordinance, order, rule, or regulation of any type relating to the storage, handling, use or disposal of any Hazardous Materials, the presence of Hazardous Materials in the environment, the contamination of the environment, any removal of such Hazardous Materials or remediation thereof, or endangerment of human health.

7.16. Disclosure. No representation or warranty by Smith and/or Seller contained in this Agreement and no writing, certificate, exhibit, list or other instrument required to be furnished to ASGC by Smith and/or Seller pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits or will omit any material fact necessary in order to make the statements and information contained therein not misleading.

8. ASGC Representations. ASGC represents and warrants that ASGC is a corporation duly organized, existing, and in good standing under the laws of the State of Delaware and authorized to conduct business in California. The execution and delivery of this Agreement and the consummation of this transaction by ASGC have been, or prior to the Closing will have been, duly authorized, and no further corporate authorization is or will be necessary on the part of ASGC.

9. ASGC's Conditions to Closing. The obligations of ASGC to purchase the Assets and assume the Assumed Liabilities under this Agreement are subject to the satisfaction, at or before the Closing, of all the conditions set out below. ASGC may waive any or all of these conditions in writing; provided, however, that no such waiver of a condition shall constitute a waiver by ASGC of any of its other rights or remedies, at law or in equity, if Seller shall be in default of any of its representations, warranties, or covenants under this Agreement.

9.1. Accuracy of Smith and Seller's Representations and Warranties. All representations and warranties by Smith and Seller in this Agreement or in any written statement that shall be delivered to ASGC by Smith and Seller under this Agreement shall be true on and as of the Closing Date as though made at that time.

9.2. Absence of Liens. At or prior to the Closing, there shall be no filings under the Uniform Commercial Code on file with such Secretary of State which name either Smith or AIO as debtor or otherwise indicating any lien on the Assets.

9.3. Seller's Performance. Seller shall have performed, satisfied, and complied with all covenants, agreements, and conditions required by this Agreement to be performed or complied with by Seller on or before the Closing Date.

9.4. Absence of Litigation. No action, suit, or proceeding before any court or any governmental body or authority, pertaining to the transaction contemplated by this Agreement or to its consummation, shall have been instituted or threatened on or before the Closing Date.

9.5. Corporate Approval. The execution and delivery of this Agreement by Seller, and the performance of its covenants and obligations under it, shall have been duly authorized by all necessary corporate action, and ASGC shall have received copies of all resolutions pertaining to that authorization, certified by the secretary of Seller.

9.6. Consents. All necessary agreements and consents of any parties to the consummation of the transaction contemplated by this Agreement, or otherwise pertaining to the matters covered by it, shall have been obtained by Seller and delivered to ASGC, including consent by parties to the Material Contracts.

9.7. Condition of Assets. The value of the Assets to ASGC shall not have been materially or adversely affected in any way as a result of any use, disposition, fire, accident, storm or other casualty, labor or civil disturbance or act of God or the public enemy. Up to the Closing, Seller shall bear the risk of loss to the Assets. Notwithstanding the foregoing, if such damage or loss exceeds \$10,000, such an occurrence shall be deemed a failure of a condition and ASGC shall have the right to terminate this Agreement without liability to Seller.

9.8. Bulk Sales. The parties shall have complied with Division 6 of the California Commercial Code and Seller shall have furnished such information necessary to prepare the notice of bulk sales transfer.

9.9. Estoppel Certificates. Seller shall have received estoppel certificates in the form attached to this Agreement as Schedule 9.9 from each of the Material Contracts to be assumed pursuant to Section 2.2 above (collectively, "Estoppel Certificates").

10. Seller's Conditions to Closing. The obligations of Seller to transfer the Assets under this Agreement are subject to the satisfaction, at or before the Closing, of all the following conditions:

10.1. Accuracy of ASGC's Representations and Warranties. All representations and warranties by ASGC contained in this Agreement or in any written statement delivered by ASGC under this Agreement shall be true on and as of the Closing as though such representations and warranties were made on and as of that date.

10.2. ASGC's Performance. ASGC shall have performed and complied with all covenants and agreements, and satisfied all conditions that it is required by this Agreement to perform, comply with, or satisfy, before or at the Closing.

10.3. ASGC's Corporate Approval. ASGC shall have received corporate authorization and approval for the execution and delivery of this Agreement and all corporate action necessary or proper to fulfill the obligations of ASGC to be performed under this Agreement on or before the Closing Date.

11. Closing. The transfer of the Assets by Seller to ASGC shall take place at the offices of ASGC on the Closing Date or at the time as mutually agreed upon by the parties (the "Closing"). Title to all the Assets shall transfer upon release of the Base Purchase Price pursuant to the Escrow Instructions. In the event that the conditions specified in this Agreement have not been fulfilled by sixty (60) days from the date hereof, ASGC may unilaterally terminate this Agreement and withdraw all funds deposited into Escrow.

11.1. Seller's Obligations at the Closing. On or before the Closing, Seller shall have delivered to into Escrow the following items, in form and substance satisfactory to ASGC's counsel:

- 11.1.1 Bill of Sale;
- 11.1.2 Assignment of Rights;
- 11.1.3 Seller's Certificate;
- 11.1.4 Shareholder Resolutions;
- 11.1.5 Board Resolutions; and
- 11.1.6 Estoppel Certificates

11.2. ASGC's Obligations at the Closing. On or before the Closing, ASGC shall have delivered into Escrow the following items against delivery of the items specified in Section 11.1 above:

- 11.2.1 The Base Purchase Price;
- 11.2.2 Executed instruments of assumption of the assignment and transfer of all of the Assets of Seller to be transferred hereunder;
- 11.2.3 Board Resolutions;

11.3. Post Closing Obligations.

11.3.1 Inventory. Within 30 days of Closing, Seller and ASGC shall audit the Inventory and prepare a schedule of the value of the Inventory ("Closing Inventory Schedule"). The Inventory shall be valued on the basis of the cost of such Inventory to Seller

with any raw materials valued at cost and any work-in-progress inventory valued at half of the cost of goods for the finished product. In the event the Inventory value on the Closing Inventory Schedule is less than the Inventory value on the Balance Sheet by more than \$3,000, Seller shall immediately pay the difference to ASGC. In the event the Inventory value on the Closing Inventory Schedule is greater than the Inventory value stated on the Balance Sheet by more than the same such amount, ASGC shall immediately forward the difference to Seller.

11.3.2 Returned Merchandise. ASGC shall assume Seller's liability for returned merchandise sold prior to Closing up to a maximum amount of \$5,000. Smith shall be responsible for any liability for returned merchandise sold prior to Closing in excess of \$5,000. ASGC shall be responsible for all merchandise from Seller's Spring 1999 shipments.

12. **Indemnity.** Seller and Smith shall jointly and severally indemnify, defend, and hold harmless ASGC and its representatives, directors, trustees, officers and agents ("ASGC Indemnitees") against any claims, demands, losses, costs, expenses, obligations, liabilities, damages and deficiencies, including reasonable attorney fees that ASGC incurs (i) as a result of any breach of, or Seller's failure to perform, any of its representations, warranties, covenants, terms, or conditions in this Agreement; in any schedule furnished under this Agreement; and/or (ii) arising from the conduct of the Business prior to Closing.

In the event that any of the Assets are seized, actioned upon, or claimed, including the equipment, inventory or any of the intellectual property, Seller agrees that any loss in value to such Assets and any damage suffered by ASGC Indemnitees as a result of such actions may be deducted from any amounts owed for Earnout or Additional. _____

13. **Covenant Not to Compete.** Seller and Smith acknowledge and agree that ASGC, in purchasing the Assets, is purchasing substantially all of the Assets of the Business including its goodwill. Seller and Smith therefore each hereby covenant not to compete with Buyer in the business of designing, marketing, distributing and/or merchandising clothing, apparel and accessories for a period of three (3) years ("Covenant Period") in any of the countries, territories, cities, towns and municipalities which Buyer conducts its business as of the Closing Date. The parties intend that the covenant contained in this Section 13 shall be construed as separate, identical covenants, one for each city, county, municipality, or similar geographic subdivision in which ASGC conducts business. The scope, geographic limit, and duration of each such separate covenant shall be enforced to the fullest extent permitted by law. The invalidity of any one such covenant, or any provision of this Agreement, shall not affect the validity of the remaining such covenants or this Agreement as a whole, all of which shall remain in full force and effect.

14. **Legal Representation.** Seller and Smith hereby acknowledge that (a) this Agreement has been prepared by counsel for ASGC on ASGC's behalf only, and (b) ASGC has advised Seller and Smith to seek independent counsel to protect Seller's and Smith's own interests in this transaction

15. **Notices.** Any notice which is required to be given hereby, or which may be given by either party to the other, shall be sufficiently given if personally delivered to the

other party, express mailed or certified mail, return receipt requested, to the other party at the addresses shown below, or such other addresses as may hereafter be specified by the parties by notice to the other party.

Seller: Mr. Cristofer Smith
Act It Out, Inc.
1601 N. Sepulveda Blvd., Suite 397
Manhattan Beach, CA 90266

ASGC: Mr. Jerome A. Turner
2323 Main Street
Irvine, CA 92614

16. **Disputes.** Any dispute arising from this Agreement between the parties shall be resolved through binding arbitration pursuant to the Rules of Arbitration and the American Arbitration Association. The prevailing party shall be entitled to reasonable attorneys' fees and related costs. Venue shall be in the City of Irvine, County of Orange, State of California. Judgment on any award may be entered by any court of competent jurisdiction.

17. **Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the parties and their successors in interest.

18. **Governing Law.** This Agreement will be construed in accordance with, and governed by, the laws of the State of California as applied to contracts made and performed entirely in California.

19. **Severability.** If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the parties that all other provisions of this Agreement be construed to remain fully valid, enforceable, and binding on the parties.

20. **Entire Agreement.** This Agreement constitutes the entire agreement of the parties with respect to the assignment of Seller's interest in the Business to ASGC and to Seller's representations, covenants, and warranties. This Agreement may be modified only by a writing signed by each of the parties.

21. **Counterparts.** This Agreement may be executed in separate counterparts, each of which will be considered an original, but all of which together shall constitute one and the same full and binding instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement upon the date above written.

SELLER

BUYER

ACT IT OUT, INC., a California corporation

AMERICAN SPORTING GOODS CORPORATION, a Delaware corporation

By: Cristofer Smith
Its: President

By: [Signature]
Its: Pres

Cristofer Smith
Cristofer Smith, an individual

Schedule 2.1 Inventory

ACT IT OUT, INC dba URBAN SPORT
INVENTORY-FINISHED GOODS 12/31/98

STYLE NO.	EXTRA			COST	TOTAL	
	S	M	L			
T21 Black Bra Top	27	17	12	8.50	476.00	
T21 Navy Bra Top	29	45	18	8.50	782.00	
T21 Wine Bra Top	2	24	13	8.50	331.50	
T21 Olive Bra Top	0	19	8	8.50	229.50	
T22 Black V-Neck T	0	6	0	9.00	54.00	
T22 Navy V-Neck T	18	1	0	9.00	171.00	
T22 Wine V-Neck T	1	15	1	9.00	153.00	
T22 Olive V-Neck	0	39	24	9.00	567.00	
T23 Black Cycling T	2	18	1	10.50	220.50	
T23 Navy Cycling T	10	25	9	10.50	462.00	
T23 Wine Cycling T	17	36	18	10.50	745.50	
T23 Olive Cycling T	21	43	21	10.50	892.50	
T25 Black V-Neck Bra Top	49	37	16	8.25	841.50	
T25 Navy V-Neck Bra Top	21	22	12	8.25	453.75	
T25 Wine V-Neck Bra Top	5	4	1	8.25	82.50	
T25 Olive V-Neck Bra Top	18	16	11	8.25	371.25	
T72 Black Dance Pant w/o	0	0	2	11.00	22.00	
T72 Navy Dance Pant w/o	0	6	1	11.00	77.00	
T72 Olive Dance Pant w/o	0	0	0	11.00	0.00	
T72 Wine Dance Pant w/o	0	0	0	11.00	0.00	
T87 Black Dance Pant	2	1	3	11.50	69.00	
T87 Navy Dance Pant	0	1	0	11.50	11.50	
T87 Wine Dance Pant	11	3	0	11.50	161.00	
T87 Olive Dance Pant	11	5	5	11.50	241.50	
T88 Black 5" Bike Short	13	20	1	8.00	272.00	
T88 Navy 5" Bike Short	18	11	1	8.00	240.00	
T88 Wine 5" Bike Short	2	30	12	8.00	352.00	
T88 Olive 5" Bike Short	0	13	4	8.00	136.00	
T78 Black 5" Bike w/o pp	0	18	18	7.75	279.00	
T78 Navy 5" Bike w/o pp	4	33	23	7.75	465.00	
T78 Olive 5" Bike w/o pp	14	45	25	7.75	651.00	
T78 Wine 5" Bike w/o pp	0	0	0	7.75	0.00	
T89 Black 3" Bike Short	2	26	13	8.00	328.00	
T89 Navy 3" Bike Short	13	52	21	8.00	688.00	
T89 Wine 3" Bike Short	13	32	17	8.00	496.00	
T89 Olive 3" Bike Short	12	37	24	8.00	584.00	
T92 Black Legging	25	25	1	10.00	510.00	
T92 Navy Legging	2	0	0	10.00	20.00	
T92 Olive Legging	1	21	16	10.00	380.00	
T92 Wine Legging	5	25	12	10.00	420.00	
T92 Black Legging w/o pp	43	45	15	9.50	978.50	
T93 Navy Legging w/o pp	6	18	11	9.50	332.50	
T80 Padded Bra Top	83	59	32	9.00	1566.00	16113.50
TOTAL	500	893	422			

*Finished Goods \$ 43,711.25
Total 4 pages.*

PS

ACT IT OUT, INC. dba URBAN SPORT
INVENTORY-FINISHED GOODS 12/31/98

STYLE NO.	EXTRA			COST	TOTAL	
	S	M	L			
C23 Black Dance Pant	0	1	0	10.00	10.00	
C23 Navy Dance Pant	0	1	1	10.00	20.00	
C24 Black Legging	1	10	1	8.75	105.00	
C24 Navy Legging	15	38	14	8.75	586.25	
C25 Black 5" Bike Short	1	5	0	7.50	45.00	
C25 Navy 5" Bike Short	10	30	14	7.50	405.00	
C26 Black Bra Top	4	18	7	8.25	239.25	
C26 Navy Bra Top	0	20	11	8.25	255.75	
C27 Black Muscle T	4	19	6	8.50	246.50	
C27 Navy Muscle T	4	0	0	8.50	34.00	
C28 Black S/S V-Neck T	7	8	0	9.00	135.00	
C28 Navy S/S V-Neck T	7	8	0	9.00	135.00	2216.75
	53	158	54			
L12 Blue Tank Top	10	24	10	8.00	352.00	
L12 Black Tank Top	3	18	2	8.00	184.00	
L12 Heather Tank Top	2	12	7	8.00	168.00	
L23 Blue Capri Legging	13	35	16	7.75	496.00	
L23 Black Capri Legging	1	20	9	7.75	232.50	
L23 Heather Capri Legging	4	21	12	7.75	286.75	
L41 Blue S/S T	13	14	16	8.75	376.25	
L41 Black S/S T	8	1	8	8.75	148.75	
L41 Heather S/S T	14	7	15	8.75	315.00	
L42 Blue Full Body Unitard	28	23	27	12.50	975.00	
L42 Black Full Body Unitard	4	0	2	12.50	75.00	
L42 Heather Full Body Uni	31	28	33	12.50	1150.00	
L81 Blue 5" Yoga Short	17	5	1	7.75	178.25	
L81 Black 5" Yoga Short	6	6	0	7.75	93.00	
L81 Heather 5" Yoga Short	15	2	0	7.75	131.75	
L83 Blue Yoga Legging	20	17	20	8.25	470.25	
L83 Black Yoga Legging	2	4	11	8.25	140.25	
L83 Heather Yoga Legging	17	6	21	8.25	363.00	
L40 Blue Camisole Bra	1	0	0	7.50	7.50	
L40 Black Camisole Bra	3	4	0	7.50	52.50	
L40 Heather Camisole Bra	3	2	0	7.50	37.50	6233.25
	215	249	210			
M100 Navy Mesh T- Shirt	3	0	0	8.50	25.50	
M100 Wine Mesh T- Shirt	11	8	4	8.50	195.50	
M100 Olive Mesh T- Shirt	0	0	0	8.50	0.00	
M101 Navy Mesh Short	0	0	0	8.50	0.00	
M101 Wine Mesh Short	0	0	1	8.50	8.50	
M101 Olive Mesh Short	0	5	3	8.50	68.00	
M102 Navy Dance Pant	4	1	2	12.00	84.00	
M102 Wine Dance Pant	0	0	0	12.00	0.00	
M102 Olive Dance Pant	1	1	0	12.00	24.00	405.50
	19	15	10			

