

10-27-1999

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documents or copy thereof.

and address of receiving party(ies):

nitestone Products, Inc.

Address:

Street Address: 40 Turner Place

City: Piscataway State: NJ Zip: 08854

Individual(s) citizenship

Association

General Partnership

Limited Partnership

Corporation-State - Delaware

Other

If assignee is not domiciled in the United States, a domestic representative designation

is attached Yes No

(Designation must be a separate document from Assignment)

Additional name(s) & address(es) attached? Yes No

IPC Corporation

10-12-1999

U.S. Patent & TMO/TM Mail Rcpt Dt. #31

Individual(s)

Association

General Partnership

Limited Partnership

Corporation-State- New York

Other

Additional name(s) of conveying parties(ies) attached: Yes No

3. Nature of Conveyance:

Assignment

Merger

Security Agreement

Change of Name

Other

Execution Date: May 18, 1989

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark registration No.(s):

1,123,316; 1,143,082; 0787,586 and 1,344,153

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Russell E. Fowler, II

Internal Address: ICE MILLER DONADIO & RYAN

Street Address: One American Square, Box 82001

City: Indianapolis State: Indiana ZIP: 46282

6. Total number of applications and registrations involved: 4

7. Total fee (37 CFR 3.41): \$ 115.00

Enclosed

Authorized to be charged to deposit account

8. Deposit account number: 09-0007

(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Russell E. Fowler, II

Name of Person Signing

Russ Fowler

Signature

10-7-99

Date

Total number of pages including cover sheet: 48

OMB No. 0651-0011 (exp 4/94)

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MRD 10-1-99

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (said Agreement, together with all exhibits, schedules and riders hereto, being hereinafter called the "Agreement") dated as of May 18, 1989 between IPCO Corporation ("Seller"), a New York corporation having its principal place of business at 1025 Westchester Avenue, White Plains, New York 10604, and Whitestone Products, Inc. ("Purchaser"), a Delaware corporation having its principal place of business at 5433 Westheimer, Suite 900, Houston, Texas 77056, and RLG Investments, Inc.-U.S.A. ("Guarantor"), a Delaware corporation having its principal place of business at 5433 Westheimer, Suite 900, Houston, Texas 77056.

W I T N E S S E T H:

WHEREAS, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, substantially all the assets, property and business, as a going concern, of Seller's Whitestone Products division, excluding the assets, property, and business of the WPM Joint Venture (as defined below in Section 6.5) (the "Division"), upon the basic terms and conditions set forth in a certain agreement (the "Original Agreement") between Seller and Guarantor dated May 18, 1989; and

WHEREAS, Guarantor has assigned its rights and obligations under the Original Agreement to Purchaser, a subsidiary controlled by Guarantor; and Guarantor has agreed to guarantee the obligations of Purchaser under this Agreement and the other Asset Purchase Instruments (as defined below in Section 1.1); and

WHEREAS, as contemplated by the Original Agreement, Purchaser, Seller and Guarantor desire to restate herein the terms and conditions contained in the Original Agreement with respect to the transaction referred to in the first recital above and to set forth herein additional terms and conditions with respect to such transaction; and

WHEREAS, it is the intention of Seller, Purchaser and Guarantor to set forth in this Agreement their entire agreement and understanding with respect to the transaction contemplated by the Original Agreement and Seller, Purchaser and Guarantor intend this Agreement to supersede the Original Agreement in its entirety;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I

SALE AND PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES

Section 1.1. Acquired Assets. Upon the terms and subject to the conditions set forth in this Agreement and the other agreements, instruments, documents and certificates delivered in connection herewith including, without limitation, the Real Estate Instruments and Equipment Lease Documents (as defined in Section 3.2 below) (collectively, the "Asset Purchase Instruments"), Seller agrees to sell, transfer, assign, convey and deliver to Purchaser, and Purchaser agrees to purchase, acquire and accept from Seller, at the Closing (as defined below in Section 3.1), all the assets, property and business of the Division, as a going concern, which are reflected in the Closing Date Balance Sheet (as defined below in Section 2.3), excluding those Retained Assets defined below in Section 1.2, but including, without limitation:

(a) all machinery, equipment, furniture, fixtures, leasehold improvements (to the extent transferable), other fixed assets and vehicles used in connection with the operation of the Division's business (other than the assets used exclusively in the operation of the WPM Joint Venture) wherever located, which are reflected in the Closing Date Balance Sheet (hereinafter collectively the "Essential Assets");

(b) all of the Division's inventories of raw materials, work-in-process and finished goods, wherever located, which are reflected in the Closing Date Balance Sheet (hereinafter collectively "Inventory");

(c) all supplies used exclusively in the Division's business, wherever located, which are reflected in the Closing Date Balance Sheet (hereinafter collectively the "Supplies");

(d) all accounts receivable of Seller which shall have arisen out of the operations of the Division's business and which are reflected in the Closing Date Balance Sheet, with those reserves and adjustments reflected in such Closing Date Balance Sheet (hereinafter collectively "Accounts Receivable");

(e) all right, title and interest of Seller in and to the trade name and trademark "Whitestone" and the other trade names, trademarks, patents, licenses, information, proprietary rights and processes owned by Seller as set forth on Schedule 4.9 which are used in the operation of the Division's overall business as it is presently being conducted (hereinafter collectively "Intangible Rights");

(f) all right, title and interest of Seller, to the extent assignable to Purchaser at the Closing, in and to (i) all contracts, agreements,

leases, purchase orders, sales orders, price quotes, bids and other commitments of Seller relating solely to the Division's business (hereinafter collectively "Contracts") and (ii) all security and other deposits made by Seller in connection with the Contracts;

(g) to the extent in existence at the Closing Date (as defined below in Section 3.1), all of Seller's right, title and interest in and to prepaid rent, prepaid utility charges and other prepaid items relating to the Division's business which are reflected in the Closing Date Balance Sheet, but only to the extent assignable to Purchaser at the Closing ("Prepaid Items") (to the extent not assignable, such Prepaid Items shall be removed from the Closing Date Balance Sheet);

(h) the books and records of the Division; and

(i) all other assets or property of Seller used in connection with the operation of the Division, excluding the investment in the WPM Joint Venture, reflected in the February 24, 1989 Balance Sheet (as defined below in this Section 1.1), which are reflected in the Closing Date Balance Sheet.

Assets, property and business of the Division to be acquired by Purchaser pursuant to this Agreement are hereinafter collectively referred to as the "Acquired Assets" and shall, without limitation, include all the assets, property and business of the Division shown or reflected on the Division's balance sheet as reflected on Exhibit B of the February 24, 1989 "A Packs" from and after the February 24, 1989 "A Pack" (the "February 24, 1989 Balance Sheet") (as referred to in Section 4.14 hereof) and all assets and property acquired by the Division prior to the Closing Date, except for (i) all assets used prior to the Closing Date in the ordinary course of business and (ii) the Acquired Assets.

In connection with the Acquisition by Purchaser of the Acquired Assets, Seller and Purchaser shall enter into leases and lease assignment and assumption agreements, as set forth in Schedule 1.1 annexed hereto, with respect to certain real property and equipment used in the operation of the Division's business and located in New Jersey, Indiana and California.