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ACT IT OUT, INC. dba URBAN SPORT
INVENTORY-FINISHED GOODS 12/31/98

STYLE NO.	EXTRA			COST	TOTAL	
	S	M	L			
C99 T-Shirt	0	O/S	5	4 25	21 25	
I99 Black Interlock Short	17	0	17	6 25	212 50	
I99 Blue Interlock Short	0	11	1	6 25	75 00	
I99 Heather Interlock Short	1	0	5	6 25	37 50	
R103 Black L/S T	0	O/S	0	8 00	0 00	
R103 Blue L/S T	0	O/S	0	8 00	0 00	
R103 Natural L/S T	0	O/S	4	8 00	32 00	
R103 Heather L/S T	0	O/S	0	8 00	0 00	
F102 Blue Sweatshirt	0	O/S	5	13 50	67 50	
F102 Black Sweatshirt	0	O/S	0	13 50	0 00	
F102 Heather Sweatshirt	0	O/S	0	13 50	0 00	
F103 Black Sport Pant	1	0	21	11 00	242 00	
F103 Blue Sport Pant	0	1	16	11 00	187 00	
F103 Heather Sport Pant	24	25	30	11 00	869 00	
F28 Black Jean Style Pant	13	4	17	14 25	484 50	
F28 Blue Jean Style Pant	0	0	0	14 25	0 00	
F28 Heather Jean Style Pant	2	0	7	14 25	128 25	2356 50
	58	41	128			
S24 Black Walk Short	84	109	36	7 00	1603 00	
S24 Navy Walk Short	0	21	9	7 00	210 00	
S24 Wine Walk Short	9	21	8	7 00	266 00	
S25 Black Wind Pant	25	13	1	12 00	468 00	
S25 Navy Wind Pant	0	11	2	12 00	156 00	
S25 Wine Wind Pant	2	15	9	12 00	312 00	
S26 Black Jacket	8	16	28	15 50	806 00	
S26 Navy Jacket	3	13	10	15 50	403 00	
S26 Wine Jacket	5	14	8	15 50	418 50	
S27 Black Running Short	3	0	0	7 50	22 50	
S27 Navy Running Short	2	10	5	7 50	127 50	
S27 Wine Running Short	0	0	0	7 50	0 00	4792 50
	141	243	116			
SO1 Black Bra Top	30	28	18	7 50	570 00	
SO1 Navy Bra Top	48	50	24	7 50	915 00	
SO2 Black Tank Top	48	33	8	8 50	756 50	
SO2 Navy Tank Top	49	47	22	8 50	1003 00	
SO3 Black Bike Short	5	0	0	12 00	60 00	
SO3 Navy Bike Short	0	0	0	12 00	0 00	
SO4 Black Legging	15	14	7	14 50	522 00	
SO4 Navy Legging	0	0	0	14 50	0 00	3826 50
	195	172	79			
S28 Navy Pullover Shirt	23	2	14	14 00	546 00	
S28 Wine Pullover Shirt	3	5	3	14 00	154 00	
S29 Navy Board Pant	0	0	8	12 50	100 00	
S29 Wine Board Pant	2	3	0	12 50	62 50	862 50
	28	10	25			
MF7 Micro Fleece Vest	5	4	7	15 00	240 00	
MF8 Reversible Jacket	0	O/S	4	27 50	110 00	350 00
	5	4	11			

ACT IT OUT, INC. dba URBAN SPORT
 INVENTORY-FINISHED GOODS 12/31/98

STYLE NO.	EXTRA			COST	TOTAL	
	S	M	L			
			TOTAL			
TT26 (THERMAL D/S SHORT)			6	9.00	54.00	
TT17 (THERMAL S/S SHIRT)			53	9.00	477.00	
TC1 (THERMAL L/S SHIRT)			142	10.00	1420.00	
TR 20 (RIB BODY TANK)			13	6.25	81.25	
TW22 (TWILL CASUAL SHORT)			271	8.50	2303.50	
TF25 (FLEECE SHORT)			52	7.00	364.00	
TP14 (PIQUE POLO SHIRT)			0	9.50	0.00	
TP13 (PIQUE SLEEVELESS V-NECK TEE)			39	7.00	273.00	
TP12 (PIQUE SPORT PANT)			158	7.75	1224.50	
TP15 (PIQUE JAM SHORT)			68	5.25	357.00	
						6554.25
						43711.25

OLD STOCK

STYLE NO.	EXTRA			COST	TOTAL	
	S	M	L			
T70 Black Unitard	1	1	0	11.50	23.00	
T72 Dance Pant	0	0	10	11.00	110.00	
T88 5" Bike Short (Red)	5	2	0	8.00	56.00	
T88 5" Bike Short (White)	43	98	46	8.00	1496.00	
T88 5" Bike Short (Navy)	1	0	0	8.00	8.00	
T94 5" Bike Short (Black)	17	0	3	7.75	155.00	
T91 Bra Top	1	0	0	8.00	8.00	
T92 Legging (White)	20	12	5	10.00	370.00	
T93 Legging (Black)	4	1	12	9.50	161.50	2387.50
	92	114	76			
C22 Char/Black Leotard	0	2	0	8.75	17.50	17.50
	0	2	0			
M100 T-Shirt (Red)	1	0	0	8.50	8.50	
M101 Short (Red)	0	2	0	8.50	17.00	
M102 Dance Pant (Red)	3	0	0	12.00	36.00	61.50
	4	2	0			
R25 Tank Top	0	O/S	2	5.50	11.00	
I26 Raglan T-Shirt	0	O/S	2	7.00	14.00	
F27 Jean Style Short	1		0	10.50	10.50	35.50
	1		4			
L21 5" Bike Short	35	15	0	6.50	325.00	
L23 Black Capri Legging	40	27	14	7.75	627.75	
L24 Black Legging	6	0	0	8.00	48.00	1000.75
	81	42	14			3502.75
TOTAL	178	160	94	432		

ACT IT OUT, INC. dba URBAN SPORT
 INVENTORY-RAW MATERIALS AVAILABLE FOR SALE TO MARMAXX

P21

		Quantity/				
		Yardage	Cost	Total		Location
LYCRA						
Navy Blue		100	5.40	540.00		Warehouse
Black		225	8.90	1552.50		Warehouse
Heather		125	6.90	862.50		Warehouse
White		175	5.40	945.00		Warehouse
Charcoal		25	5.20	130.00		Warehouse
TACTEL						
White		17	8.50	144.50		Paragon
Red		100	8.50	850.00		Warehouse
Olive		100	8.50	850.00		Warehouse
Wine		100	8.50	850.00		Warehouse
Charcoal		22	8.50	187.00		Warehouse
Black		25	8.50	212.50		Warehouse
Navy Blue		13	8.50	110.50		Warehouse
Heather		50	8.50	425.00		Warehouse
Heather		270	8.50	2295.00		Paragon
NYLON						
White		174	2.80	487.20		Warehouse
Black		23	3.50	80.50		Warehouse
Navy Blue		23	3.50	80.50		Warehouse
RIB						
Navy Blue		23	2.50	57.50		Warehouse
White 1x1		47	2.50	117.50		Warehouse
White 2x1		100	4.90	490.00		Warehouse
Black 2x1		74	4.90	362.60		Warehouse
Heather Grey 1x1		49	2.50	122.50		Warehouse
FLEECE						
Black		462	4.15	1917.30		Warehouse
Brown		80	4.15	332.00		Warehouse
THERMAL						
Natural		200	2.95	590.00		Warehouse
JERSEY						
White		100	2.80	280.00		Warehouse
BERBER						
Black		3	5.35	16.05		Warehouse
Olive		3	5.35	16.05		Warehouse
White		3	5.35	16.05		Warehouse
Navy		3	5.35	16.05		Warehouse
K-WICK						
Black		1600	4.75	7600.00		Warehouse

ACT IT OUT, INC. dba URBAN SPORT
INVENTORY-RAW MATERIALS AVAILABLE FOR SALE TO MARMAXX

P22

MICROSUEDE					
Navy		180	3.85	693.00	Warehouse
ZIPPERS		1148	0.53	608.44	Warehouse
CORD LOCKS		500	0.11	55.00	Warehouse
HANG TAGS		30,000	0.05	1500.00	Warehouse
CARE LABELS		60,000	0.03	1800.00	Warehouse
DRAWCORD	rolls	18	8.75	157.50	Warehouse
BRA PADS		100	0.35	35.00	Warehouse
				27385.24	

Schedule 2.2 Material Contracts

Act It Out, Inc. dba Urban Sport

Prepaid 1999 Super Show Expenses

1/18/99

Vendor	Amount	Description
The Super Show	1365.00	BoothSpace
Executive Convention Consultants	1541.28	Hotel
ExhibitCorp.	1719.75	BoothRental
The Super Show-Fashion Show	1000.00	FashionShow
Total	5626.03	

LESSOR IMPERIAL CAPITAL CORPORATION

P.O. Box 19774, Irvine, California 92623
(714) 223-6900 • (800) 325-0222

LESSEE'S FULL NAME AND ADDRESS **SUPPLIER'S FULL NAME AND ADDRESS**

• Act It Out, Inc. dba Urban Flex
• 1601 N. Sepulveda Blvd #397
• Manhattan Beach, Ca. 90266

• Security Sewing Machine
• 10413 Rush St
• South El Monte, Ca. 91733

EQUIPMENT

Quantity	Type, Make, Model Number, Serial Number, etc.
1	New Juki 6 Thread Sew OverLock
1	New Kansai Special CoverStitch
1	Used Juki Button Hole

EQUIPMENT LOCATION: (If other than shown) 1215 El Segundo Blvd #A

Term of Lease (No. of Months)	Frequency of Rent Payments (Monthly, Quarterly, etc.)	No. and Amount of Rent Payments No. <u>36</u> of \$ <u>197.00</u> Each	Amount of Sales Tax Each Payment, if Applicable n/a	Total Amount of Each Payment 197.00	Advance Rental Payments Representing
					1st <u>1</u> month \$ <u>394.00</u> last <u>1</u> month
36	monthly				SECURITY DEPOSIT

ADDITIONAL PROVISIONS:
PROCESS FEE \$ _____ COMMENCEMENT DATE / /

TERMS & CONDITIONS — PLEASE READ CAREFULLY BEFORE SIGNING

In this Lease Agreement, the words I, ME, and MY mean each and all of those who have signed it as Lessee. The words YOU and YOUR mean Imperial Capital Corporation. I agree to the following terms and conditions:

DISCLAIMER OF WARRANTIES. THE EQUIPMENT IS OF A SIZE, DESIGN, TYPE AND MANUFACTURE SELECTED BY ME. I ACKNOWLEDGE THAT YOU ARE NOT THE MANUFACTURER OR THE DEALER. NOR ARE YOU AN AGENT OF THE MANUFACTURER OR THE DEALER. I LEASE THE EQUIPMENT AS IS AND I ACKNOWLEDGE THAT YOU HAVE NOT MADE AND DO NOT MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE MERCHANTABILITY, CONDITION, QUALITY OR SUITABILITY OF THE EQUIPMENT FOR MY PURPOSES AND USES; YOU HAVE NOT MADE ANY OTHER REPRESENTATION OR WARRANTY OF ANY KIND OF CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE EQUIPMENT. I AGREE THAT ALL SUCH RISKS ARE TO BE BORNE BY ME. I FURTHER ACKNOWLEDGE AND AGREE THAT YOU SHALL NOT BE LIABLE TO ME FOR ANY LIABILITY, LOSS, OR DAMAGE CAUSED OR ALLEGED TO BE CAUSED DIRECTLY OR INDIRECTLY BY EQUIPMENT, BY ANY INADEQUACY THEREOF OR DEFICIENCY OR DEFECT THEREIN OR BY ANY INCIDENT WHATSOEVER IN CONNECTION THEREWITH, WHETHER ARISING FROM YOUR NEGLIGENCE OR BY THE APPLICATION OF THE LAWS OF STRICT LIABILITY OR OTHERWISE. YOU DO NOT WARRANT THAT THE EQUIPMENT WAS MANUFACTURED IN COMPLIANCE WITH OR WILL REMAIN IN COMPLIANCE WITH ANY STATE OR FEDERAL LAWS. YOU SHALL HAVE NO RESPONSIBILITY FOR THE INSTALLATION, ASSEMBLY, TESTING OR SERVICING OF EQUIPMENT. YOU AGREE, SO LONG AS NO EVENT OF DEFAULT HAS OCCURRED AND IS CONTINUING HEREUNDER, THAT I SHALL HAVE THE RIGHT TO OBTAIN THE BENEFIT OF AND ENFORCE IN MY OWN NAME AND AT MY SOLE EXPENSE ANY SUPPLIER'S OR MANUFACTURER'S WARRANTY OR AGREEMENT IN RESPECT TO AN ITEM OF EQUIPMENT TO THE EXTENT SUCH WARRANTY OR AGREEMENT IS ASSIGNABLE AND YOU SHALL EXECUTE AND DELIVER SUCH INSTRUMENTS AS MAY BE REASONABLY NECESSARY TO ENABLE ME TO OBTAIN SUCH BENEFITS.

SEE REVERSE SIDE FOR ADDITIONAL TERMS & CONDITIONS.

GUARANTY

Undersigned personally and unconditionally guarantees performance of above Lease by Lessee and payment of all sums due thereunder in event of default, as defined in this Lease Agreement, hereby waiving any modification, amendment or extension and notice thereof.

Signature *Cristofer Smith*, An Individual
Home Address Cristofer Smith Phone () _____

All terms and conditions on the reverse side of the Agreement are made a part hereof and are binding upon the parties hereto. The parties agree that this Lease shall be deemed a finance lease for all purposes under Division 10 of the California Uniform Commercial Code.

BY SIGNING BELOW, I ACKNOWLEDGE THAT YOU ARE BOUND ONLY BY THE TERMS OF THIS CONTRACT AND NOT BY ANY STATEMENTS MADE BY THE SALESMAN NOT CONTAINED HEREIN.

Accepted by:
LESSOR: IMPERIAL CAPITAL CORPORATION
ON 8/11 19 97
BY *Helen M. ...*
Its *Debra ...*
(Signature)
(Title)

DATED 8-1-97
LESSEE Act It Out, Inc. dba Urban Flex
BY *Cristofer Smith* (Name of Business)
BY Cristofer Smith (Title(s) of Authorized Person(s))
BY _____ (Signature(s) & Title(s) of Authorized Person(s))

EQUIPMENT ACCEPTANCE — CAUTION DO NOT SIGN THIS INSTRUMENT UNLESS ALL EQUIPMENT HAS BEEN DELIVERED TO YOUR SATISFACTION

TO: IMPERIAL CAPITAL CORPORATION:
I hereby unconditionally certify that all the Equipment leased to me by you under the Lease, particulars of which are given above, has been delivered to me, and if required installed by the supplier named above, and that the Equipment is in good condition and acceptable to me. Accordingly I authorize you to purchase the equipment. I acknowledge that the signing of this Acceptance supersedes the provisions of Paragraph 5 of the Lease.

THIS LEASE IS NOT CANCELLABLE

Date of Delivery 8-9-97
Lessee Act It Out, Inc. dba Urban Flex
By *Cristofer Smith* **TRADEMARK**
REEL: 1884 FRAME: 0896

OUTSTANDING PO'S

P3

VENDOR	PO DATE	PO NO.	AMOUNT	PCS	CXL DAT
PARAGON	12/4/98	F521-101	33,170.65	9,650	12/30/98
PARAGON	12/21/98	F534-101	7,000.00	1,000	1/23/99
PARAGON	1/6/99	F547-5	8,638.30	2,230	2/5/99
PARAGON	1/6/99	F548-5	1,787.50	550	2/5/99
PARAGON	1/18/99	F553-102	13,502.85	4,014	2/12/99
			64,099.30	17,444	
THIENES	11/18/98	F513-101	10,081.25	2,870	12/25/98
THIENES	12/21/98	F554-101	2,640.00	600	1/25/99
THIENES	12/21/98	F535-101	9,228.00	1,790	1/13/99
			21,949.25	5,260	
				YDS	
TEXOLLINI	12/29/98	R544-102	5,362.50	825	1/12/99
			5,362.50		
GRAND TOTAL			91,411.05		

*Material
Contract III*

ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#	DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL		
2926	O	OCT 14 98	Chatham Health Club	NJ	NO	DEC 30 98	JAN 15 99	1,290.00
2927	O	OCT 14 98	Next to Nothing	HI	NO	DEC 30 98	JAN 15 99	568.00
2928	O	OCT 14 98	Abbe's Place	PA	NO	DEC 30 98	JAN 15 99	975.00
2929	O	OCT 14 98	BGS Enterprises Inc.-	GA	NO	DEC 30 98	JAN 15 99	1,234.00
2930	O	OCT 14 98	BGS Enterprises Inc.-	GA	NO	DEC 30 98	JAN 15 99	770.00
2931	O	OCT 14 98	Dance Fashions	GA	NO	DEC 30 98	JAN 15 99	1,612.00
2932	O	OCT 14 98	Shapes	GA	NO	DEC 30 98	JAN 15 99	619.50
2933	O	OCT 14 98	Pumpin Iron Pro Shop	GA	NO	DEC 30 98	JAN 15 99	1,701.50
2934	O	OCT 14 98	Pumpin Iron Pro Shop	GA	NO	DEC 30 98	JAN 15 99	657.00
2935	O	OCT 14 98	Freestylc	NY	NO	DEC 30 98	JAN 15 99	333.00
2936	O	OCT 14 98	Age of Innocence	PA	NO	DEC 30 98	JAN 15 99	1,167.00
3007	O	NOV 2 98	Time Out Clothing	CA	NO	DEC 30 98	JAN 15 99	721.00
3008	O	NOV 2 98	The Studio	MI	NO	DEC 30 98	JAN 15 99	552.00
3009	O	NOV 2 98	Boutique Physique	GA	NO	DEC 30 98	JAN 15 99	557.00
3010	O	NOV 2 98	Bobby McGees	AZ	NO	DEC 30 98	JAN 15 99	624.00
3011	O	NOV 2 98	Dance Centre-Houston	TX	NO	DEC 30 98	JAN 15 99	358.50
3012	O	NOV 2 98	Tipness	TX	NO	DEC 30 98	JAN 15 99	12,159.45
3013	O	NOV 2 98	Larry North Fitness o	TX	NO	DEC 30 98	JAN 15 99	166.00
3014	O	NOV 2 98	Ribet	CA	NO	DEC 30 98	JAN 15 99	802.50
3015	O	NOV 2 98	Ribet	CA	NO	DEC 30 98	JAN 15 99	605.50
3016	O	NOV 2 98	Ribet	CA	NO	DEC 30 98	JAN 15 99	574.00
3017	O	NOV 2 98	In Gear Fashions	NJ	NO	DEC 20 98	JAN 15 99	224.00
3018	O	NOV 2 98	Emerald Valley Resort	OR	NO	DEC 30 98	JAN 15 99	300.00
3019	O	NOV 2 98	Active Body	AZ	NO	DEC 30 98	JAN 15 99	594.00
3020	O	NOV 2 98	Body Language	AZ	NO	DEC 30 98	JAN 15 99	975.00
3021	O	NOV 2 98	24 Hour Fitness Corp.	OR	NO	DEC 30 98	JAN 15 99	1,500.00
3022	O	NOV 2 98	Bottom Line Activewea	CA	NO	DEC 30 98	JAN 15 99	634.00
3023	O	NOV 2 98	Pete's Sporting Threa	CA	NO	DEC 30 98	JAN 15 99	651.50
3024	O	NOV 2 98	Gold's Gym-Long Beach	CA	NO	DEC 30 98	JAN 15 99	363.50
3025	O	NOV 2 98	Max Muscle-Fallbrook	CA	NO	DEC 30 98	JAN 15 99	1,129.50
3026	O	NOV 2 98	Dance Centre	AZ	NO	DEC 30 98	JAN 15 99	446.00
3027	O	NOV 2 98	Custom Fitness	AZ	NO	DEC 30 98	JAN 15 99	583.50
3029	O	NOV 2 98	Village Sport and Hea	AZ	NO	DEC 30 98	JAN 15 99	908.00
3030	O	NOV 2 98	Body Dreams	PA	NO	DEC 30 98	JAN 15 99	203.00
3031	O	NOV 2 98	Body Obsessions	NY	NO	DEC 30 98	JAN 15 99	780.00
3032	O	NOV 2 98	Sport Tech	NY	NO	DEC 30 98	JAN 15 99	701.00
3033	O	NOV 2 98	Bottoms Up	MI	NO	DEC 30 98	JAN 15 99	783.00
3034	O	NOV 2 98	Max Muscle-Mission Vi	CA	NO	DEC 30 98	JAN 15 99	639.50
3035	O	NOV 2 98	Max Muscle-Santa Barb	CA	NO	DEC 30 98	JAN 15 99	639.50
3036	O	NOV 3 98	Max Muscle-Mission Vi	CA	NO	DEC 30 98	JAN 15 99	221.00
3037	O	NOV 3 98	Max Muscle-Santa Barb	CA	NO	DEC 30 98	JAN 15 99	221.00
3038	O	NOV 3 98	Otomix	CA	NO	DEC 30 98	JAN 15 99	1,116.50
3039	O	NOV 3 98	Body Gear	CA	NO	DEC 30 98	JAN 15 99	3,164.00
3040	O	NOV 3 98	Marriott Desert Sprin	CA	NO	DEC 30 98	JAN 15 99	2,193.00
3041	O	NOV 3 98	Manhattan Country Clu	CA	NO	DEC 30 98	JAN 15 99	153.50
3042	O	NOV 3 98	Houstonian Sports Sho	TX	NO	DEC 30 98	JAN 15 99	1,119.00
3043	O	NOV 3 98	ANARA SPA	HI	NO	DEC 30 98	JAN 15 99	442.50
3044	O	NOV 3 98	Gold's Gym-Redondo Be	CA	NO	DEC 30 98	JAN 15 99	1,862.00
3045	O	NOV 3 98	Bodies in Motion	MI	NO	DEC 30 98	JAN 15 99	634.00
3046	O	NOV 3 98	Activewear Express	PA	NO	DEC 30 98	JAN 15 99	1,250.50
3047	O	NOV 3 98	Studio 2	WA	NO	DEC 30 98	JAN 15 99	498.00
3048	O	NOV 3 98	Tight N Up Boutique	NY	NO	DEC 30 98	JAN 15 99	842.00
3049	O	NOV 3 98	US Bodyware	TX	NO	DEC 30 98	JAN 15 99	312.00
3050	O	NOV 3 98	Body Tech	UT	NO	DEC 30 98	JAN 15 99	3,745.00
3051	O	NOV 3 98	The Phoenician	AZ	NO	DEC 30 98	JAN 15 99	424.00
3052	O	NOV 3 98	Michigan Athletic Clu	MI	NO	DEC 30 98	JAN 15 99	1,101.50
3053	O	NOV 3 98	Prescott Racquet Club	AZ	NO	DEC 30 98	JAN 15 99	145.00
3054	O	NOV 3 98	Sweatshop	CA	NO	DEC 30 98	JAN 15 99	313.50
3055	O	NOV 3 98	The Sports Club Co. (	CA	NO	DEC 30 98	JAN 15 99	961.00
3056	O	NOV 3 98	Reebok Sports Club NY	CA	NO	DEC 30 98	JAN 15 99	767.00
3057	O	NOV 3 98	ALLURE	HI	NO	DEC 30 98	JAN 15 99	781.00
3058	O	NOV 3 98	ANARA SPA	HI	NO	DEC 30 98	JAN 15 99	920.50
3059	O	NOV 3 98	Southore Fitness Cent	TX	NO	DEC 30 98	JAN 15 99	431.00
3060	O	NOV 3 98	Caliente	ID	NO	DEC 30 98	JAN 15 99	868.00
3061	O	NOV 3 98	Feminine Fitness	CA	NO	DEC 30 98	JAN 15 99	297.50

material contracts II

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ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#	DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL	
3062	O	NOV 3 98	24 Hour Fitness-Hawai	HI NO	DEC 30 98	JAN 15 99	1,757.50
3067	O	NOV 5 98	Gold's Gym-Kennewick	WA NO	DEC 30 98	JAN 15 99	284.00
3068	O	NOV 5 98	Body Options #06	CA NO	DEC 30 98	JAN 15 99	545.30
3069	O	NOV 5 98	Body Options #07	CA NO	DEC 30 98	JAN 15 99	545.30
3070	O	NOV 5 98	Body Options #10	CA NO	DEC 30 98	JAN 15 99	545.30
3071	O	NOV 5 98	Body Options #12	CA NO	DEC 30 98	JAN 15 99	545.30
3072	O	NOV 5 98	Body Options #16	CA NO	DEC 30 98	JAN 15 99	545.30
3073	O	NOV 5 98	In Shape	CA NO	DEC 30 98	JAN 15 99	490.00
3074	O	NOV 5 98	Riverplace Athletic C	OR NO	JAN 30 99	FEB 15 99	526.00
3075	O	NOV 5 98	US Bodyware	TX NO	JAN 30 99	FEB 15 99	252.00
3076	O	NOV 5 98	Body Dreams	PA NO	JAN 30 99	FEB 15 99	306.50
3077	O	NOV 5 98	Village Sport and Hca	AZ NO	JAN 30 99	FEB 15 99	1,226.00
3079	O	NOV 5 98	Custom Fitness	AZ NO	JAN 30 99	FEB 15 99	426.00
3080	O	NOV 5 98	Dance Centre	AZ NO	JAN 30 99	FEB 15 99	570.00
3081	O	NOV 5 98	Next to Nothing	HI NO	JAN 30 99	FEB 15 99	369.00
3082	O	NOV 5 98	Gold's Gym-Long Beach	CA NO	JAN 30 99	FEB 15 99	351.00
3083	O	NOV 5 98	Pete's Sporting Threa	CA NO	JAN 30 99	FEB 15 99	443.00
3084	O	NOV 5 98	Bottom Line Activewea	CA NO	JAN 30 99	FEB 15 99	768.50
3085	O	NOV 5 98	24 Hour Fitness Corp.	OR NO	JAN 30 99	FEB 15 99	1,345.00
3086	O	NOV 5 98	Active Body	AZ NO	JAN 30 99	FEB 15 99	846.00
3087	O	NOV 5 98	Emerald Valley Resort	OR NO	JAN 30 99	FEB 15 99	326.50
3088	O	NOV 5 98	Larry North Fitness o	TX NO	JAN 30 99	FEB 15 99	320.50
3089	O	NOV 5 98	Pumpin Iron Pro Shop	GA NO	JAN 30 99	FEB 15 99	793.00
3090	O	NOV 5 98	Shapes	GA NO	JAN 30 99	FEB 15 99	574.50
3091	O	NOV 5 98	Tight N Up Boutique	NY NO	JAN 30 99	FEB 15 99	598.00
3092	O	NOV 5 98	The Phoenician	AZ NO	DEC 30 98	JAN 15 99	1,930.00
3093	O	NOV 5 98	Sweatshop	CA NO	JAN 30 99	FEB 15 99	328.50
3094	O	NOV 5 98	The Sports Club Co. (	CA NO	JAN 30 99	FEB 15 99	971.00
3095	O	NOV 5 98	Marriott Desert Sprin	CA NO	JAN 30 99	FEB 15 99	1,122.00
3096	O	NOV 5 98	Gold's Gym-Kennewick	WA NO	JAN 30 99	FEB 15 99	272.00
3097	O	NOV 5 98	Riverplace Athletic C	OR NO	FEB 28 99	MAR 15 99	602.00
3098	O	NOV 5 98	Bottom Line Activewea	CA NO	FEB 28 99	MAR 15 99	954.50
3099	O	NOV 5 98	Boulique Physique	GA NO	FEB 28 99	MAR 15 99	436.50
3100	O	NOV 5 98	LeClaire, Nancy	NC NO	DEC 30 98	JAN 15 99	210.60
3101	O	NOV 5 98	Capezio Dance Theatre	NY NO	DEC 30 98	JAN 15 99	0.00
3102	O	NOV 5 98	Capezio - 57th St.	NJ NO	DEC 30 98	JAN 15 99	703.00
3103	O	NOV 5 98	Capezio Dance Theatre	NY NO	FEB 28 99	MAR 15 99	706.00
3104	O	NOV 5 98	Capezio - Dallas	NJ NO	FEB 28 99	MAR 15 99	1,168.00
3105	O	NOV 5 98	Capezio - Hollywood	NY NO	FEB 28 99	MAR 15 99	1,083.00
3106	O	NOV 5 98	Capezio Dance Theatre	NY NO	FEB 28 99	MAR 15 99	1,055.00
3107	O	NOV 5 98	Capezio Dance Center-	NJ NO	FEB 28 99	MAR 15 99	406.00
3108	O	NOV 5 98	Aquatic Fitness Cente	NJ NO	FEB 28 99	MAR 15 99	1,272.00
3109	O	NOV 5 98	Club Green Meadows	WA NO	FEB 28 99	MAR 15 99	686.00
3110	O	NOV 5 98	Max Muscle-Mission Vi	CA NO	FEB 28 99	MAR 15 99	483.50
3111	O	NOV 5 98	Max Muscle-Santa Barb	CA NO	FEB 28 99	MAR 15 99	483.50
3112	O	NOV 5 98	Village Sport and Hea	AZ NO	FEB 28 99	MAR 15 99	467.00
3114	O	NOV 5 98	Custom Fitness	AZ NO	FEB 28 99	MAR 15 99	591.00
3115	O	NOV 6 98	Gold's Gym-Long Beach	CA NO	FEB 28 99	MAR 15 99	294.00
3116	O	NOV 6 98	Pete's Sporting Threa	CA NO	FEB 28 99	MAR 15 99	554.50
3117	O	NOV 6 98	24 Hour Fitness Corp.	OR NO	FEB 28 99	MAR 15 99	1,360.00
3118	O	NOV 6 98	Active Body	AZ NO	FEB 28 99	MAR 15 99	654.00
3119	O	NOV 6 98	Emerald Valley Resort	OR NO	FEB 28 99	MAR 15 99	162.00
3120	O	NOV 6 98	Riverplace Athletic C	OR NO	FEB 28 99	MAR 15 99	408.00
3121	O	NOV 6 98	Bobby McGees	AZ NO	FEB 28 99	MAR 15 99	1,080.00
3122	O	NOV 6 98	Tight N Up Boutique	NY NO	FEB 28 99	MAR 15 99	639.00
3123	O	NOV 6 98	US Bodyware	TX NO	FEB 28 99	MAR 15 99	430.00
3124	O	NOV 6 98	The Phoenician	AZ NO	JAN 30 99	FEB 15 99	1,486.00
3125	O	NOV 6 98	Sweatshop	CA NO	FEB 28 99	MAR 15 99	261.00
3126	O	NOV 6 98	The Sports Club Co. (	CA NO	DEC 30 98	JAN 15 99	961.00
3130	O	NOV 7 98	Nordstrom Store #322	WA NO	DEC 30 98	JAN 15 99	1,003.50
3131	O	NOV 7 98	Nordstrom #323	WA NO	DEC 30 98	JAN 15 99	743.50
3132	O	NOV 7 98	Nordstrom Store #325	WA NO	DEC 30 98	JAN 15 99	737.50
3133	O	NOV 7 98	Nordstrom Store #340	WA NO	DEC 30 98	JAN 15 99	737.50
3134	O	NOV 7 98	Nordstrom Store #341	WA NO	DEC 30 98	JAN 15 99	1,284.00
3135	O	NOV 7 98	Nordstrom Store #342	WA NO	DEC 30 98	JAN 15 99	1,019.00