Section 1.2. Retained Assets. At the Closing, the following assets and property of Seller relating to the business of the Division (the "Retained Assets") shall not be sold, transferred, assigned, conveyed and delivered to Purchaser but shall be retained by Seller from and after the Closing and shall not be reflected in the Closing Balance Sheet:

- (a) any real property owned by Seller and improvements thereon, including, without limitation, Seller's facilities in Bloomington, Indiana and Piscataway, New Jersey which are used in the operation of the Division's business;
- (b) Seller's lease with respect to Reid Macfarlan's vehicle;
- (c) all interest of Seller with respect to the WPM Joint Venture;
- (d) Prepaid Items which are not assignable to Purchaser; and
- (e) Seller's lease, sublease and any assets or liabilities relating thereto with respect to real property located in Brentwood, New York.

Section 1.3. Assumption and Payment of Liabilities. Upon the terms and conditions to the conditions of this Agreement, the following liabilities and obligations of Seller relating solely to the Division's business (the "Assumed Liabilities") shall at the Closing be assumed by Purchaser and thereafter performed and paid promptly when

(a) all expenses, liabilities and obligations of Seller relating to the Division's business reflected on the February 24, 1989 Balance Sheet or incurred or accrued after February 24, 1989 in the ordinary course of business or with Purchaser's consent, existing as of the Closing Date, provided, however, that the Assumed Liabilities shall not include expenses, liabilities and obligations of Seller:

(i) for income and franchise taxes relating to periods prior to the Closing Date; or

(ii) with respect to litigation and other legal proceedings (whether civil or criminal), fines and claims and any related fees and expenses arising out of the conduct of the Division's business prior to the Closing Date, including the Miesse Pharmacy litigation against the Division, except to the extent set forth in the letter agreement dated as of the Closing Date between the parties hereto;

(iii) any debts, obligations or liabilities of Seller relating to the Division (aa) under agreements and commitments which shall not have been assigned to Purchaser pursuant to the Agreement, except to the extent Purchaser receives benefit therefrom; (bb) related to or in any way arising out of the Retained Assets, except to the extent Purchaser receives benefit therefrom; or (cc) for any recapture of depreciation deductions or investment tax credits;

(iv) all liabilities of Seller relating to the operation of the WPM Joint Venture; and

(b) all liabilities and obligations of Seller from and after the Closing Date arising from:

- (i) the Contracts in existence on the date hereof; and
- (ii) the Contracts entered into in the ordinary course of the Division's business between the date hereof and the Closing Date.

ARTICLE II

PURCHASE PRICE; ADJUSTMENTS; PAYMENTS

Section 2.1. Purchase Price. The purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Acquired Assets shall be the sum of \$12,000,000, subject to adjustment as provided below in Section 2.3. The Purchase Price shall be allocated for federal income tax purposes to the categories of Acquired Assets identified on the Closing Date Balance Sheet in accordance with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulations issued thereunder. All Acquired Assets shall be valued at their fair market value as agreed to by Seller and Purchaser. Following the final determination of the Purchase Price, Seller and Purchaser will cooperate in filing with the Internal Revenue Service a Form 8594 as provided for in Section 1060 of the Code.

Section 2.2. Payment. At the Closing, immediately available funds in the amount of \$12,000,000 shall be paid by wire transfer pursuant to Seller's instructions, which shall have been delivered to Purchaser not later than two (2) business days prior to the Closing Date, and Purchaser shall assume the Assumed Liabilities.

Section 2.3. Post-Closing Adjustments.

(a) Within thirty (30) days after the Closing Date, Seller shall prepare and deliver to Purchaser a balance sheet of the Division as of the Closing Date (the "Closing Date Balance Sheet"). Such Closing Date Balance Sheet shall reflect certain adjustments and changes of items of the nature set forth on Schedule 2.3 annexed hereto relating to adjustments and balance sheet changes relative to the Division's May 31, 1989 balance sheet. The Closing Date Balance Sheet shall be prepared in accordance with GAAP (as defined below in Section 2.3(b)), subject to the limitations and exceptions with respect to GAAP set forth herein or disclosed to Purchaser in any documents delivered to Purchaser in connection with this transaction and/or this Agreement. Purchaser shall cause the Division's employees to fully and promptly cooperate with Seller in connection with the preparation of the Closing Date Balance Sheet. To the extent that the Adjusted Division Equity (as defined below in this Section 2.3(a)), as reflected in the Closing Date Balance Sheet shall be less than \$24,717,000 but greater than \$23,500,000, the Purchase Price shall not be adjusted. However, to the extent that the Adjusted Division Equity, as reflected in the Closing Date Balance Sheet shall be more than \$24,717,000 or less than \$23,500,000, Purchaser (if more than \$24,717,000) or Seller (if less than \$23,500,000), as the case may be, shall within thirty (30) days after receipt by Purchaser of the Closing Date Balance Sheet make payment by wire transfer in immediately available funds in the amount of such difference. For purposes of this Agreement, "Adjusted Division Equity" shall mean the total Division equity shown in the Closing Date Balance Sheet, adjusted by removing assets on the Division's books relating to improvements on the buildings and land owned by Seller and utilized in the Division's business and adding the capitalized interest on the books of the Seller relating to the machinery and equipment utilized in the

Business. (For example, based upon the Division's balance sheet as of 12/31/1989, such adjustment would result in a \$506,000 increase.)

(b) In the event that the current Acquired Assets do not exceed the current Assumed Liabilities reflected as current liabilities in the Closing Date Balance Sheet, and the deficiency is at least \$7,800,000, Seller shall, within thirty (30) days after receipt by Purchaser of the Closing Date Balance Sheet, make payment to Purchaser by wire transfer of immediately available funds in an amount equal to such deficiency. For purposes hereof, current Acquired Assets and current Assumed Liabilities shall be defined as current assets (which are part of the Acquired Assets) and the current liabilities (which are part of the Assumed Liabilities), both determined in accordance with generally accepted accounting principles consistently applied used in connection with the preparation of the Closing Date Balance Sheet ("GAAP"), in each case howsoever subject to limitations and exceptions with respect to GAAP set forth herein or otherwise disclosed to Purchaser in any documents delivered to Purchaser in connection with this transaction and/or this Agreement.

(c) The adjustments provided for in Sections 2.3(a) and 2.3(b) based on the Closing Date Balance Sheet shall be determined as soon as practicable after the Closing Date, but in no event later than thirty (30) days after receipt by Purchaser of the Closing Date Balance Sheet, as long as on the day preceding the Closing Date the Division's accounting department is adequately staffed and the books and records are in good order.