JAN 28 '99 10:03

TRADEMARK PAGE.002
REEL: 1884 FRAME: 0899

ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#	DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL	
3136	O	NOV 7 98	Nordstrom Store #343	WA NO	DEC 30 98	JAN 15 99	1,317.00
3137	O	NOV 7 98	Nordstrom Store #344	WA NO	DEC 30 98	JAN 15 99	1,078.00
3138	O	NOV 7 98	Nordstrom Store #345	WA NO	DEC 30 98	JAN 15 99	1,281.50
3139	O	NOV 7 98	Nordstrom Store #320	WA NO	DEC 30 98	JAN 15 99	960.00
3140	O	NOV 7 98	Nordstrom Store #321	WA NO	DEC 30 98	JAN 15 99	640.00
3141	O	NOV 7 98	Nordstrom Store #324	WA NO	DEC 30 98	JAN 15 99	480.00
3142	O	NOV 7 98	Nordstrom Store #360	WA NO	DEC 30 98	JAN 15 99	640.00
3143	O	NOV 7 98	Nordstrom Store #361	WA NO	DEC 30 98	JAN 15 99	640.00
3144	O	NOV 7 98	Nordstrom Store #362	WA NO	DEC 30 98	JAN 15 99	480.00
3145	O	NOV 7 98	Nordstrom Store #364	WA NO	DEC 30 98	JAN 15 99	480.00
3146	O	NOV 7 98	Nordstrom Store #380	WA NO	DEC 30 98	JAN 15 99	960.00
3155	O	NOV 7 98	Nordstrom #01	WA NO	DEC 30 98	JAN 15 99	1,244.00
3156	O	NOV 7 98	Nordstrom #02	WA NO	DEC 30 98	JAN 15 99	881.50
3157	O	NOV 7 98	Nordstrom #04	WA NO	DEC 30 98	JAN 15 99	1,779.50
3158	O	NOV 7 98	Nordstrom #05	WA NO	DEC 30 98	JAN 15 99	1,054.50
3159	O	NOV 7 98	Nordstrom #06	WA NO	DEC 30 98	JAN 15 99	1,054.50
3160	O	NOV 7 98	Nordstrom #07	WA NO	DEC 30 98	JAN 15 99	708.50
3161	O	NOV 7 98	Nordstrom #09	WA NO	DEC 30 98	JAN 15 99	881.50
3162	O	NOV 7 98	Nordstrom #10	WA NO	DEC 30 98	JAN 15 99	1,054.50
3163	O	NOV 7 98	Nordstrom Store #12	WA NO	DEC 30 98	JAN 15 99	708.50
3164	O	NOV 7 98	Nordstrom Store #221	WA NO	DEC 30 98	JAN 15 99	1,188.50
3165	O	NOV 7 98	Nordstrom Store #222	WA NO	DEC 30 98	JAN 15 99	981.00
3166	O	NOV 7 98	Nordstrom Store #223	WA NO	DEC 30 98	JAN 15 99	981.00
3167	O	NOV 7 98	Nordstrom Store #225	WA NO	DEC 30 98	JAN 15 99	981.00
3168	O	NOV 7 98	Nordstrom Store #226	WA NO	DEC 30 98	JAN 15 99	852.00
3169	O	NOV 7 98	Nordstrom Store #227	WA NO	DEC 30 98	JAN 15 99	852.00
3170	O	NOV 7 98	Nordstrom Store #228	WA NO	DEC 30 98	JAN 15 99	1,159.00
3171	O	NOV 7 98	Nordstrom Store #230	WA NO	DEC 30 98	JAN 15 99	852.00
3172	O	NOV 7 98	Nordstrom Store #720	WA NO	DEC 30 98	JAN 15 99	1,035.00
3205	O	NOV 14 98	Nordstrom Store #20	WA NO	DEC 30 98	JAN 15 99	963.50
3206	O	NOV 14 98	Nordstrom Store #21	WA NO	DEC 30 98	JAN 15 99	662.00
3207	O	NOV 14 98	Nordstrom Store #23	WA NO	DEC 30 98	JAN 15 99	603.00
3208	O	NOV 14 98	Nordstrom Store #24	WA NO	DEC 30 98	JAN 15 99	911.50
3209	O	NOV 14 98	Nordstrom Store #25	WA NO	DEC 30 98	JAN 15 99	1,002.50
3210	O	NOV 14 98	Nordstrom Store #26	WA NO	DEC 30 98	JAN 15 99	603.00
3211	O	NOV 14 98	Nordstrom Store #30	WA NO	DEC 30 98	JAN 15 99	636.00
3213	O	NOV 14 98	Nordstrom Store #32	WA NO	DEC 30 98	JAN 15 99	1,181.50
3214	O	NOV 14 98	Nordstrom Store #34	WA NO	DEC 30 98	JAN 15 99	1,249.00
3216	O	NOV 14 98	The Courthouse	MS NO	DEC 30 98	JAN 15 99	348.00
3217	O	NOV 14 98	Female Fitness	CA NO	DEC 30 98	JAN 15 99	761.50
3218	O	NOV 14 98	Fitness Elite-Carlsba	CA NO	FEB 28 99	MAR 15 99	75.00
3219	O	NOV 14 98	Fitness Elite-Laguna	CA NO	FEB 28 99	MAR 15 99	186.00
3220	O	NOV 14 98	Fitness Elite	CA NO	FEB 28 99	MAR 15 99	186.00
3221	O	NOV 14 98	Fitness Elite-Carlsba	CA NO	JAN 30 99	FEB 15 99	184.50
3222	O	NOV 14 98	Fitness Elite-Laguna	CA NO	JAN 30 99	FEB 15 99	184.50
3223	O	NOV 14 98	Fitness Elite	CA NO	JAN 30 99	FEB 15 99	184.50
3224	O	NOV 14 98	Fitness Elite-Carlsba	CA NO	DEC 30 98	JAN 15 99	320.50
3225	O	NOV 14 98	Fitness Elite-Laguna	CA NO	DEC 30 98	JAN 15 99	244.50
3226	O	NOV 14 98	Fitness Elite	CA NO	DEC 30 98	JAN 15 99	244.50
3227	O	NOV 14 98	Just Basics	CA NO	JAN 30 99	FEB 15 99	672.00
3228	O	NOV 14 98	Showcase at Canyon Ra	AZ NO	DEC 30 98	JAN 15 99	949.00
3229	O	NOV 14 98	Showcase at Canyon Ra	AZ NO	DEC 30 98	JAN 15 99	894.00
3231	O	NOV 14 98	Creative Dancers Bout	AZ NO	DEC 30 98	JAN 15 99	288.00
3232	O	NOV 14 98	Dee's Dancewear	AZ NO	FEB 28 99	MAR 15 99	690.00
3233	O	NOV 14 98	Greenspring R/C	MD NO	DEC 30 98	JAN 15 99	606.00
3234	O	NOV 14 98	Fitness Today	NC NO	DEC 30 98	JAN 15 99	108.00
3235	O	NOV 14 98	Fitness Today of Rock	NC NO	DEC 30 98	JAN 15 99	108.00
3236	O	NOV 14 98	Fitness Today of Mint	NC NO	DEC 30 98	JAN 15 99	108.00
3237	O	NOV 14 98	Fitness Today of Quai	NC NO	DEC 30 98	JAN 15 99	216.00
3242	O	NOV 16 98	Nordstrom Store #420	WA NO	DEC 30 98	JAN 15 99	688.00
3243	O	NOV 16 98	Nordstrom Store #421	WA NO	DEC 30 98	JAN 15 99	964.50
3244	O	NOV 16 98	Nordstrom Store #422	WA NO	DEC 30 98	JAN 15 99	2,222.00
3245	O	NOV 16 98	Nordstrom Store #423	WA NO	DEC 30 98	JAN 15 99	657.00
3246	O	NOV 16 98	Nordstrom Store #425	WA NO	DEC 30 98	JAN 15 99	964.50
3247	O	NOV 16 98	Nordstrom Store #426	WA NO	DEC 30 98	JAN 15 99	630.00

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ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#		DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL
3248	O	NOV 16 98	Nordstrom Store #427	WA NO	DEC 30 98	JAN 15 99	906.00
3249	O	NOV 16 98	Nordstrom Store #429	WA NO	DEC 30 98	JAN 15 99	668.50
3250	O	NOV 16 98	Nordstrom Store #430	WA NO	DEC 30 98	JAN 15 99	635.00
3251	O	NOV 16 98	Jazzertogs Store	CA NO	DEC 30 98	JAN 15 99	858.50
3252	O	NOV 16 98	GAC Fitness Today	NC NO	DEC 30 98	JAN 15 99	867.00
3253	O	NOV 16 98	GAC Fitness Today	NC NO	DEC 30 98	JAN 15 99	77.00
3254	O	NOV 16 98	CG's Bodyshop	CT NO	DEC 30 98	JAN 15 99	1,146.00
3255	O	NOV 16 98	CG's Bodyshop	CT NO	DEC 30 98	JAN 15 99	434.00
3256	O	NOV 16 98	Fitness Today of Quai	NC NO	DEC 30 98	JAN 15 99	216.00
3257	O	NOV 16 98	Shape Shop - North Mi	FL NO	DEC 30 98	JAN 15 99	1,740.50
3258	O	NOV 16 98	Dancegear, Inc.	CA NO	FEB 28 99	MAR 15 99	483.00
3259	O	NOV 16 98	Dancegear, Inc.	CA NO	JAN 30 99	FEB 15 99	622.00
3260	O	NOV 16 98	Dancegear, Inc.	CA NO	DEC 30 98	JAN 15 99	461.00
3261	O	NOV 16 98	Gold's Gym-Venice Bea	CA NO	DEC 30 98	JAN 15 99	1,205.10
3262	O	NOV 16 98	Los Angeles Athletic	CA NO	DEC 30 98	JAN 15 99	414.50
3263	O	NOV 16 98	Los Angeles Athletic	CA NO	DEC 30 98	JAN 15 99	467.00
3264	O	NOV 16 98	Los Angeles Athletic	CA NO	JAN 30 99	FEB 15 99	484.50
3265	O	NOV 16 98	Los Angeles Athletic	CA NO	JAN 30 99	FEB 15 99	533.50
3266	O	NOV 16 98	Dana Point Surf Co.	CA NO	DEC 30 98	JAN 15 99	1,483.50
3267	O	NOV 16 98	La Paloma Country Clu	AZ NO	DEC 30 98	JAN 15 99	681.00
3268	O	NOV 16 98	Los Angeles Athletic	CA NO	DEC 30 98	JAN 15 99	423.00
3299	O	NOV 19 98	Body Colors	CT NO	DEC 30 98	JAN 15 99	80.00
3336	O	DEC 4 98	Curves	CA NO	JAN 30 99	FEB 15 99	1,106.00
3337	O	DEC 4 98	Lifestyles for Health	CA NO	JAN 30 99	FEB 15 99	912.50
3338	O	DEC 4 98	Wear Me Out	CA NO	JAN 30 99	FEB 15 99	1,958.00
3339	O	DEC 4 98	Spernick, Michelle	MN NO	JAN 30 99	FEB 15 99	188.50
3340	O	DEC 4 98	Shapo Shop	FL NO	JAN 30 99	FEB 15 99	2,939.00
3341	O	DEC 4 98	98th Street Club	MN NO	JAN 30 99	FEB 15 99	663.00
3342	O	DEC 4 98	Burnsville Athletic C	MN NO	JAN 30 99	FEB 15 99	663.00
3343	O	DEC 4 98	Highway 100 Athlotic	MN NO	JAN 30 99	FEB 15 99	663.00
3344	O	DEC 4 98	Normandale Athletic C	MN NO	JAN 30 99	FEB 15 99	663.00
3345	O	DEC 4 98	Northwest Athletic Cl	MN NO	JAN 30 99	FEB 15 99	1,348.00
3346	O	DEC 4 98	Crosstown Club	MN NO	JAN 30 99	FEB 15 99	1,348.00
3347	O	DEC 4 98	Moore Lake Club	MN NO	JAN 30 99	FEB 15 99	1,348.00
3348	O	DEC 4 98	Arena Club	MN NO	JAN 30 99	FEB 15 99	1,348.00
3349	O	DEC 4 98	Athletic Club of Boca	FL NO	JAN 30 99	FEB 15 99	1,228.00
3350	O	DEC 4 98	Athletic Club of Boca	FL NO	JAN 30 99	FEB 15 99	1,287.00
3351	O	DEC 4 98	Athletic Club of Boca	FL NO	JAN 30 99	FEB 15 99	613.00
3352	O	DEC 4 98	Greg Vinbladh Pro Sho	TX NO	JAN 30 99	FEB 15 99	412.50
3353	O	DEC 4 98	Gold's Gym-Marin	CA NO	JAN 30 99	FEB 15 99	838.00
3354	O	DEC 4 98	Gold's Gym-San Franci	CA NO	JAN 30 99	FEB 15 99	838.00
3355	O	DEC 4 98	Cooper Fitness Center	TX NO	JAN 30 99	FEB 15 99	819.00
3356	O	DEC 4 98	Premier Club	TX NO	JAN 30 99	FEB 15 99	730.00
3357	O	DEC 4 98	Fitness X-Pross	NC NO	JAN 30 99	FEB 15 99	667.50
3358	O	DEC 4 98	Brookhaven Country Cl	TX NO	JAN 30 99	FEB 15 99	581.00
3359	O	DEC 4 98	Cascade Athletic Club	OR NO	JAN 30 99	FEB 15 99	675.00
3360	O	DEC 4 98	Courtside Club	CA NO	JAN 30 99	FEB 15 99	306.00
3361	O	DEC 4 98	Seattle Athletic Club	CA NO	JAN 30 99	FEB 15 99	306.00
3362	O	DEC 4 98	San Francisco Bay Clu	CA NO	JAN 30 99	FEB 15 99	381.50
3363	O	DEC 4 98	Pacific Athletic Club	CA NO	JAN 30 99	FEB 15 99	401.00
3364	O	DEC 4 98	Decathlon Club	CA NO	JAN 30 99	FEB 15 99	320.50
3365	O	DEC 4 98	Arizona Biltmore	AZ NO	JAN 30 99	FEB 15 99	1,412.50
3366	O	DEC 4 98	Newtown Racquet Club	PA NO	JAN 30 99	FEB 15 99	680.00
3367	O	DEC 4 98	Newtown Racquet Club	PA NO	JAN 30 99	FEB 15 99	570.00
3368	O	DEC 4 98	Gold's Gym-Longleaf M	NC NO	JAN 30 99	FEB 15 99	961.00
3369	O	DEC 4 98	Gold's Gym-Longleaf M	NC NO	JAN 30 99	FEB 15 99	76.50
3370	O	DEC 4 98	Body Scenes	FL NO	JAN 30 99	FEB 15 99	941.50
3371	O	DEC 4 98	Safari	CA NO	JAN 30 99	FEB 15 99	612.00
3372	O	DEC 4 98	Goodbody Dancrr	FL NO	JAN 30 99	FEB 15 99	1,893.50
3373	O	DEC 4 98	Plaza Sporting Goods	CA NO	JAN 30 99	FEB 15 99	1,646.50
3374	O	DEC 4 98	98th Street Club	MN NO	JAN 30 99	FEB 15 99	738.00
3375	O	DEC 4 98	Normandale Athletic C	MN NO	JAN 30 99	FEB 15 99	738.00
3376	O	DEC 4 98	Burnsville Athletic C	MN NO	JAN 30 99	FEB 15 99	738.00
3377	O	DEC 4 98	Highway 100 Athletic	MN NO	JAN 30 99	FEB 15 99	738.00
3378	O	DEC 4 98	Northwest Athletic Cl	MN NO	JAN 30 99	FEB 15 99	1,312.00

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ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#	DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL	
3379	O	DEC 4 98	Crosstown Club	MN NO	JAN 30 99	FEB 15 99	1,312.00
3380	O	DEC 4 98	Moore Lake Club	MN NO	JAN 30 99	FEB 15 99	1,312.00
3381	O	DEC 4 98	Arcna Club	MN NO	JAN 30 99	FEB 15 99	1,312.00
3382	O	DEC 4 98	Franklin Racquet/Tenn	MI NO	JAN 30 99	FEB 15 99	917.00
3383	O	DEC 4 98	Powerhouse Gym - West	MI NO	JAN 30 99	FEB 15 99	2,634.50
3384	O	DEC 4 98	Healthquest	CA NO	JAN 30 99	FEB 15 99	826.50
3385	O	DEC 4 98	Active Force	NY NO	JAN 30 99	FEB 15 99	588.00
3386	O	DEC 4 98	Arena Club	MN NO	FEB 28 99	MAR 15 99	808.00
3387	O	DEC 4 98	Moore Lake Club	MN NO	FEB 28 99	MAR 15 99	808.00
3388	O	DEC 4 98	Crosstown Club	MN NO	FEB 28 99	MAR 15 99	808.00
3389	O	DEC 4 98	Northwest Athletic Cl	MN NO	FEB 28 99	MAR 15 99	808.00
3390	O	DEC 4 98	Highway 100 Athletic	MN NO	FEB 28 99	MAR 15 99	606.00
3391	O	DEC 4 98	Burnsville Athletic C	MN NO	FEB 28 99	MAR 15 99	606.00
3392	O	DEC 4 98	98th Street Club	MN NO	FEB 28 99	MAR 15 99	606.00
3393	O	DEC 4 98	Normandale Athletic C	MN NO	FEB 28 99	MAR 15 99	606.00
3394	O	DEC 4 98	Racquet Rags	MN NO	JAN 30 99	FEB 15 99	718.50
3395	O	DEC 4 98	Plaza Sporting Goods	CA NO	FEB 28 99	MAR 15 99	297.50
3396	O	DEC 4 98	Premier Club	TX NO	FEB 28 99	MAR 15 99	108.00
3397	O	DEC 4 98	La Costa Resort & Spa	CA NO	FEB 28 99	MAR 15 99	1,355.50
3398	O	DEC 4 98	Max Muscle-Aliso Viej	CA NO	JAN 30 99	FEB 15 99	510.00
3399	O	DEC 4 98	Body Mystique	FL NO	JAN 30 99	FEB 15 99	270.00
3413	O	DEC 8 98	SPORTS WAVE	OR NO	JAN 30 99	FEB 15 99	29,290.40
3455	O	DEC 10 98	Pro Health	FL NO	JAN 30 99	FEB 15 99	625.50
3456	O	DEC 10 98	Jets' Sports	CA NO	FEB 28 99	MAR 15 99	935.00
3489	O	DEC 11 98	Jennifer Grisham	MA NO	DEC 30 98	JAN 15 99	220.00
3491	O	DEC 11 98	Barbara C. Costanzo	PA NO	DEC 30 98	JAN 15 99	70.00
3492	O	DEC 11 98	Deanna Marsh	GA NO	DEC 30 98	JAN 15 99	102.00
3493	O	DEC 11 98	Sheri McCarthy	MA NO	DEC 30 98	JAN 15 99	284.00
3494	O	DEC 11 98	Jill Bacnarach	CA NO	DEC 30 98	JAN 15 99	22.00
3522	O	DEC 15 98	Workout Wear	VA NO	JAN 30 99	FEB 15 99	1,443.00
3523	O	DEC 15 98	Bon Marche	NO	JAN 30 99	FEB 15 99	3,240.00
3524	O	DEC 15 98	Gold's Gym-Crown Poin	NC NO	JAN 30 99	FEB 15 99	838.00
3525	O	DEC 15 98	Main Event	GA NO	JAN 30 99	FEB 15 99	671.50
3526	O	DEC 15 98	Shake It Up	CA NO	JAN 30 99	FEB 15 99	971.55
3527	O	DEC 15 98	Bel Air Athletic Club	MD NO	JAN 30 99	FEB 15 99	447.00
3528	O	DEC 15 98	Women's World Fitness	CA NO	JAN 30 99	FEB 15 99	560.00
3529	O	DEC 15 98	World Gym-Pasadena	CA NO	FEB 28 99	MAR 15 99	1,350.00
3530	O	DEC 15 98	World Gym-Pasadena	CA NO	JAN 30 99	FEB 15 99	1,291.00
3531	O	DEC 15 98	Personally Fit	VA NO	JAN 30 99	FEB 15 99	763.00
3535	O	DEC 16 98	Powerhouse Gym-Duluth	GA NO	JAN 30 99	FEB 15 99	339.00
3536	O	DEC 16 98	Cat Cay Yacht Club	FL NO	JAN 30 99	FEB 15 99	645.50
3537	O	DEC 16 98	Gold's Gym-Wilmington	NC NO	JAN 30 99	FEB 15 99	423.50
3538	O	DEC 16 98	Christi's Fitness	FL NO	FEB 28 99	MAR 15 99	1,495.50
3543	O	DEC 17 98	Gold's Gym-Clearwater	FL NO	JAN 30 99	FEB 15 99	140.00
3547	O	DEC 17 98	Gold's Gym-Clearwater	FL NO	FEB 28 99	MAR 15 99	272.00
3548	O	DEC 17 98	Gold's Gym-Clearwater	FL NO	FEB 28 99	MAR 15 99	108.00
3558	O	DEC 18 98	Gold's Gym-Pembroke P	FL NO	JAN 30 99	FEB 15 99	1,042.50
3560	O	DEC 19 98	Slater, Courtney Smit	RI NO	DEC 1 98	DEC 31 98	0.00
3566	O	DEC 22 98	The Firm	CA NO	FEB 28 99	MAR 15 99	559.00
3567	O	DEC 22 98	The Club	CA NO	FEB 28 99	MAR 15 99	1,108.00
3568	O	DEC 22 98	Hummingbird Activo We	CA NO	FEB 28 99	MAR 15 99	438.00
3569	O	DEC 22 98	Beyond Fitness	FL NO	FEB 28 99	MAR 15 99	722.00
3570	O	DEC 22 98	Gold's Gym-St. Peters	FL NO	FEB 28 99	MAR 15 99	298.00
3571	O	DEC 22 98	Gold's Gym-Pinellas P	FL NO	JAN 30 99	FEB 15 99	256.50
3572	O	DEC 22 98	Powerhouse Gym-Duluth	GA NO	FEB 28 99	MAR 15 99	327.00
3573	O	DEC 22 98	24 Hour Fitness-Plcas	CA NO	FEB 28 99	MAR 15 99	22,800.00
3575	O	DEC 22 98	Gold's Gym-Palm Harbo	FL NO	FEB 28 99	MAR 15 99	1,269.00
3576	O	DEC 22 98	Plaza Sporting Goods	CA NO	JAN 30 99	FEB 15 99	322.00
3594	O	DEC 30 98	Gold's Gym-Hollywood	CA NO	FEB 28 99	MAR 15 99	562.00
3595	O	DEC 31 98	In Gear Fashions	NJ NO	FEB 28 99	MAR 15 99	1,420.00
3596	O	DEC 31 98	Santa Clarita Athleli	CA NO	FEB 28 99	MAR 15 99	1,967.50
3598	D	JAN 4 99	Shapo Shop	FL NO	JAN 1 99	JAN 29 99	-31.00
3599	O	JAN 4 99	Health First - Pro He	FL NO	FEB 28 99	MAR 15 99	1,585.50
3602	O	JAN 4 99	Lostuzzo Sport	NO	JAN 30 99	FEB 15 99	1,458.37
3605	O	JAN 5 99	Redding Physical Ther	CA NO	FEB 28 99	MAR 15 99	763.00

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ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORO#		DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL
3606	O	JAN 5 99	Nordstrom Store #600	WA NO	FEB 28 99	MAR 15 99	1,063.00
3607	O	JAN 5 99	Nordstrom Store #621	WA NO	FEB 28 99	MAR 15 99	1,063.00
3608	O	JAN 5 99	Nordstrom Store #623	WA NO	FEB 28 99	MAR 15 99	1,063.00
3609	O	JAN 5 99	Nordstrom Store #628	WA NO	JAN 30 99	FEB 28 99	797.25
3610	O	NOV 22 98	Global Sportswear U.K	NO	JAN 15 99	JAN 29 99	246.00
3613	D	JAN 5 99	Pete's Sporting Threa	CA NO	JAN 1 99	JAN 29 99	-24.00
3615	O	JAN 6 99	Powerhouse Gym - Hami	NJ NO	FEB 28 99	MAR 15 99	440.00
3617	O	JAN 6 99	Gold's Gym-Gastonia	NC NO	JAN 1 99	JAN 31 99	1,049.50
3622	O	JAN 7 99	Gold's Gym-Carrboro	NC NO	FEB 28 99	MAR 15 99	244.00
3623	O	JAN 7 99	Gold's Gym-Carrboro	NC NO	FEB 28 99	MAR 15 99	282.00
3624	O	JAN 7 99	Gold's Gym-Carrboro	NC NO	FEB 28 99	MAR 15 99	134.00
3626	O	JAN 8 99	Powerhouse Gym-Duluth	GA NO	FEB 28 99	MAR 15 99	755.50
3627	O	JAN 8 99	Athletic Club of Boca	FL NO	FEB 28 99	MAR 15 99	613.00
3628	O	JAN 8 99	Gold's Gym-Rockhill	SC NO	FEB 28 99	MAR 15 99	1,251.00
3629	D	JAN 8 99	Allie G	CA NO	JAN 1 99	JAN 29 99	-23.00
3630	O	JAN 8 99	Athletic Club of Boca	FL NO	JAN 30 99	FEB 15 99	1,228.00
3631	O	JAN 8 99	Athletic Club of Boca	FL NO	FEB 28 99	MAR 15 99	1,212.00
3632	O	JAN 8 99	Shape Shop - North Mi	FL NO	FEB 28 99	MAR 15 99	551.00
3633	O	JAN 8 99	Body Mystique	FL NO	FEB 28 99	MAR 15 99	899.50
3634	O	JAN 8 99	Fisher Island Club, I	FL NO	FEB 28 99	MAR 15 99	1,284.50
3635	O	JAN 8 99	Fisher Island Club, I	FL NO	FEB 28 99	MAR 15 99	805.00
3636	O	JAN 8 99	Fisher Island Club, I	FL NO	FEB 28 99	MAR 15 99	610.00
3639	C	JAN 8 99	Move It	NO	JAN 1 99	JAN 31 99	-51.77
3641	O	JAN 8 99	Barbara Green	CA NO	JAN 30 99	FEB 15 99	148.00
3642	R	JAN 9 99	Shape Shop	FL NO	JAN 1 99	JAN 29 99	-16.50
3644	O	JAN 11 99	In Motion	FL NO	FEB 28 99	MAR 15 99	154.00
3645	R	JAN 11 99	Body Scenos	FL NO	JAN 1 99	JAN 31 99	-60.00
3646	O	JAN 11 99	Allie G	CA NO	FEB 28 99	MAR 15 99	132.00
3647	O	JAN 12 99	Max Muscle-Santa Barb	CA NO	FEB 28 99	MAR 15 99	360.50
3648	O	JAN 12 99	Pro-Robics	WA NO	FEB 28 99	MAR 15 99	1,566.00
3650	O	JAN 12 99	Global Sportswear U.K	NO	FEB 28 99	MAR 15 99	1,180.87
3653	O	JAN 12 99	Ruth Rable	PA NO	JAN 30 99	FEB 15 99	200.00
3654	O	JAN 12 99	Powerhouse Gym-Suwane	GA NO	FEB 28 99	MAR 15 99	1,097.00
3656	R	JAN 13 99	Santa Clarita Athleti	CA NO	JAN 1 99	JAN 31 99	-36.50
3660	R	JAN 15 99	Female Fitness	CA NO	JAN 1 99	JAN 31 99	-114.00
3663	O	JAN 16 99	CG's Bodyshop	CT NO	FEB 28 99	MAR 15 99	115.00
3664	O	JAN 16 99	LeClaire, Nancy	NC NO	FEB 28 99	MAR 15 99	1,674.90
3665	O	JAN 16 99	Muscle Store	FL NO	FEB 28 99	MAR 15 99	336.00
3673	D	JAN 19 99	Kingsmill Resort	VA NO	JAN 1 99	JAN 31 99	-55.00
3676	O	JAN 20 99	Nordstrom Store #20	WA NO	FEB 28 99	MAR 15 99	633.50
3678	O	JAN 20 99	Nordstrom Store #25	WA NO	FEB 28 99	MAR 15 99	1,074.00
3679	O	JAN 20 99	Nordstrom Store #30	WA NO	FEB 28 99	MAR 15 99	633.50
3680	O	JAN 20 99	Nordstrom Store #32	WA NO	FEB 28 99	MAR 15 99	1,074.00
3681	O	JAN 20 99	Nordstrom Store #34	WA NO	FEB 28 99	MAR 15 99	1,107.00
3682	D	JAN 20 99	Moore Head Scheols	MN NO	JAN 1 99	JAN 31 99	-27.00
3683	O	JAN 20 99	Gold's Gym-Pineville	NC NO	FEB 28 99	MAR 15 99	428.00
3684	O	JAN 20 99	Gold's Southpark	NC NO	FEB 28 99	MAR 15 99	342.50
3685	O	JAN 20 99	Gold's Southpark	NC NO	FEB 28 99	MAR 15 99	308.00
3686	O	JAN 20 99	Gold's Gym-Needham	MA NO	FEB 28 99	MAR 15 99	114.00
3688	O	JAN 20 99	Right Stuff Dancewear	MI NO	FEB 28 99	MAR 15 99	468.00
3689	O	JAN 20 99	Wende's Workout Wear	NY NO	FEB 28 99	MAR 15 99	448.50
3690	O	JAN 20 99	Boca Raton Resort & C	FL NO	FEB 28 99	MAR 15 99	1,958.50
3691	O	JAN 20 99	Gold's Gym-Hickory	NC NO	FEB 28 99	MAR 15 99	306.00
3692	O	JAN 20 99	Gold's Gym-Hickory	NC NO	FEB 28 99	MAR 15 99	252.00
3693	O	JAN 20 99	Gold's Gym-University	NC NO	FEB 28 99	MAR 15 99	234.00
3694	O	JAN 20 99	Gold's Gym-University	NC NO	FEB 28 99	MAR 15 99	372.00
3695	O	JAN 20 99	M Cycle	FL NO	FEB 28 99	MAR 15 99	1,350.00
3696	O	JAN 20 99	M Cycle	FL NO	FEB 28 99	MAR 15 99	222.00
3697	O	JAN 20 99	Agnes Patterson	FL NO	FEB 28 99	MAR 15 99	1,560.00
3698	O	JAN 20 99	Palm Springs Sportsw	CA NO	FEB 28 99	MAR 15 99	414.50
3699	O	JAN 20 99	Fitness Closet	FL NO	FEB 28 99	MAR 15 99	638.00
3700	O	JAN 20 99	Fitness Closet	FL NO	FEB 28 99	MAR 15 99	500.00
3701	O	JAN 20 99	Addison Roserve Count	FL NO	FEB 28 99	MAR 15 99	1,064.00
3703	O	JAN 20 99	Racquet Sports Unlimi	CA NO	FEB 28 99	MAR 15 99	1,508.00
3704	O	JAN 20 99	Danco Attire Shop	WA NO	FEB 28 99	MAR 15 99	244.00