(d) Purchaser shall use its best efforts to collect all the trade Accounts Receivable and apply collections against the earliest due payments or invoices, except where customers identify the designated invoices against which payment is to be made and in connection therewith provide the reasons for not paying the earliest

however, Purchaser shall not be obligated to pursue any of its legal efforts in attempting to collect any of the trade Account Receivables. In the event Purchaser has not collected all the trade Accounts Receivable within one hundred and twenty (120) days after the Closing Date, Purchaser shall notify Seller of any such amounts and deliver to Seller a list of such unpaid trade Accounts Receivable and such documents as are necessary in the opinion of Seller (i) to effectuate the assignment of such trade Accounts Receivable to Seller and (ii) for Seller to pursue collection efforts (to the extent such documents are in Purchaser's possession or control). Whereupon Seller shall, within five (5) days after receipt of such notice and documents, pay to Purchaser the amount of such unpaid trade Accounts Receivable less the amount reflected on the Closing Date Balance Sheet for reserves for discounts, returns, rebates, allowances and bad debts; Seller shall receive the benefit of customer credits, if any, as shall have been agreed to by the parties. Notwithstanding the foregoing, in the event Purchaser receives payment of any amounts due under any of these trade Accounts Receivable re-assigned to Seller pursuant to this Section, Purchaser shall, within five (5) days after receipt of any such amount, pay to Seller the amount thereof. As soon as practicable after the one hundred and twenty day (120) period after the Closing Date has expired, the parties shall have the right to perform an audit in connection with collections of trade Accounts Receivable. Purchaser shall not compromise, settle or grant any allowances with respect to the Accounts Receivable, including the trade Accounts Receivable, without Seller's prior consent. Notwithstanding the foregoing, Purchaser shall re-assign to Seller prior to the expiration of the one hundred and twenty (120) day period any trade Accounts Receivable (and all necessary related documentation) with respect to which (i) it becomes clear that a customer will not make payment (for example, the customer is in bankruptcy) or (ii)

Purchaser does not apply collections against the earliest due payments or invoices (as required by the first sentence of this Section 2.3(d)) because a customer requests otherwise. In such event, Seller shall make payment to Purchaser on account of such trade Accounts Receivable to the extent that the transfer of such trade Accounts Receivable to Seller would reduce the aggregate amount of trade Accounts Receivable net of reserves for discounts, returns, rebates, allowances, bad debts and uncollectable accounts, to an amount less than the net amount set forth on the Closing Date Balance Sheet. Such payment shall be made to Purchaser in the same manner and within the same one hundred and twenty (120) day time period set forth above.

(e) In the event the Purchaser finds that any of the following events have occurred between May 18, 1989 and the Closing Date, the parties shall meet promptly to negotiate in good faith a reasonable adjustment to the Purchase price and, in the event they fail to agree, the extent of the adjustment, if any, shall be submitted to binding arbitration in accordance with Section 11.1 below:

(i) any one customer of the Division who accounted for over five percent (5%) of the previous twelve months total sales of the Division totally ceases doing business with the Division and notifies the Division of its intent to do so;

(ii) the Division's labor situation becomes significantly unstable or there is a strike;

(iii) there are any material adverse changes with respect to the Division's business taken as a whole; or

(iv) any of the Contracts cannot be assigned to Purchaser, the non-assignment of which would result in a material adverse change to the Division's business taken as a whole.

(f) Any state of facts which gives rise to a downward adjustment in Purchase Price under this Section 2.3 and which would also constitute a breach of representation, warranty, covenant or any other matter under or related to this Agreement resulting in damage or loss to the Purchaser, shall result in only one adjustment in the largest amount applicable. Accordingly, in no event shall there be any doubling up or duplication of adjustments.

ARTICLE III

CLOSING

Section 3.1. Closing Date. The Closing under this Agreement (the "Closing") shall take place at 11:00 a.m., local time, on June 29, 1989 and shall be effective at 12:01 a.m. on June 30, 1989 (such effective date or the date to which the Closing may be postponed in accordance with this Agreement being referred to herein as the "Closing Date"). The Closing shall take place at the offices of Parker Chapin Flattau & Klimpl, 1211 Avenue of the Americas, New York, New York 10036. The failure to close by June 30, 1989, shall be subject to arbitration pursuant to Section 11.1 below.

Section 3.2. Actions of Seller at the Closing. At the Closing, Seller shall execute and/or deliver, as the case may be, to Purchaser each of the following: (a) such bills of sale and assignment and assumption instruments, including a bill of sale and an assumption agreement between Seller and Purchaser in the forms of Exhibits A and B, respectively annexed hereto, the assignments and assumptions of equipment lease agreements in the form set forth in Exhibits F, G and H annexed hereto, together with copies of the original agreements and leases relating thereto annexed hereto (said assignments and assumptions of equipment lease agreements, together

copies of the original leases and agreements relating thereto, being hereinafter referred to as the "Equipment Lease Documents"), and real property leases, lease assignment and assumption agreements, together with copies of the original agreements relating thereto annexed hereto (said real estate leases, lease assignment and assumption agreements, together with copies of the original agreements relating thereto, being hereinafter referred to as the "Real Estate Instruments") in the form of Exhibits I, J, K, L and M annexed hereto, as shall be appropriate to carry out the intent of this Agreement and sufficient to sell, convey, transfer, assign and deliver to Purchaser, as the case may be, all right, title and interest or use and occupancy of Seller in and to the Acquired Assets, free and clear of all liens, claims, charges, pledges, security interests and encumbrances of any kind (other than the Assumed Liabilities, those specifically disclosed to Purchaser and liens for current taxes and assessments not yet due or payable); (b) such certificates, instruments, documents and opinions as are required to be delivered by Seller pursuant to the terms of this Agreement, including, without limitation, copies of the Consents (as defined below in Section 6.3) indicated in Schedule 6.3 as being required and an opinion, dated the Closing Date, of Parker Chapin Flattau & Klimpl, counsel to Seller, substantially in the form of Exhibit C annexed hereto; (c) such other instruments and documents as counsel for Purchaser may reasonably require as necessary or desirable in connection with the transactions contemplated by this Agreement; (d) all books and records of Seller relating to the Acquired Assets; and (e) physical possession and control of the Acquired Assets.

Section 3.3. Actions of Purchaser and Guarantor at the Closing. At the Closing, Purchaser shall execute and/or deliver, as the case may be, to Seller each of the following: (a) the Purchase Price in the manner and form provided for above in

Section 2.2, (b) such assumption instruments, including a bill of sale and an assumption agreement between Seller and Purchaser in the forms of Exhibits A and B, respectively, annexed hereto, the Real Estate Instruments and other assignment and assumption documents, including the Equipment Lease Documents, as shall be appropriate to carry out the intent of this Agreement, and sufficient to effect the assumption by Purchaser of the Assumed Liabilities; (c) such certificates, instruments, documents and opinions as are required to be delivered by Purchaser pursuant to the terms of this Agreement, including, without limitation, an opinion, dated the Closing Date, of Boyar, Norton & Blair, counsel to Purchaser, substantially in the form of Exhibit E annexed hereto; and (d) such other instruments and documents as counsel for Seller may reasonably require as necessary or desirable in connection with the transactions contemplated by this Agreement.

At the Closing, Guarantor shall deliver to Seller each of the following:

- (i) a guaranty in the form of Exhibit D annexed hereto guaranteeing full and timely payment of any amounts due by Purchaser and the performance of all obligations related to Purchaser pursuant to this Agreement and relating to certain obligations under the (i) Real Estate Instruments, (ii) assignment and assumption instruments, including the Equipment Lease Documents and (iii) other Asset Purchase Instruments;
- (ii) certificates, instruments, documents and opinions as are required to be delivered by Guarantor pursuant to the terms of this Agreement including, without limitation, an opinion, dated the Closing Date, of Boyar, Norton & Blair, counsel to Purchaser, substantially in the form of Exhibit E annexed hereto; and
- (iii) such other instruments and documents as counsel for Seller may reasonably require as necessary or desirable in connection with the transactions contemplated by this Agreement and such documents to be executed in connection with the transactions contemplated

Section 3.4. Proceedings and Documentation. At the Closing, all corporate and other proceedings required to carry out the transactions contemplated by this Agreement and all instruments and other documents relating to such transactions shall be reasonably satisfactory in form and substance to Boyar, Norton & Blair, counsel to Purchaser and Guarantor, and to Parker Chapin Flattau & Klimpl, counsel to Seller, and Purchaser, Guarantor and Seller shall be furnished with (a) copies of resolutions adopted by the Board of Directors of Seller, Purchaser or Guarantor, as the case may be, authorizing the execution and delivery by each of the respective parties of this Agreement and all other agreements or instruments executed and delivered pursuant to this Agreement and the consummation of the transactions contemplated hereby and thereby, certified by the Secretary or an Assistant Secretary of Seller, Purchaser or Guarantor, as the case may be, (b) certificates of the Secretary or an Assistant Secretary of Seller, Guarantor, or Purchaser, as the case may be, with respect to the incumbency of all officers of each of the respective parties executing instruments and other documents in connection with the transactions contemplated by this Agreement and (c) such other instruments and documents as such counsel shall have reasonably requested.