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ORDERS: SUMMARY

JAN 21 99

Cancel Date Range: DEC 30 98 through APR 15 99, Sorted by Order Number

ORD#		DATE	CUSTOMER	PRINTED	START	CANCEL	TOTAL
3705	O	JAN 20 99	Sailfish Point	FL NO	FEB 28 99	MAR 15 99	464.00
3706	O	JAN 20 99	Gold's Gym-Pineville	NC NO	FEB 28 99	MAR 15 99	528.00
3707	O	JAN 20 99	Santa Clara Athleti	CA NO	MAR 30 99	APR 15 99	1,718.00
3708	O	JAN 20 99	Evolve	CA NO	FEB 28 99	MAR 15 99	59.00
3709	O	JAN 21 99	Foot Works	FL NO	FEB 28 99	MAR 15 99	1,664.00
3710	O	JAN 21 99	Racquet Sports Unlimi	CA NO	FEB 28 99	MAR 15 99	1,386.00
396		ORDERS				TOTAL	358,371.72

Print sideways to show Order Terms

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Schedule 2.6 Miscellaneous Property

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ACT IT OUT, INC. dba URBAN SPORT
SCHEDULE OF FIXED ASSETS
1/27/99

Date Acquired	Description	Cost
11/18/98	Hang Tags	300.00
11/18/98	Sales Order Form	1650.00
6/16/98	Computer Equipment	1585.00
7/21/97	Cutting Table (3)	2650.00
2/28/97	PC Computer	2570.00
11/30/96	Computer Equipment	2178.00
11/9/96	HP Laserjet Printer	1200.00
8/31/96	Office Furniture	3073.00
5/31/96	Computer Equipment	2775.00
2/20/96	Copier	1323.00
1/27/96	Shelving	2646.00

20000.00

Schedule 4.9 Allocation of Purchase Price

The Purchase Price shall be allocated as follows:

1. The Inventory Price shall be allocated to the purchase of the Inventory;
2. The \$60,000 of the Non-Inventory Price shall be allocated to the purchase of the Material Contracts;
3. The \$200,000 balance of the Non-Inventory Price shall be allocated to the purchase of the goodwill, trademark, tradename, covenant not to compete and other IRC Section 197 Intangibles.

Schedule 5 Escrow Instructions

Schedule 7.4 Encumbrances and Liens

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name and Address): (818) 706-2585 TELEPHONE NO. FOR RECORDERS'S OR SECRETARY OF STATE'S USE ONLY

GOLDSMITH & BURNS/#9410657
David M. Gonor, State Bar #170478
18425 Burbank Blvd., Ste. 708
Tarzana, CA 91356-2821

RECEIVED
SOUTH BAY
MUNICIPAL COURT

ATTORNEY FOR (Name) PLAINTIFF

NAME OF COURT MUNICIPAL COURT LOS ANGELES JUDICIAL DISTRICT 29
STREET ADDRESS 110 N Grand Ave. 117 W Torrance Blvd
MAILING ADDRESS Same
CITY AND ZIP CODE Los Angeles, CA 90012 Redondo Beach, CA 90278
BRANCH NAME LOS ANGELES

OCT 29 1996
ORIGINAL FILED
MUNICIPAL COURT
SOUTH BAY JUDICIAL DISTRICT
COUNTY OF LOS ANGELES

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PLAINTIFF ~~BLAKELY, SOKOLOFF, TAYLOR & ZAFFMAN - ACT IT OUT, INC.~~
DEFENDANT ~~ACT IT OUT, INC., formerly MILES-AHEAD-INC. - GEORGE W. HOOVER, ESQ.~~

CASE NUMBER
93C00099

ACKNOWLEDGMENT OF SATISFACTION OF JUDGMENT
 FULL PARTIAL MATURED INSTALLMENT

FOR COURT USE ONLY

1 Satisfaction of the judgment is acknowledged as follows (see footnote* before completing):

- a Full satisfaction
 - (1) Judgment is satisfied in full.
 - (2) The judgment creditor has accepted payment or performance other than that specified in the judgment in full satisfaction of the judgment
- b Partial satisfaction
The amount received in partial satisfaction of the judgment is \$
- c Matured installment
All matured installments under the installment judgment have been satisfied as of (date):

2 Full name and address of judgment creditor: Blakely, Sokoloff, Taylor & Zafman c/o GOLDSMITH & BURNS 18425 Burbank Blvd, Ste 708. Tarzana, CA 91356

3. Full name and address of assignee of record, if any:

4 Full name and address of judgment debtor being fully or partially released: Act It Out, Inc., formerly Miles Ahead, Inc.
1525 Aviation Blvd., #445. Redondo Beach, CA 90278

5. a Judgment entered on (date): 1/30/95
 (1) in judgment book volume no. (2) page no

b Renewal entered on (date):
 (1) in judgment book volume no. (2) page no

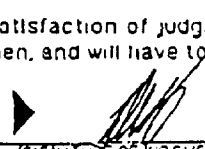
6 An abstract of judgment certified copy of the judgment has been recorded as follows (complete all information for each county where recorded):

COUNTY	DATE OF RECORDING	BOOK NUMBER	PAGE NUMBER
LOS ANGELES	3/22/95	95	418061

7 A notice of judgment lien has been filed in the office of the Secretary of State as file number (specify):

NOTICE TO JUDGMENT DEBTOR: If this is an acknowledgment of full satisfaction of judgment, it will have to be recorded in each county shown in item 6 above, if any, in order to release the judgment lien, and will have to be filed in the office of the Secretary of State to terminate any judgment lien on personal property.

Date: 9/4/96


(SIGNATURE OF JUDGMENT CREDITOR OR ASSIGNEE OF CREDITOR OR ATTORNEY)

*The names of the judgment creditor and judgment debtor must be stated or shown in any Abstract of Judgment which was recorded and is being released in full satisfaction. A separate notary acknowledgment must be attached for each signature.

105

Form Approved by the Judicial Council of California E.J. 100 (Rev. July 1, 1993) (Cor. 7/94)

ACKNOWLEDGMENT OF SATISFACTION OF JUDGMENT

CCP 724.000, 724.007, 724.050

JAN 28 '99 09:59

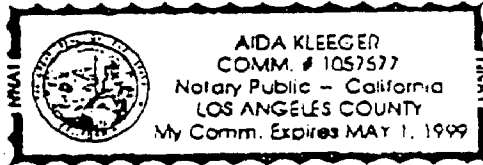
TRADEMARK PAGE .006
REEL: 1884 FRAME: 0910

27

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

On 9/4/96 before me, the undersigned, a Notary Public in and for said State, personally appeared DAVID M. GONOR personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity(ies) and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature *Aida Kleegeer*
Aida Kleegeer

(Seal)

Schedule 7.6 Consents

None

Schedule 9.9 Estoppel Certificates

ESTOPPEL CERTIFICATE

TO: American Sporting Goods Corporation ("ASGC")

RE: Purchase Orders for Act It Out, Inc.

Ladies and Gentlemen:

The undersigned does hereby state and declare for the benefit of ASGC as follows:

1. The orders attached hereto as Exhibit "A" describe all outstanding purchase orders (collectively the "Purchase Orders") from Act It Out, Inc. ("AIO") to the undersigned for the manufacture of certain apparel items under the brand names of "Urban Flex" and "Urban Sport" as described in the Purchase Orders (collectively the "Deliverables").

2. To the knowledge of the undersigned, there are no defaults in the performance of any covenant, agreement, term or condition contained in the Purchase Orders and all the Deliverables will be delivered on or before the dates described under the Purchase Orders.

3. No payments owed to the undersigned by AIO, other than those payments incurred in connection with the Purchase Orders, are past due and unpaid. The raw materials used to manufacture the Deliverables are the property of AIO and the undersigned does not have a security or other possessory interest in the Deliverables or such raw materials.

4. The undersigned understands and acknowledges that ASGC is purchasing the Deliverables from AIO and in connection thereto has agreed to pay to the undersigned the manufacturing costs of the Deliverables on behalf of AIO pursuant to the terms and conditions of the Purchase Orders.

5. The undersigned hereby consents to the assignment of the Purchase Orders to ASGC from AIO and agrees to deliver the Deliverables directly to ASGC or its designees. The undersigned agrees to accept payment from ASGC for the Purchase Orders upon the terms therein contained in full satisfaction of all obligations owing to the undersigned under the Purchase Orders.

The statements in this Estoppel Certificate shall act as a waiver by the undersigned of any claim or defense which would be based on facts contrary to matters certified herein.

IN WITNESS WHEREOF, the undersigned has executed this Estoppel Certificate as of February __, 1999.

THIENES APPAREL

By: _____
Name: _____
Title: _____

REPRINT # 5

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F513-101

NOV 18 98

TO:
 Thienes Apparel
 1811 Floradale Ave.
 So. El Monte, CA 91733

Ship By: DEC 25 98

Vendor Contact: Lily Shen
 Vendor Phone: (626)575-2818
 Vendor FAX: (626)575-0811

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
70.00	S	Racer Back Tank Top Blueberry M110BB	2.500	175.00
70.00	M	Racer Back Tank Top Blueberry M110BB	2.500	175.00
70.00	L	Racer Back Tank Top Blueberry M110BB	2.500	175.00
30.00	S	Racer Back Tank Top Raspberry M110RB	2.500	75.00
30.00	M	Racer Back Tank Top Raspberry M110RB	2.500	75.00
30.00	L	Racer Back Tank Top Raspberry M110RB	2.500	75.00
100.00	S	Racer Back Tank Top White M110W	2.500	250.00
100.00	M	Racer Back Tank Top White M110W	2.500	250.00
100.00	L	Racer Back Tank Top White M110W	2.500	250.00
50.00	S	Baggy Short Black Blueberry Piping M101BB	3.700	185.00

EXHIBIT A

TRADEMARK
 REEL: 1884 FRAME: 0915

P-27

REPRINT # 5

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F513-101

NOV 18 98

50.00	M	Baggy Short Black Blueberry Piping M101BB	3.700	185.00
25.00	L	Baggy Short Black Blueberry Piping M101BB	3.700	92.50
10.00	S	Baggy Short Black Raspberry Piping M101RB	3.700	37.00
10.00	M	Baggy Short Black Raspberry Piping M101RB	3.700	37.00
5.00	L	Baggy Short Black Raspberry Piping M101RB	3.700	18.50
50.00	S	Baggy Short Black White Piping M101WH	3.700	185.00
50.00	M	Baggy Short Black White Piping M101WH	3.700	185.00
25.00	L	Baggy Short Black White Piping M101WH	3.700	92.50
80.00	S	Short Sleeve T-Shirt Blueberry M111BB	2.400	192.00
80.00	M	Short Sleeve T-Shirt Blueberry M111BB	2.400	192.00
80.00	L	Short Sleeve T-Shirt Blueberry M111BB	2.400	192.00
10.00	S	Short Sleeve T-Shirt Raspberry M111RB	2.400	24.00
10.00	M	Short Sleeve T-Shirt Raspberry M111RB	2.400	24.00

P-28

REPRINT # 5

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F513-101

NOV 18 98

10.00	L	Short Sleeve T-Shirt Raspberry M111RB	2.400	24.00
100.00	S	Short Sleeve T- Shirt White M111W	2.400	240.00
100.00	M	Short Sleeve T- Shirt White M111W	2.400	240.00
100.00	L	Short Sleeve T- Shirt White M111W	2.400	240.00
80.00	S	Cargo Pant Black Blueberry Piping M114BB	5.500	440.00
80.00	M	Cargo Pant Black Blueberry Piping M114BB	5.500	440.00
80.00	L	Cargo Pant Black Blueberry Piping M114BB	5.500	440.00
10.00	S	Cargo Pant Black Raspberry Piping M114RB	5.500	55.00
10.00	M	Cargo Pant Black Raspberry Piping M114RB	5.500	55.00
10.00	L	Cargo Pant Black Raspberry Piping M114RB	5.500	55.00
200.00	S	Cargo Pant Black White Piping M114W	5.500	1,100.00
200.00	M	Cargo Pant Black White Piping M114W	5.500	1,100.00
200.00	L	Cargo Pant Black White Piping M114W	5.500	1,100.00

P29

REPRINT # 5

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F513-101

NOV 18 98

20.00	S	Rollerskort Black Blueberry Piping M113BB	2.750	55.00
20.00	M	Rollerskort Black Blueberry Piping M113BB	2.750	55.00
10.00	L	Rollerskort Black Blueberry Piping M113BB	2.750	27.50
20.00	S	Rollerskort Black Raspberry Piping M113RB	2.750	55.00
20.00	M	Rollerskort Black Raspberry Piping M113RB	2.750	55.00
10.00	L	Rollerskort Black Raspberry Piping M113RB	2.750	27.50
50.00	S	Rollerskort Black White Piping M113W	2.750	137.50
50.00	M	Rollerskort Black White Piping M113W	2.750	137.50
25.00	L	Rollerskort Black White Piping M113W	2.750	68.75
25.00	S	Long Sleeve T-Shirt Blueberry M112BB	2.400	60.00
25.00	M	Long Sleeve T-Shirt Blueberry M112BB	2.400	60.00
25.00	L	Long Sleeve T-Shirt Blueberry M112BB	2.400	60.00
25.00	S	Long Sleeve T-Shirt Raspberry M112RB	2.400	60.00

p30

REPRINT # 5

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F513-101

NOV 18 98

25.00	M	Long Sleeve T-Shirt Raspberry M112RB	2.400	60.00
25.00	L	Long Sleeve T-Shirt Raspberry M112RB	2.400	60.00
60.00	S	Long Sleeve T-Shirt White M112W	2.400	144.00
60.00	M	Long Sleeve T-Shirt White M112W	2.400	144.00
60.00	L	Long Sleeve T-Shirt White M112W	2.400	144.00
<hr/>				
2,870.00	TOTAL		TOTAL	10,081.25