Section 3.5. Post-Closing Cooperation. At any time and from time to time from and after the Closing, each of the parties hereto will, at the request of the other party hereto, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such instruments and other documents, and perform or cause to be performed such acts, as may reasonably be required to evidence or effectuate the sale, conveyance, transfer, assignment and delivery to Purchaser of the Acquired Assets or for the performance by Seller or Purchaser of any of their other respective obligations under this Agreement. In addition, the parties hereto, upon the

reasonable request of the other party hereto, shall make available to the other party hereto, for inspection and/or copying, such books and records as may reasonably be required by such other party in connection with the filing of tax returns, compliance with other governmental laws, rules or regulations or any other reasonable purpose. Purchaser shall cause its employees to prepare and shall deliver to Seller on a timely basis fiscal 1989 year end audit and tax packages consistent with past practice. Purchaser shall make reasonable efforts to assist Seller regarding questions arising during the course of tax audits to the extent of Purchaser's knowledge and will provide reasonable assistance to Seller in the form of providing witnesses, documents of information regarding litigation, provided that Seller shall bear all out-of-pocket expenses related to such assistance. Purchaser shall provide the cooperation and assistance of Purchaser's employees free of charge to Seller for the following: (i) preparation of the Closing Date Balance Sheet and any post closing adjustments; and (ii) any project for the mutual benefit of Purchaser and Seller (i.e.) a lawsuit brought by a third party in which Purchaser and Seller are both named as Defendants; and (iii) an aggregate of five (5) man days of other assistance, including without limitation, the assistance of Purchaser's employees in connection with the preparation of fiscal 1989 year end audit and tax packages referred to above in this Section 3.5. Purchaser shall have the right to reimbursement of its employees base pay for assistance rendered to Seller at Seller's request beyond that set forth above.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

Section 4.1. Organization, Good Standing, Corporate Power and Authority and Foreign Qualification of Seller. Seller: (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of New York; (b) has the corporate power and authority to carry on its business as now conducted and to own the assets and properties it purports to own; (c) is duly qualified to transact business as a foreign corporation, and is in good standing, in each jurisdiction (including, without limitation, the States of Indiana, New Jersey and California) where the properties owned, leased or operated, or the business conducted, by the Division make such qualification necessary, except where the failure to be so qualified or to be in good standing would not, individually or in the aggregate, have a material adverse effect on the financial condition, results of operations, assets, property, liabilities and business of the Division taken as a whole; (d) has the corporate power and authority to enter into this Agreement and the other Asset Purchase Instruments to which it is a party and to perform all its obligations thereunder; and (e) has its principal place of business at the address set forth in the Introduction to this Agreement.

Section 4.2. Effective Agreement of Seller; No Conflicts. The execution and delivery by Seller of this Agreement and the other Asset Purchase Instruments to which it is a party and the performance by the Seller of all of its obligations thereunder: (a) have been duly authorized by all requisite corporate action; (b) will not violate or be in conflict with (i) any order, judgment or decree known to Seller of any court or any statute, rule or regulation of any other governmental authority applicable to Seller or any of its assets, property or business the effect of which would have a

material adverse effect on the financial condition, results of operations, assets, prop-
liabilities and business of the Division taken as a whole, or (ii) any provision of
certificate of incorporation or by-laws, including any amendments thereto, or any
resolution with continuing effect adopted by its Board of Directors; (c) will not vio-
be in conflict with, result in a breach of or constitute a default (with or without
giving of notice or the passage of time or both) in any material respect (or give
to any right of termination, cancellation or acceleration) under any material
instrument, indenture, agreement or other obligation to which it is a party or by
which it or any substantial part of its assets and properties is bound or subject the
effect of which would have a material adverse effect on the financial condition,
results of operations, assets, property, liabilities and business of the Division taken as
whole; or (d) will not result in the creation or imposition of any lien, charge or other
encumbrance of any nature upon any of its assets and properties the effect of which
would have a material adverse effect on the financial condition, results of operations,
assets, property, liabilities and business of the Division taken as a whole. Notwith-
standing anything contained in this Section 4.2, there shall be no breach by Seller
relating to the representations and warranties contained in items 4.2(c) and 4.2(d)
unless such breach arises from an act or omission which is willful or intentional.

Section 4.3. Enforceability. This Agreement and the other Asset Pur-
chase Instruments to which Seller is a party have been duly executed and delivered by
Seller, and each of those instruments and other documents is the legal, valid and bind-
ing obligation of Seller, enforceable against it in accordance with their respective
terms and provisions, subject to applicable bankruptcy, insolvency and other laws
affecting creditors' rights generally and the availability of equitable remedies.

Section 4.4. Litigation. Except as set forth in Schedule 4.4, there are no material actions, suits, claims, investigations or legal or administrative proceedings pending or, to the best of Seller's knowledge, threatened against the Division arising from the operation of the Division, its assets or business prior to the Closing Date, whether at law or in equity, or before or by any federal, state, municipal or other governmental instrumentality.

Section 4.5. Title to Acquired Assets. At the Closing, Seller will have, and Purchaser will acquire, good and marketable title to all the Acquired Assets, free and clear of all liens, claims, charges or encumbrances (other than the Assumed Liabilities and liens for current taxes and assessments not yet due or payable). The Acquired Assets shall be sufficient to enable Purchaser to operate, in all material respects, the Division's business in the manner currently being operated.

Section 4.6. Condition of Acquired Assets. The Acquired Assets, as a whole, are, and as of the Closing will be, in all material respects, in good working order and properly maintained.

Section 4.7. Inventory. The Inventory has or will have been purchased by Seller in the ordinary course of business and has been valued in accordance with GAAP at the lesser of cost or market value. In computing the value of the Inventory, slow-moving, unmarketable, returned, rejected, damaged or obsolete Inventory has been written down or written off in accordance with GAAP.

Section 4.8. Accounts Receivable. All of the trade Accounts Receivable will be collectible within one hundred and twenty (120) days after the Closing Date. In the event that Purchaser has not collected all the trade Accounts Receivable within one hundred and twenty (120) days after the Closing Date, Seller shall pay to Purchaser the aggregate uncollected amount less the amount reflected on the Closing

Balance Sheet for reserves, discounts, returns, rebates, allowances and bad debts; Seller shall receive the benefit of customer credits, if any, as shall have been agreed by the parties and Purchaser shall re-assign to Seller all unpaid trade Accounts Receivable in accordance with the terms provided in Section 2.3(d) above.

Section 4.9. Intangible Rights. Seller owns or possesses and will convey to Purchaser the Intangible Rights, as set forth on Schedule 4.9, essential to the conduct of the Division's overall business as it is presently being conducted, including, but not limited to, the trade name and trademark "Whitestone."

Section 4.10. Employees. Seller shall not, without Purchaser's prior written consent, offer employment to employees of the Division and shall encourage the Division's employees to remain with the Division following the Closing Date. However, Seller may offer employment to any Division employee who (i) is involuntarily terminated by Purchaser or (ii) is not employed by Purchaser (if Purchaser notifies such employee or Seller prior to the Closing Date of its intention not to employ the particular employee). Nevertheless, Seller may offer employment to any Division employee two years following the Closing Date. Except for an employment agreement between Seller and Reid Macfarlan (which contract shall not be assigned to Purchaser), Seller is not a party to any agreement with any other employee of the Division which would require Seller to pay severance to such employee in the event of his voluntary termination, nor is there any Division policy which would provide severance to any employee in the event of voluntary termination of his employment. Seller shall pay in full to the extent possible or, if not, accrue by adequate reserves on the Closing Date Balance Sheet in a manner consistent with the Division's past practice and in accordance with GAAP, all wages, salaries, bonuses, vacation pay and other direct and indirect compensation earned by all employees of the Division through the

of the Closing Date Balance Sheet (whether or not payable by such date). To Seller's knowledge, with respect to the Division, Seller is in compliance with all federal, state and local laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours, the non-compliance with which would have a material adverse effect on the business of the Division taken as a whole. Except as listed on Schedule 4.10, as of June 16, 1989, Seller is not aware of any grievance procedure or arbitration proceeding which is pending under the collective bargaining agreement applicable to the Division's New Jersey employees.

Section 4.11. Contracts, Agreements, Leases and Commitments. Except for the Contracts listed in Schedule 4.11, purchase orders, sales orders, price quotes and bids and other Contracts entered into in the ordinary course of business, Seller is not a party to or bound by any other Contract which (i) will be in effect after the first anniversary of the Closing and which imposes a liability or obligation upon the Division from and after the Closing exceeding \$20,000 in amount or (ii) imposes a liability or obligation upon the Division from and after the Closing exceeding \$100,000 in amount. All of the Contracts listed in Schedule 4.11 are in full force and effect. To the best of Seller's knowledge, Seller is not in material default under any Contract and has not received notice of any alleged default by it under any Contract which has not been waived under any such Contract, the breach or default of which Contract will have a material adverse effect on the business of the Division taken as a whole.

Section 4.12. Compliance with Law. Seller is, and on the Closing Date will be, in compliance with all applicable statutes and regulations of any governmental authority having jurisdiction over Seller, (including, without limitation, all applicable environmental laws), the non-compliance with which would have a material adverse

on the operation of the Division or the Acquired Assets. Seller has received no notice of violation under the Occupational Safety and Health Act ("OSHA") or under any other applicable federal, state or local health and safety laws and regulations which are unresolved on the date hereof.

Section 4.13. Taxes. Purchaser shall not be responsible for any Federal, state or local income tax liability arising out of the operation of the Division's business prior to the Closing or incurred as a result of the sale of the Acquired Assets to the Purchaser pursuant to this Agreement.

Section 4.14. Financial Statements. Seller has delivered to Purchaser copies of the Division's balance sheets (the "Balance Sheets") as of March 31, and February 28, 1989, as reflected in Exhibit B of the Division's "A Packs" from and after the February 24, 1989 "A Pack." The Balance Sheets are true and correct and prepared in all material respects in accordance with GAAP. It is understood, however, that (i) the monthly divisional balance sheets of all of Seller's divisions, including the Division, are not separately audited or certified by an independent accounting firm (ii) all inter-company accounts are included in Division equity on Exhibit B of the Division's monthly "A Pack" and (iii) among other things, divisional balance sheets do not recognize tax benefits resulting from divisional operating losses. Since February 24, 1989, Seller has conducted the Division's business and kept its records in a consistent manner without change of policy or procedure (subject to Schedules 4.14(a) and 4.14(b) attached hereto which describe the recent operations of the Division's business), including, without limitation, the practices in connection with the treatment of expenses, burdens, valuations of inventory and selling and purchasing policies.

Section 4.15. Brokerage. Seller has not incurred and will not incur any obligation or liability, contingent or otherwise, for any brokerage or finder's fee,

commission or other similar payment in connection with this Agreement or transactions contemplated by this Agreement, except for that payable by it to Webber Incorporated, and Seller shall indemnify and hold Purchaser harmless in respect thereto.

Section 4.16. Liabilities and Certain Adjustments. On February 24, 1989 there were no liabilities of Seller relating to the Division of a type which should have been included on the February 24, 1989 Balance Sheet in accordance with GAAP (subject to the qualifications in Section 4.14 above and to the limitations and exceptions with respect to GAAP set forth herein or disclosed to Purchaser in any documents delivered to Purchaser in connection with this transaction and/or this Agreement), whether contingent or absolute, direct or indirect, known or unknown or mature or unmatured, including but not limited to liabilities for state or local taxes, penalties, assessments and interest charges relating to any prior period, not shown or provided for on the February 24, 1989 Balance Sheet, and on the Closing Date there will be no other liabilities except those incurred since February 24, 1989 in the ordinary course of the business. It is understood, however, that Purchaser shall have no claim against Seller with respect to (i) inaccuracies or omissions relating to a liability or asset of the Division (including the assets to be acquired by Purchaser and retained by Seller and the liabilities to be assumed by Purchaser pursuant to Sections 1.1, 1.2 and 1.3 above, respectively), as reflected on, or, omitted from, the February 24, 1989 Balance Sheet and subsequent Division balance sheets, through, and including, the Closing Date Balance Sheet or (ii) breaches of representations, warranties, covenants or any other matters under or related to this Agreement, unless such omissions, inaccuracies or breaches would result in a claim exceeding \$100,000 in amount (the "Deductible Amount"). Purchaser shall have only a single claim arising out of any inaccuracies,

omissions or breaches (but may make more than one claim so long as the later claims are based on different inaccuracies, omissions or breaches which do not relate to an earlier claim) and accordingly, any amounts due to Purchaser relating to (i) Purchase price adjustments under Sections 2.3(a) and 2.3(b) above or (ii) breaches of representations, warranties, covenants or any other matter under or related to this Agreement, shall be offset against any sums due to Purchaser in connection with omissions or inaccuracies relating to the February 24, 1989 Balance Sheet and subsequent Division balance sheets, through, and including, the Closing Date Balance Sheet.

Section 4.17. Real Property Leased. To Seller's knowledge, the real property currently leased by the Division and used in the operation of the Division's business conforms, in all material respects, to all applicable federal, state and local laws and regulations and is zoned, in all material respects, for the various purposes for which such real estate is currently being used, the non-compliance with which would have a material adverse effect on the operation of the Division taken as a whole.

Section 4.18. Personal Property. The appraisals (the "Appraisals") prepared by Daley-Hodkin Appraisal Corporation dated April 27 and April 28, 1989 with respect to certain assets of the Division have been furnished to Purchaser. Such Appraisals represent as of March 29 and April 11, 1989 (with respect to the New Jersey facility), April 6, 1989 (with respect to the Indiana facility) and April 11, 1989 (with respect to the California facility), in all material respects, the machinery, equipment, office furniture, and other personal property (collectively, the "Personal Property") used in the operation of the Division's business; however, Purchaser acknowledges that no representation is made by Seller regarding any values stated in the Appraisals. Since March 29, 1989 such Personal Property has not been disposed of other than in the ordinary course of business.