SHIP VIA: Pick Up

SHIP TO: Urban Sport 1215-A East El Segundo Blvd. El Segundo, CA 90245	CONTACT: Phone: (310)535-9267 FAX: (310)535-9269
---	--

P31

REPRINT # 2

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F554-101

DEC 21 98

TO:
 Thienes Apparel
 1811 Floradale Ave.
 So. El Monte, CA 91733

Ship By: JAN 25 99

Vendor Contact: Lily Shen
 Vendor Phone: (626)575-2818
 Vendor FAX: (626)575-0811

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
120.00	S	Gym Short Black M130	4.200	504.00
120.00	M	Gym Short Black M130	4.200	504.00
60.00	L	Gym Short Black M130	4.200	252.00
120.00	S	Gym Pant Black M131	4.600	552.00
120.00	M	Gym Pant Black M131	4.600	552.00
60.00	L	Gym Pant Black M131	4.600	276.00
600.00	TOTAL		TOTAL	2,640.00

SHIP VIA: Pick Up

EXHIBIT A

SHIP TO:
 Urban Sport
 1215-A East El Segundo Blvd.
 El SÂgundo, CA 90245

CONTACT:
 Phone: (310)535-9267
 FAX: (310)535-9269

TRADEMARK
REEL: 1884 FRAME: 0920

P32

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F535-101

DEC 21 98

TO:
 Thienes Apparel
 1811 Floradale Ave.
 So. El Monte, CA 91733

Ship By: JAN 13 99

Vendor Contact: Lily Shen
 Vendor Phone: (626)575-2818
 Vendor FAX: (626)575-0811

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
90.00	S	Walking Short Black M24	4.000	360.00
180.00	M	Walking Short Black M24	4.000	720.00
90.00	L	Walking Short Black M24	4.000	360.00
120.00	S	Walking Pant Black M25	4.400	528.00
120.00	M	Walking Pant Black M25	4.400	528.00
120.00	L	Walking Pant Black M25	4.400	528.00
30.00	S	Running Short Black M27	4.400	132.00
30.00	M	Running Short Black M27	4.400	132.00
30.00	L	Running Short Black M27	4.400	132.00
110.00	S	Hooded Zip Wind Jacket Black M30	10.500	1,155.00

EXHIBIT A

P33

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F535-101

DEC 21 98

220.00	M	Hooded Zip Wind Jacket Black M30	10.500	2,310.00
110.00	L	Hooded Zip Wind Jacket Black M30	10.500	1,155.00
60.00	S	Short Sleeve T-Shirt Black M120B	2.200	132.00
60.00	M	Short Sleeve T-Shirt Black M120B	2.200	132.00
60.00	L	Short Sleeve T-Shirt Black M120B	2.200	132.00
120.00	S	Short Sleeve T-Shirt White M120W	2.200	264.00
120.00	M	Short Sleeve T-Shirt White M120W	2.200	264.00
120.00	L	Short Sleeve T-Shirt White M120W	2.200	264.00
1,790.00 TOTAL			TOTAL	9,228.00

SHIP VIA: Pick Up

<u>SHIP TO:</u> Urban Sport 1215-A East El Segundo Blvd. El Segundo, CA 90245	<u>CONTACT:</u> Phone: (310)535-9267 FAX: (310)535-9269
--	---

034

ESTOPPEL CERTIFICATE

TO: American Sporting Goods Corporation ("ASGC")

RE: Purchase Orders for Act It Out, Inc.

Ladies and Gentlemen:

The undersigned does hereby state and declare for the benefit of ASGC as follows:

1. The orders attached hereto as Exhibit "A" describe all outstanding purchase orders (collectively the "Purchase Orders") from Act It Out, Inc. ("AIO") to the undersigned for the manufacture of certain apparel items under the brand names of "Urban Flex" and "Urban Sport" as described in the Purchase Orders (collectively the "Deliverables").

2. To the knowledge of the undersigned, there are no defaults in the performance of any covenant, agreement, term or condition contained in the Purchase Orders and all the Deliverables will be delivered on or before the dates described under the Purchase Orders.

3. No payments owed to the undersigned by AIO, other than those payments incurred in connection with the Purchase Orders, are past due and unpaid. The raw materials used to manufacture the Deliverables are the property of AIO and the undersigned does not have a security or other possessory interest in the Deliverables or such raw materials.

4. The undersigned understands and acknowledges that ASGC is purchasing the Deliverables from AIO and in connection thereto has agreed to pay to the undersigned the manufacturing costs of the Deliverables on behalf of AIO pursuant to the terms and conditions of the Purchase Orders.

5. The undersigned hereby consents to the assignment of the Purchase Orders to ASGC from AIO and agrees to deliver the Deliverables directly to ASGC or its designees. The undersigned agrees to accept payment from ASGC for the Purchase Orders upon the terms therein contained in full satisfaction of all obligations owing to the undersigned under the Purchase Orders.

The statements in this Estoppel Certificate shall act as a waiver by the undersigned of any claim or defense which would be based on facts contrary to matters certified herein.

IN WITNESS WHEREOF, the undersigned has executed this Estoppel Certificate as of February __, 1999.

PARAGON EXPRESS FASHION, INC.

By: _____
Name: _____
Title: _____

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

TO:
 Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

Ship By: DEC 30 98

Vendor Contact: George Pan
 Vendor Phone: (626)279-1055
 Vendor FAX: (626)279-1057

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
200.00	S	Bra Top Multicolored Stripes T300	3.500	700.00
200.00	M	Bra Top Multicolored Stripes T300	3.500	700.00
100.00	L	Bra Top Multicolored Stripes T300	3.500	350.00
60.00	S	V Neck T-Shirt Multicolored Stripes T303	4.200	252.00
60.00	M	V Neck T-Shirt Multicolored Stripes T303	4.200	252.00
60.00	L	V Neck T-Shirt Multicolored Stripes T303	4.200	252.00
175.00	S	Capri w/ Side Vents Black T95	3.200	560.00
350.00	M	Capri w/ Side Vents Black T95	3.200	1,120.00
175.00	L	Capri w/ Side Vents Black T95	3.200	560.00
200.00	S	31" Dance Pant w/o S/P Black T72B	3.000	600.00

P7

REPRINT #7 To: Eric Tao Fr: Jennifer Lim/ASL (4/9/99) PG-1

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

200.00	M	31" Dance Pant w/o S/P Black T72B	3.000	600.00
100.00	L	31" Dance Pant w/o S/P Black T72B	3.000	300.00
50.00	S	Legging, Solid Black T93	2.800	140.00
50.00	M	Legging, Solid Black T93	2.800	140.00
50.00	L	Legging, Solid Black T93	2.800	140.00
200.00	S	5" Bike Short Black T94B	2.200	440.00
200.00	M	5" Bike Short Black T94B	2.200	440.00
200.00	L	5" Bike Short Black T94B	2.200	440.00
90.00	S	5" Bike Short Blueberry T94BB	2.200	198.00
90.00	M	5" Bike Short Blueberry T94BB	2.200	198.00
90.00	L	5" Bike Short Blueberry T94BB	2.200	198.00
160.00	S	Tricolor Crisscross Bra Blueberry/Mango/Whit T200B	3.250	520.00
320.00	M	Tricolor Crisscross Bra Blueberry/Mango/Whit T200B	3.250	1,040.00
160.00	L	Tricolor Crisscross Bra Blueberry/Mango/Whit T200B	3.250	520.00

PS

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

100.00	S	Tricolor Criscross Bra Mint/Raspberry/White T200M	3.250	325.00
100.00	M	Tricolor Criscross Bra Mint/Raspberry/White T200M	3.250	325.00
100.00	L	Tricolor Criscross Bra Mint/Raspberry/White T200M	3.250	325.00
90.00	S	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	427.50
180.00	M	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	855.00
90.00	L	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	427.50
100.00	S	Tricolor Tank Top Mint/Raspberry/White T201M	4.750	475.00
100.00	M	Tricolor Tank Top Mint/Raspberry/White T201M	4.750	475.00
100.00	L	Tricolor Tank Top Mint/Raspberry/White T201M	4.750	475.00
50.00	S	Tricolor T- shirt Blueberry/Mango/Whit T202B	3.300	165.00
50.00	M	Tricolor T- shirt Blueberry/Mango/Whit T202B	3.300	165.00
50.00	L	Tricolor T- shirt Blueberry/Mango/Whit T202B	3.300	165.00
35.00	S	Tricolor T-Shirt Mint/Raspberry/White T202M	3.300	115.50

99

REPRINT # 7

Bill To:

Act It Out, Inc.
Urban Sport

1601 N. Sepulveda Blvd. #397
Manhattan Beach, CA 90266-5133

PHONE (310)535-9267
FAX (310)535-9269

PURCHASE ORDER F521-101

DEC 4 98

35.00	M	Tricolor T-Shirt Mint/Raspberry/White T202M	3.300	115.50
35.00	L	Tricolor T-Shirt Mint/Raspberry/White T202M	3.300	115.50
110.00	S	5" Bike Short Black Blueberry Piping T88BB	2.500	275.00
110.00	M	5" Bike Short Black Blueberry Piping T88BB	2.500	275.00
110.00	L	5" Bike Short Black Blueberry Piping T88BB	2.500	275.00
90.00	S	5" Bike Short Black Raspberry Piping T88RB	2.500	225.00
90.00	M	5" Bike Short Black Raspberry Piping T88RB	2.500	225.00
90.00	L	5" Bike Short Black Raspberry Piping T88RB	2.500	225.00
75.00	S	Legging Black Blueberry Piping T92BB	3.200	240.00
75.00	M	Legging Black Blueberry Piping T92BB	3.200	240.00
75.00	L	Legging Black Blueberry Piping T92BB	3.200	240.00
20.00	S	Legging Black Raspberry Piping T92RB	3.200	64.00
20.00	M	Legging Black Raspberry Piping T92RB	3.200	64.00

plc

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

20.00	L	Legging Black Raspberry Piping T92RB	3.200	64.00
60.00	S	Dance Pant Black Blueberry Piping T87BB	3.300	198.00
60.00	M	Dance Pant Black Blueberry Piping T87BB	3.300	198.00
30.00	L	Dance Pant Black Blueberry Piping T87BB	3.300	99.00
20.00	S	Dance Pant Black Raspberry Piping T87RB	3.300	66.00
20.00	M	Dance Pant Black Raspberry Piping T87RB	3.300	66.00
10.00	L	Dance Pant Black Raspberry Piping T87RB	3.300	33.00
80.00	S	Dance Pant Black White Piping T87W	3.300	264.00
80.00	M	Dance Pant Black White Piping T87W	3.300	264.00
40.00	L	Dance Pant Black White Piping T87W	3.300	132.00
30.00	S	Unitard Black T46	4.300	129.00
60.00	M	Unitard Black T46	4.300	258.00
30.00	L	Unitard Black T46	4.300	129.00

P11

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

80.00	S	Camisole Bra Top Black T40B	3.800	304.00
80.00	M	Camisole Bra Top Black T40B	3.800	304.00
40.00	L	Camisole Bra Top Black T40B	3.800	152.00
80.00	S	Camisole Bra Top Blueberry T40BB	3.800	304.00
80.00	M	Camisole Bra Top Blueberry T40BB	3.800	304.00
40.00	L	Camisole Bra Top Blueberry T40BB	3.800	152.00
30.00	S	Camisole Bra Top Raspberry T40RB	3.800	114.00
30.00	M	Camisole Bra Top Raspberry T40RB	3.800	114.00
15.00	L	Camisole Bra Top Raspberry T40RB	3.800	57.00
60.00	S	Jogging Bra Top Black T41B	3.830	229.80
60.00	M	Jogging Bra Top Black T41B	3.830	229.80
30.00	L	Jogging Bra Top Black T41B	3.830	114.90
60.00	S	Jogging Bra Top Blueberry T41BB	3.830	229.80

P12

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

60.00	M	Jogging Bra Top Blueberry T41BB	3.830	229.80
30.00	L	Jogging Bra Top Blueberry T41BB	3.830	114.90
35.00	S	Jogging Bra Top Raspberry T41RB	3.830	134.05
35.00	M	Jogging Bra Top Raspberry T41RB	3.830	134.05
35.00	L	Jogging Bra Top Raspberry T41RB	3.830	134.05
100.00	S	Pinch Front Tank Top Black T42B	4.200	420.00
100.00	M	Pinch Front Tank Top Black T42B	4.200	420.00
50.00	L	Pinch Front Tank Top Black T42B	4.200	210.00
100.00	S	Pinch Front Tank Top Blueberry T42BB	4.200	420.00
100.00	M	Pinch Front Tank Top Blueberry T42BB	4.200	420.00
50.00	L	Pinch Front Tank Top Blueberry T42BB	4.200	210.00
50.00	S	Pinch Front Tank Top Raspberry T42RB	4.200	210.00
50.00	M	Pinch Front Tank Top Raspberry T42RB	4.200	210.00

P13

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

25.00	L	Pinch Front Tank Top Raspberry T42RB	4.200	105.00
90.00	S	5" Yoga Bike Short Black T44	2.480	223.20
90.00	M	5" Yoga Bike Short Black T44	2.480	223.20
45.00	L	5" Yoga Bike Short Black T44	2.480	111.60
60.00	S	25" Yoga Legging Black T47	2.900	174.00
60.00	M	25" Yoga Legging Black T47	2.900	174.00
30.00	L	25" Yoga Legging Black T47	2.900	87.00
100.00	S	Yoga Jazz Pant Black T45	2.500	250.00
100.00	M	Yoga Jazz Pant Black T45	2.500	250.00
50.00	L	Yoga Jazz Pant Black T45	2.500	125.00
200.00	S	Racer Back Top Multicolored Stripes T301	4.200	840.00
400.00	M	Racer Back Top Multicolored Stripes T301	4.200	1,680.00
200.00	L	Racer Back Top Multicolored Stripes T301	4.200	840.00

P14

REPRINT # 7

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F521-101

DEC 4 98

40.00	S	Built In Padded Bra Top Black White Trim T80	4.200	168.00
80.00	M	Built In Padded Bra Top Black White Trim T80	4.200	336.00
40.00	L	Built In Padded Bra Top Black White Trim T80	4.200	168.00
60.00	S	Padded Bra Top Black Blueberry Trim T80BB	4.200	252.00
60.00	M	Padded Bra Top Black Blueberry Trim T80BB	4.200	252.00
30.00	L	Padded Bra Top Black Blueberry Trim T80BB	4.200	126.00
100.00	S	Padded Bra Top Black Raspberry Trim T80RB	4.200	420.00
100.00	M	Padded Bra Top Black Raspberry Trim T80RB	4.200	420.00
50.00	L	Padded Bra Top Black Raspberry Trim T80RB	4.200	210.00

9,650.00 TOTAL

TOTAL 33,170.65

Revised 12/21/98:T88W cancelled and added quantity to T88RB

SHIP VIA: Pick Up

SHIP TO:

Urban Sport
1215-A East El Segundo Blvd.
El Segundo, CA 90245

CONTACT:

Phone: (310)535-9267
FAX: (310)535-9269

PIS

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F534-101

DEC 21 98

TO:
 Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

Ship By: JAN 23 99

Vendor Contact: George Pan
 Vendor Phone: (626)279-1055
 Vendor FAX: (626)279-1057

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
100.00	S	Cargo Pant Black Blueberry Piping M114BB	7.000	700.00
100.00	M	Cargo Pant Black Blueberry Piping M114BB	7.000	700.00
45.00	L	Cargo Pant Black Blueberry Piping M114BB	7.000	315.00
50.00	S	Cargo Pant Black Raspberry Piping M114RB	7.000	350.00
50.00	M	Cargo Pant Black Raspberry Piping M114RB	7.000	350.00
13.00	L	Cargo Pant Black Raspberry Piping M114RB	7.000	91.00
250.00	S	Cargo Pant Black White Piping M114W	7.000	1,750.00
250.00	M	Cargo Pant Black White Piping M114W	7.000	1,750.00
142.00	L	Cargo Pant Black White Piping M114W	7.000	994.00

EXHIBIT A

TRADEMARK
 REEL: 1884 FRAME: 0933

P16

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F534-101

DEC 21 98

1,000.00 TOTAL

TOTAL 7,000.00

*Please deliver the following on JAN. 13/99. M114BB 35-35-20, M114RB 8-8-8, & M114W 70-85-45.