Section 4.19. Customers and Suppliers. Schedule 4.19 is a true and complete list of the Division's ten largest customers and suppliers (measured by gross dollar volume in each case) during each of the fiscal years 1988 and 1989 (through June 21, 1989 with respect to suppliers and May 26, 1989 with respect to customers), showing, with respect to each, the name and gross dollar volume involved (including, with respect to customers, the principal categories of products bought by said customers). To Seller's knowledge, except for certain (i) municipalities, other governmental agencies, quasi-governmental agencies and other similar entities and (ii) customers and suppliers that customarily require bonding or other financial security arrangements, Seller is not required to provide any bonding or other financial security arrangements in connection with any transactions with any of its material customers or suppliers in the ordinary course of the Division's business. In addition, to Seller's knowledge, Seller is not required as at the Closing Date to provide any bond nor is Seller involved in any financial security arrangement with respect to any transactions with any of its material customers or suppliers which exceed \$100,000 in amount.

Section 4.20. Disclosures. No representation or warranty made by Seller which is contained in this Agreement, and no statement contained in any certificate, Schedule or Exhibit furnished to Purchaser in connection with this transaction, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. All Schedules to this Agreement are true and complete in all material respects.

Section 4.21. Product Claims and Returns. Seller shall only be responsible for customer claims relating to, or returns of, products sold by the Division prior to the Closing, which claims are made within sixty (60) days after the Closing Date, provided that such returns or claims are handled in accordance with the Division's

with respect thereto, as set forth on Schedule 4.21 annexed hereto. Claims or returns which individually exceed \$2,500 require the mutual approval of Seller and Purchaser. In addition, if the aggregate amount of claims and returns collectively exceeds \$15,000, regardless of the amount of each individual claim, the satisfaction of any individual return or claim made after the amount is reached shall require the mutual approval of Seller and Purchaser. Seller shall be responsible under this Section 4.21 for claims or returns only after the amount of the related reserves for such items included in the Closing Date Balance Sheet.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND GUARANTOR

Purchaser and Guarantor, jointly and severally, hereby represent and warrant to Seller as follows:

Section 5.1. Organization, Good Standing, Corporate Power and Authority of Purchaser; Foreign Qualification of Purchaser. Each of Purchaser and Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) has the corporate power and authority to carry on the business as now conducted and to own the assets and properties it purchases; (c) is duly qualified to transact business as a foreign corporation, and is duly qualified in each jurisdiction where its ownership and operation of the Accounts Receivable will make such qualification necessary, except where failure to be so qualified in good standing would not have a material adverse effect on its financial condition, results of operations, assets, property, liabilities or business; (d) has the corporate power and authority to enter into this Agreement and the other

...instruments to which it is a party and to perform all its obligations
... (e) has its principal place of business at the address set forth in the
... the Asset Purchase Agreement.

Section 5.2. Effective Agreement of Purchaser. The execution and
... Purchaser and Guarantor of this Agreement and the other Asset Purchase
... which they are parties and the performance by Purchaser and Guarantor
... their respective obligations thereunder: (a) have been duly authorized by
... corporate action; (b) will not violate or be in conflict with (i) any order,
... decree of any court or any statute, rule or regulation of any governmental
... applicable to Purchaser, Guarantor or any of their respective assets,
... businesses, or (ii) any provision of their respective certificates of incor-
... by-laws, including any amendments thereto, or any resolution with con-
... adopted by their respective Boards of Directors or shareholders; (c) will
... be in conflict with, result in a breach of or constitute a default (with or
... giving of notice or the passage of time or both) in any material respect
... material instrument, indenture, agreement or other obligation to which the
... Guarantor is a party or by which either of them or any substantial part
... respective assets and properties is bound or subject; or (d) will not result in
... or imposition of any material lien, charge or encumbrance upon any of
... assets or properties.

Section 5.3. Consents. Except as set forth in Section 8.4 of this Agree-
... consent, approval or authorization of, or registration, declaration or filing
... governmental authority or, to the best of Purchaser's and Guarantor's
... after due inquiry, any other person (including, without limitation, the
... of Purchaser or Guarantor) is required as a condition to the due and valid

delivery and performance by Purchaser and Guarantor of this Agreement and the other Asset Purchase Instruments to which they are parties.

Section 5.4. Enforceability. This Agreement and the other Asset Purchase Instruments to which they are parties have been duly executed and delivered by Purchaser and/or Guarantor, as the case may be; and each of those instruments and the obligations thereunder is the legal, valid and binding obligation of Purchaser and/or Guarantor, as the case may be, enforceable against Purchaser and/or Guarantor, as the case may be, in accordance with their respective terms and provisions, subject to applicable law and other laws affecting creditors' rights generally and the availability of legal remedies.

Section 5.5. Litigation. There are no actions, suits, proceedings or claims, known or to the best knowledge of Purchaser or Guarantor after due inquiry, pending against or affecting Purchaser, Guarantor or their respective assets which could prevent or interfere with the consummation of the transactions contemplated hereby.

Section 5.6. Brokerage. Purchaser has not incurred and will not incur any liability, contingent or otherwise, for any brokerage or finder's fee, commission or other similar payment in connection with this Agreement or the transactions contemplated by this Agreement, except for that payable to Independent Company; and Purchaser shall indemnify and hold Seller harmless with respect to any such liability.

Section 5.7. Stock Ownership. Purchaser's issued and outstanding stock consists solely of 1,000 shares of common stock and 2,900 shares of preferred stock. Guarantor is the controlling stockholder of Purchaser.

Section 5.8. Guaranty. Guarantor shall guarantee full and timely pay-
ment of all amounts due by Purchaser and the performance by Purchaser of all obli-
gations pursuant to the terms and conditions of this Agreement and any other docu-
ments to be executed in connection with the transactions contemplated hereby,
including the Real Estate Documents and the Equipment Lease Documents, as more
fully set forth in the Guaranty to be executed by Guarantor (the "Guaranty") in
accordance with Exhibit D annexed hereto. It is understood and acknowledged that Seller
is entering into the Original Agreement and is entering into this Agreement in reliance
on (i) the Guaranty, (ii) RLG Balance Sheets (as defined below in Section 5.9) and (iii)
representations (as defined below in Section 5.9) of Guarantor's Senior Vice President
responsible for the RLG Balance Sheets.

Section 5.9. Financial Statements. Guarantor has delivered to Seller
copies of the consolidated balance sheets of (i) RLG International Corporation and
its subsidiaries ("RLG International") and (ii) Guarantor dated April 30, 1989, respectively
(the "RLG Balance Sheets") and certifications (the "Certifications") by
Guarantor's Senior Vice President certifying that the RLG Balance Sheets accurately
reflect the assets, liabilities and equity of Guarantor and RLG International. The RLG
Balance Sheets are substantially true, accurate, correct and complete as of the date
of the RLG Balance Sheets and will be substantially true, accurate, correct and complete as of the Closing
Date. It is understood, however, that the RLG Balance Sheets are not audited or cer-
tified by an independent accounting firm.