SHIP VIA: Pick Up

<u>SHIP TO</u>	<u>CONTACT</u>
Urban Sport 1215-A East El Segundo Blvd. El Segundo, CA 90245	Phone. (310)535-9267 FAX: (310)535-9269

pi 7

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133 PHONE (310)535-9267 FAX (310)535-9269
----------	---

PURCHASE ORDER F547-5

JAN 6 99

TO:
 Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

Ship By: FEB 5 99

Vendor Contact: George Pan
 Vendor Phone: (626)279-1055
 Vendor FAX: (626)279-1057

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
180.00	S	A25, Bra w/o Pads navy/black/wht WBT5115	4.030	725.40
240.00	M	A25, Bra w/o Pads navy/black/wht WBT5115	4.030	967.20
60.00	L	A25, Bra w/o Pads navy/black/wht WBT5115	4.030	241.80
180.00	S	A27, Tank Top nav/blk/wht WVT5115	4.230	761.40
270.00	M	A27, Tank Top nav/blk/wht WVT5115	4.230	1,142.10
180.00	L	A27, Tank Top nav/blk/wht WVT5115	4.230	761.40
80.00	S	A30, Legging nav/blk/wht WLT5115	3.550	284.00
160.00	M	A30, Legging nav/blk/wht WLT5115	3.550	568.00
100.00	L	A30, Legging nav/blk/wht WLT5115	3.550	355.00
80.00	S	A29, 5" Bike Shorts nav/blk/wht WBS5115	2.800	224.00

EXHIBIT A

PI 8

TRADEMARK
REEL: 1884 FRAME: 0935

Bill To:

**Act It Out, Inc.
Urban Sport**

1601 N. Sepulveda Blvd. #397
Manhattan Beach, CA 90266-5133

PHONE (310)535-9267
FAX (310)535-9269

PURCHASE ORDER F547-5

JAN 6 99

140.00	M	A29, 5" Bike Shorts nav/blk/wht WBS5115	2.800	392.00
80.00	L	A29, 5" Bike Shorts nav/blk/wht WBS5115	2.800	224.00
160.00	S	A31,Dance Pants nav/blk/wht WDP5115	4.150	664.00
240.00	M	A31,Dance Pants nav/blk/wht WDP5115	4.150	996.00
80.00	L	A31,Dance Pants nav/blk/wht WDP5115	4.150	332.00

2,230.00 TOTAL

TOTAL 8,638.30

SHIP VIA: Pick Up

SHIP TO:

Urban Sport
1215-A East El Segundo Blvd.
El Segundo, CA 90245

CONTACT:

Phone: (310)535-9267
FAX: (310)535-9269

To: [unclear] [unclear]
After: [unclear]
[unclear] [unclear] ([unclear])

119

REPRINT # 4

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F548-5

JAN 6 99

TO:
 Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

Ship By: FEB 5 99

Vendor Contact: George Pan
 Vendor Phone: (626)279-1055
 Vendor FAX: (626)279-1057

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
100.00	S	A17, Dance Pant Black WDP0132	3.250	325.00
300.00	M	A17, Dance Pant Black WDP0132	3.250	975.00
150.00	L	A17, Dance Pant Black WDP0132	3.250	487.50
550.00	TOTAL		TOTAL	1,787.50

SHIP VIA: Pick Up

<u>SHIP TO:</u> Urban Sport 1215-A East El Segundo Blvd. El SÂgundo, CA 90245	<u>CONTACT:</u> Phone: (310)535-9267 FAX: (310)535-9269
--	---

pzw

EXHIBIT A

TRADEMARK
REEL: 1884 FRAME: 0937

REPRINT # 9

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F553-102

JAN 18 99

TO:
 Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

Ship By: FEB 12 99

Vendor Contact: George Pan
 Vendor Phone: (626)279-1055
 Vendor FAX: (626)279-1057

QUANTITY	SIZE	DESCRIPTION	PRICE	AMOUNT
120.00	S	Bra Top Multicolored Stripes T300	3.500	420.00
240.00	M	Bra Top Multicolored Stripes T300	3.500	840.00
180.00	L	Bra Top Multicolored Stripes T300	3.500	630.00
200.00	S	Racer Back Top Multicolored Stripes T301	4.200	840.00
200.00	M	Racer Back Top Multicolored Stripes T301	4.200	840.00
200.00	L	Racer Back Top Multicolored Stripes T301	4.200	840.00
15.00	M	V Neck T-Shirt Multicolored Stripes T303	4.200	63.00
150.00	S	Capri w/ Side Vents Black T95	3.200	480.00
150.00	M	Capri w/ Side Vents Black T95	3.200	480.00
150.00	L	Capri w/ Side Vents Black T95	3.200	480.00

EXHIBIT A

P21

REPRINT # 9

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F553-102

JAN 18 99

5.00	S	Sports Brief Raspberry T96RB	2.600	13.00
5.00	M	Sports Brief Raspberry T96RB	2.600	13.00
50.00	S	5" Bike Short Black T94B	2.200	110.00
100.00	M	5" Bike Short Black T94B	2.200	220.00
50.00	L	5" Bike Short Black T94B	2.200	110.00
25.00	S	5" Bike Short Blueberry T94BB	2.200	55.00
50.00	M	5" Bike Short Blueberry T94BB	2.200	110.00
25.00	L	5" Bike Short Blueberry T94BB	2.200	55.00
50.00	S	3" Bike Short Blueberry T79BB	2.500	125.00
50.00	M	3" Bike Short Blueberry T79BB	2.500	125.00
25.00	L	3" Bike Short Blueberry T79BB	2.500	62.50
15.00	S	3" Bike Short Raspberry T79RB	2.500	37.50
15.00	M	3" Bike Short Raspberry T79RB	2.500	37.50

P22

REPRINT # 9

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
----------	---	--

PURCHASE ORDER F553-102

JAN 18 99

7.00	L	3" Bike Short Raspberry T79RB	2.500	17.50
50.00	S	Tricolor Crisscross Bra Blueberry/Mango/Whit T200B	3.250	162.50
50.00	S	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	237.50
25.00	M	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	118.75
50.00	L	Tricolor Tank Top Blueberry/Mango/Whit T201B	4.750	237.50
20.00	M	Tricolor T-Shirt Mint/Raspberry/White T202M	3.300	66.00
35.00	S	5" Bike Short Black Blueberry Piping T88BB	2.500	87.50
65.00	M	5" Bike Short Black Blueberry Piping T88BB	2.500	162.50
30.00	S	3" Bike Short Black Blueberry Piping T89BB	2.500	75.00
30.00	M	3" Bike Short Black Blueberry Piping T89BB	2.500	75.00
15.00	L	3" Bike Short Black Blueberry Piping T89BB	2.500	37.50
65.00	S	Legging Black Blueberry Piping T92BB	3.200	208.00
130.00	M	Legging Black Blueberry Piping T92BB	3.200	416.00

P 23

REPRINT # 9

Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F553-102

JAN 18 99

65.00	L	Legging Black Blueberry Piping T92BB	3.200	208.00
30.00	S	Legging Black Raspberry Piping T92RB	3.200	96.00
60.00	M	Legging Black Raspberry Piping T92RB	3.200	192.00
30.00	L	Legging Black Raspberry Piping T92RB	3.200	96.00
140.00	S	Pinch Front Tank Top Black T42B	4.200	588.00
210.00	M	Pinch Front Tank Top Black T42B	4.200	882.00
140.00	L	Pinch Front Tank Top Black T42B	4.200	588.00
50.00	S	Yoga Jazz Pant Black T45	2.500	125.00
100.00	M	Yoga Jazz Pant Black T45	2.500	250.00
50.00	L	Yoga Jazz Pant Black T45	2.500	125.00
100.00	S	Black Dance Pant T72	3.000	300.00
100.00	M	Black Dance Pant T72	3.000	300.00
50.00	L	Black Dance Pant T72	3.000	150.00
10.00	S	Dance Pant Black Blueberry Piping T87BB	3.300	33.00

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Bill To:	Act It Out, Inc. Urban Sport 1601 N. Sepulveda Blvd. #397 Manhattan Beach, CA 90266-5133	PHONE (310)535-9267 FAX (310)535-9269
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PURCHASE ORDER F553-102

JAN 18 99

27.00	M	Dance Pant Black Blueberry Piping T87BB	3.300	89.10
12.00	L	Dance Pant Black Blueberry Piping T87BB	3.300	39.60
10.00	S	Dance Pant Black Raspberry Piping T87RB	3.300	33.00
21.00	M	Dance Pant Black Raspberry Piping T87RB	3.300	69.30
10.00	L	Dance Pant Black Raspberry Piping T87RB	3.300	33.00
10.00	S	Dance Pant Black White Piping T87W	3.300	33.00
12.00	M	Dance Pant Black White Piping T87W	3.300	39.60
10.00	L	Dance Pant Black White Piping T87W	3.300	33.00
50.00	S	3" Inseam Bike Short Blue Ppng Black w/ Blue Piping T79B	2.500	125.00
50.00	M	3" Inseam Bike Short Blue Ppng Black w/ Blue Piping T79B	2.500	125.00
25.00	L	3" Inseam Bike Short Blue Ppng Black w/ Blue Piping T79B	2.500	62.50

4,014.00 TOTAL

TOTAL 13,502.85

SHIP VIA: UPS

P35

<u>SHIP TO:</u> Urban Sport	<u>CONTACT:</u>
--------------------------------	-----------------

Page 5

ESTOPPEL CERTIFICATE

TO: American Sporting Goods Corporation ("ASGC")

RE: Purchase Orders for Act It Out, Inc.

Ladies and Gentlemen:

The undersigned does hereby state and declare for the benefit of ASGC as follows:

1. The orders attached hereto as Exhibit "A" describe all outstanding purchase orders (collectively the "Purchase Orders") from Act It Out, Inc. ("AIO") to the undersigned for the manufacture of certain apparel items under the brand names of "Urban Flex" and "Urban Sport" as described in the Purchase Orders (collectively the "Deliverables").

2. To the knowledge of the undersigned, there are no defaults in the performance of any covenant, agreement, term or condition contained in the Purchase Orders and all the Deliverables will be delivered on or before the dates described under the Purchase Orders.

3. No payments owed to the undersigned by AIO, other than those payments incurred in connection with the Purchase Orders, are past due and unpaid. The raw materials used to manufacture the Deliverables are the property of AIO and the undersigned does not have a security or other possessory interest in the Deliverables or such raw materials.

4. The undersigned understands and acknowledges that ASGC is purchasing the Deliverables from AIO and in connection thereto has agreed to pay to the undersigned the manufacturing costs of the Deliverables on behalf of AIO pursuant to the terms and conditions of the Purchase Orders.

5. The undersigned hereby consents to the assignment of the Purchase Orders to ASGC from AIO and agrees to deliver the Deliverables directly to ASGC or its designees. The undersigned agrees to accept payment from ASGC for the Purchase Orders upon the terms therein contained in full satisfaction of all obligations owing to the undersigned under the Purchase Orders.

The statements in this Estoppel Certificate shall act as a waiver by the undersigned of any claim or defense which would be based on facts contrary to matters certified herein.

IN WITNESS WHEREOF, the undersigned has executed this Estoppel Certificate as of February __, 1999.

TEXOLLINI

By: _____
Name: _____
Title: _____

REPRINT # 4

Bill To:

Act It Out, Inc.
Urban Sport
 1601 N. Sepulveda Blvd. #397
 Manhattan Beach, CA 90266-5133
 PHONE (310)535-9267
 FAX (310)535-9269

PURCHASE ORDER R544-102

DEC 29 98

TO:
 Texollini
 2575 El Presidio St.
 Long Beach, CA 90810-1114

Ship By: JAN 12 99

Vendor Contact: Marvin
 Vendor Phone: (310)537-3400
 Vendor FAX: (310)537-3500

QUANTITY		DESCRIPTION	PRICE	AMOUNT
825.00	Yds	Clmx/Spandex 7845 Vendor Part Number: 7845	6.500	5,362.50
825.00	TOTAL		TOTAL	5,362.50

SHIP VIA UPS

Net 60 Days

SHIP TO:

CONTACT:

Paragon Express Fashion, Inc.
 9323 East Rush Street
 So. El Monte, CA 91733

George Pan
 Phone: (626)279-1055
 FAX: (626)279-1057

EXHIBIT A

P35

TRADEMARK
REEL: 1884 FRAME: 0944



2575 El Presidio Street, Long Beach, CA 90810-1114
TEL: (310) 537-3400 FAX: (310) 537-3500

CONFIRMATION OF SALE

CUSTOMER COPY

016792

Page 1

236

Sold To
URBAN FLEX
1601 N SEPULVEDA BLVD #397
MANHATTAN BEACH
CA
90266
USA

Ship to (1):	Ship to (2):	Ship to (3):	Bill To:
PARAGON EXPRESS FASHION 9023 EAST RUSH STREET EL MONTE CA 91733 USA			URBAN FLEX 1601 N SEPULVEDA BLVD #397 MANHATTAN BEACH CA 90266 USA
Order Date: 12/29/98	Payment Terms: Net 60 Days	Salesperson: Marvin Weiss	Carrier:
			Delivery Terms: Delivered
			Order Release Rule: Ship whole order together

Customer PO#	Cust. Article	Article Code	Description	Width	Weight	Ship Method	Delivery	UM	Quantity	Price	Value	Ship
RS44-102	7845	SOMKI	W1024A BDM	58/60	11.5/12.0	Card	11/11/11	YD	825	6.500	\$5,362.50	(1)

Subtotal (subject to change upon actual quantity shipped and freight): \$5,362.50

Thank you for your business and for choosing to work with TEXOLLINI

This order is subject to all the terms and conditions on the cover and reverse side thereof, including provisions for arbitration, and vesting in the goods and services. The parties to this order shall become a binding contract when signed and returned by the buyer to the seller and accepted in writing by the seller or when order or its receipt is delivered by the carrier or by part of the merchandise described above, or buyer receives a copy of this contract for a period of five (5) days from date hereof. It supersedes buyer's purchase order and to modification of it shall be effective unless in writing. Signed by both parties where applicable, containing ordinance under the applicable fabrics act, and textile fiber products identification act (1996) with the Federal Trade Commission.

TEXOLLINI, inc.

By: _____
This contract is the same as the form of incorporation of a member of the firm of an officer of the corporation and return one copy properly to seller.
THIS CONTRACT IS SUBJECT TO ALL TERMS AND CONDITIONS INCLUDING, BUT NOT LIMITED TO, ARBITRATION AS SET FORTH ON REVERSE SIDE HEREOF.
THIS CONTRACT IS IN FULL PAYMENT OF ALL DEBTS.

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