ARTICLE VI

COVENANTS OF SELLER

Seller hereby covenants and agrees with Purchaser as follows:

Section 6.1. Interim Operation of Business. From and after the date until the Closing Date, Seller will operate the business of the Division only in the ordinary course and in the same manner as it has heretofore operated such business (as set forth in Schedules 4.14(a) and 4.14(b) annexed hereto), and will use reasonable care to maintain and preserve the Division's business organization intact. Between the date hereof and the Closing Date, Seller will not, on behalf of the Division, without the prior consent of the Purchaser (i) make any capital expenditures or enter into any material contractual relationships or otherwise make any changes in the business other than those in the ordinary course of business; or (ii) incur any liabilities outside the ordinary course of business or which would be classified as noncurrent. Seller has delivered to Purchaser Schedules 4.14(a) and 4.14(b) annexed hereto which describe the recent operations of the Division's business. Seller has informed Purchaser of all matters set forth on Schedules 4.14(a) and 4.14(b) annexed hereto and in other writings delivered to Purchaser and, shall inform Purchaser in writing on or prior to the date of any material adverse change in the business and condition, financial position or performance of the Division from February 24, 1989 until the Closing Date and Seller shall inform Purchaser of any facts known to Seller's officers on the Closing Date (including matters in the public domain) which would have a material adverse effect on the Division's business following the Closing Date. It is understood by the parties, that any claim asserted by Purchaser based on the foregoing sentence shall not prevent the Closing from taking place on or before June 30, 1989; such claim shall not prevent the Closing to the extent it has a material adverse effect on the business of the Division

whole, shall, in the event the parties fail to agree, be subject to arbitration in accordance with Section 11.1 of this Agreement.

Section 6.2. Non-Competition. Seller hereby agrees that for a period of 18 months following the Closing Date, Seller will not compete with the Purchaser in the manufacture or wholesale distribution of the types of products manufactured and sold by the Division on the Closing Date in any geographic area in which the Division is engaged in business on the Closing Date. It is understood that Seller is entering into this non-competition provision in order to induce Purchaser to enter into this Agreement. In the event of a breach of the provisions of this Section 6.2, it is agreed that Purchaser shall be entitled to injunctive relief as well as any and all other applicable remedies at law and in equity.

Section 6.3. Consents. Schedule 6.3 sets forth certain consents of third parties ("Consents") which are required to permit the consummation of the transactions contemplated hereby and between the date hereof and the Closing, Seller will make best efforts to obtain such consents at no cost and without any material adverse consequences to Purchaser. Purchaser understands that Schedule 6.3 only includes Contracts which (i) will be in effect after the first anniversary of the Closing and which impose a liability or obligation upon the Division from and after the Closing in an amount exceeding \$20,000 in amount or (ii) impose a liability or obligation upon the Division after the Closing exceeding \$100,000 in amount. Purchaser further understands that Schedule 6.3 does not include purchase orders, sales orders, price quotes and other Contracts entered into in the ordinary course of business. The failure to obtain any required consents shall not be considered a matter subject to arbitration provided below in Section 11.1, unless the failure to obtain any of such consents will have a material and adverse impact on the business of the Division taken

In addition, the failure to obtain any required consents shall not constitute a breach by Seller under any provision contained herein, including, without limitation, the representations and warranties contained in Section 4.2 of this Agreement. Nothing contained in this Agreement shall be construed as an attempt to assign any lease, contract or right which is in law non-assignable without the consent of the party or parties thereto unless such consent shall have been obtained. If, prior to any leases, contracts or rights to be assigned to Purchaser hereunder, such consent is not obtained, Seller and Purchaser will seek to negotiate a mutually agreeable arrangement, which will enable Purchaser to realize the benefits under such leases, contracts or rights and to place Seller's obligations thereunder upon Purchaser at the Closing.

Section 6.4. Risk of Loss. From and after the date hereof until the Closing Date, Seller shall bear the risk of any loss or damage, including, without limitation, physical destruction and business interruption, relating to the Acquired Assets and such losses shall not be borne by Purchaser from and after the Closing Date. If there shall occur any such loss or damage prior to the Closing Date, Seller shall be entitled to receive all proceeds resulting therefrom.

Section 6.5. WPM. Unless an alternative arrangement with Purchaser is agreed to in writing, Seller will net the WPM receivables and payables at the Closing Date and will pay to the Purchaser this net amount, if it is a receivable, at the earlier of the Closing Date, liquidation, or transfer of the WPM joint venture (the "WPM Joint Venture") from the Closing Date. However, in the event that the WPM receivables net to be a payable, such payable will not be included in the Seller's liabilities. The computation with respect to the WPM Joint Venture as contemplated by this Section 6.5 will not have any effect on the preparation of the

Balance Sheet, which Closing Date Balance Sheet will reflect the WPM
and payables in a manner consistent with the Division's prior practice.

Section 6.6. Closing Date Balance Sheet. The Closing Date Balance
include: (i) no less than \$150,000 on the line entitled "Cash" on page 1 of
the Division's "A Pack"; (ii) no more than \$150,000 with respect to the re-
collectable trade Account Receivables (such reserve was \$123,000 on the
1989 Balance Sheet); (iii) no more than 10% of trade Accounts
excluding WPM receivables) in excess of 90 days past due; and (iv) no less
in trade Accounts Receivable (which shall be net of the WPM receiv-
reserves for discounts, returns, rebates, allowances, bad debts and
accounts) and no less than \$7,500,000 in Inventory.

Section 6.7. Indiana Facility. The Purchaser, as lessee of the
Indiana facility pursuant to the lease between Seller and Purchaser dated
Closing Date, shall have no liability or obligation in connection with the
venue bond which financed the construction of such facility and Seller
and hold Purchaser harmless with respect thereto.

ARTICLE VII

COVENANTS OF PURCHASER

Section 7.1. Employees and Related Matters. Purchaser shall, at the
use its best efforts to employ substantially all of the Division's em-
employees on approved leaves of absence) (the "Hired Employees").
assume any current employment contracts (including the Contracts
schedule 7.1) between Hired Employees and Seller and will be responsible
taxes, wages, workers' compensation, unemployment benefits, vacation,

and severance pay and other employee obligations with respect to the employees. Purchaser shall provide Hired Employees with compensation and benefits substantially comparable to that and those provided by the Division to employees prior to the Closing Date. Purchaser will, effective as of the Closing, assume the collective Bargaining Agreement applicable to the Division's New Jersey employees. Purchaser shall have no obligation with respect to Seller's stock options.

Section 7.2. Plants and Facilities. Purchaser covenants and agrees that after the Closing will not take any action which would impose any liability or responsibility upon Seller under the Worker Adjustment and Retraining Notification Act.

Section 7.3. Records. From and after the Closing, Seller shall have all books, records, and documents transferred hereunder at reasonable times, and shall provide copies, as requested, of any such books, papers and records (i) in order to enable Seller to prepare its tax returns; (ii) in connection with the preparation of tax returns; (iii) in connection with any claims under any insurance policies; (iv) in connection with any other third party claims whether or not in litigation; (v) for any other reasonable purpose. Purchaser shall retain such books, papers and records for a period of no less than seven (7) years and shall thereafter give prior notice of its intention to destroy same, and shall give Seller the opportunity to take possession of such books, papers and/or records as Seller may elect.

Section 7.4. Use of Seller's Name and Trademarks. Purchaser shall not acquire any right, title or interest in and to the name or trademark "IPCO", any derivative of or to any other name or trademark of Seller for any use whatsoever, except as provided in Section 1.1(e) above.

ARTICLE VIII

MUTUAL COVENANTS

Section 8.1. Confidentiality of Information. Except as set forth in this Agreement, between the date hereof and the Closing Date, neither party shall make any disclosure concerning this Agreement or the transactions contemplated hereby (the "Information"), without the prior written consent of the other party hereto, except for the Information disclosed to the respective parties' attorneys, accountants and financial institutions. In addition, Purchaser shall have the right to provide the Information referred to in the preceding sentence with the Information after the Closing Date. Notwithstanding the foregoing, Seller, as a public company, shall have the right to make any disclosures necessary by statute, rule or regulation without the consent of any provision of this Agreement. All information gained by either party concerning the business or affairs of the other, or the proposed terms of the transactions contemplated hereby, except as provided in this Agreement, will be confidential information other than information already in the public domain and information which either party shall be required to disclose by law.

Section 8.2. Mutual Cooperation. As promptly as possible following the execution of this Agreement by the parties hereto, Purchaser's representatives will have the opportunity to perform an investigation of the Assets, business and operations of the Division including, but not limited to, a mutually agreeable procedure for a detailed review of the Division's products and a review of its financial statements, material contracts and its ownership of proprietary rights. Accordingly, Seller shall grant the Purchaser and its agents access to the books, records and facilities of the Division. Further, Seller will use its best efforts to assist the Purchaser in its investigation, including, but not limited to, causing Seller's auditors to be

to any inquiries made by Purchaser regarding Seller's or the Division's reports and procedures used in the preparation thereof.

Section 8.3. Employee Plans.

(a) In connection with any withdrawal liability with respect to the transactions conducted with the Acquired Assets which may be imposed on Seller by a multiemployer plan to which Seller had been contributing on or before the Closing Date, Seller and Purchaser agree that such liability, if any, shall remain with Seller, and shall not be assumed by the Purchaser and the provisions of Section 4204 of the Employee Retirement Income Security Act of 1974, as amended, ("ERISA") shall be inapplicable to this Agreement unless the parties agree after the Closing Date to have Section 4204 apply under Section 8.3(b).

(b) In the event a withdrawal liability described in Section 8.3(a) is imposed on Seller after the Closing Date as a result of the sale of the Acquired Assets, Seller may, in its discretion, provide Purchaser with documentation regarding the amount of Seller's potential liability and request that Purchaser take additional steps to satisfy the provisions of Section 4204 of ERISA so that Seller could avoid the payment of a withdrawal liability. In that event, Purchaser and Seller shall make best efforts (i) to negotiate an appropriate compensation to be payable to Purchaser and (ii) to reach a mutually agreeable procedure for obtaining waivers from the applicable multiemployer plan of the requirements of Sections 4204(a)(1)(B) and 4204(a)(1)(C) of ERISA. Failure to reach an agreement pursuant to this Section 8.3(b) shall not be considered a breach by either party. It is understood that the requirement of Section 4204(a)(1)(A) of ERISA has been met in that Purchaser has agreed hereunder to contribute to the Paper Industry Union Management Pension Fund ("Fund") with respect to the covered operations for substantially the same number of contribution units for which Seller had an obligation to contribute to the Fund.

Section 8.4. Antitrust Notification. The parties hereto acknowledge their familiarity with the notification requirements imposed by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR"). Each of the parties has agreed to file with the United States Federal Trade Commission ("FTC") and the United States Department of Justice ("Justice") the notification and report form required for the transactions contemplated by this Agreement, which notification and report form and supplemental information shall have complied in all material respects with the requirements of HSR. Seller and Purchaser shall file any supplemental information reasonably requested of them in connection therewith. Each of the parties hereto will use its reasonable best efforts, and will cooperate with the other party hereto, in seeking to obtain clearance under HSR for the consummation of the transactions contemplated hereby.

ARTICLE IX

CONDITION TO OBLIGATIONS OF PURCHASER AND SELLER

The obligations of each of Purchaser and Seller to consummate the transactions to be consummated by them at the Closing are subject to the satisfaction of the following condition to the Closing of the following condition:

Section 9.1. Expiration of HSR Waiting Period. The required waiting period under HSR applicable to the transactions contemplated by this Agreement, and any extensions thereof, shall have expired.

ARTICLE X
SURVIVAL OF
REPRESENTATIONS AND
WARRANTIES; INDEMNIFICATION

Section 10.1. Survival of Representations and Warranties. All representations and warranties made by Seller, Purchaser or Guarantor in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Closing for one

Section 10.2. Indemnification. Seller shall, on demand, promptly indemnify and hold harmless Purchaser and each of its shareholders, affiliates, officers and directors from, and reimburse them for, any losses, claims, damages, liabilities, deficiencies and expenses (including reasonable attorneys' fees) incurred by them as a result of the operation of the Division's business prior to the Closing Date, including the Assumed Liabilities; the claims of any broker or finder engaged by Seller on the basis of the truth, inaccuracy or breach of any representation, warranty, agreement or statement of Seller contained in or made in connection with this Agreement; and Seller's compliance with any applicable bulk sales or similar laws. Purchaser shall, on demand, promptly indemnify and hold harmless Seller and each of its affiliates, directors, officers and shareholders from, and reimburse them for, any losses, claims, damages, liabilities, deficiencies and expenses (including reasonable attorneys' fees) incurred by them as a result of the operation of the Division's business on or after the Closing Date, including the Assumed Liabilities.

Section 10.3. Losses Net of Insurance and Tax Benefits. The amount of any loss, claim, damage, deficiency or expense for which indemnification is sought under this Article 10 shall be net of any amounts recovered or recoverable by the party seeking indemnification under insurance policies or any tax benefits arising

related thereto. Any information with respect to the determination of which may be required to be provided by Purchaser will be as set forth in the certificate executed by an officer of Purchaser.

Section 10.4. Procedure for Claims of Third Parties. In the event that

in writing is asserted by a third party which may entitle any party hereto to indemnification under this Agreement, the party hereto against whom such claim is made (the "Indemnified Party") shall give notice thereof to the party hereto obligated to provide indemnification (the "Indemnifying Party"), which notice shall be accompanied by a copy or statement of the claim. Following such notice, the Indemnifying Party shall have the right, but not the obligation, to participate, at its sole discretion, in the defense, compromise or settlement of such claim with counsel of its choice. If the Indemnifying Party shall fail to timely defend, contest or otherwise protect itself against any suit, action or other proceeding arising from such claim, the Indemnified Party shall have the right to defend, contest or otherwise protect itself against same and, upon not less than ten (10) days' notice to the Indemnifying Party, to enter into any reasonable compromise or settlement thereof. In connection with any claim aforesaid, the parties hereto shall cooperate fully with each other and make available all pertinent information necessary or advisable for the defense, compromise or settlement of such claim.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Arbitration. Any dispute between the parties arising

under this Agreement, including the failure to close by June 30, 1989, shall be subject to binding arbitration conducted by and under the rules promulgated by the American

arbitration association upon application of either party. The party applying for arbitration shall give notice of its intention to arbitrate to the other party and any such arbitration shall be held in Newark, New Jersey unless some other location is mutually agreed to by the parties. Such arbitration shall be held before a panel of three arbitrators, one of whom shall be selected by Seller, one of whom shall be selected jointly by Purchaser and Guarantor and one of whom shall be selected jointly by the first two arbitrators. Any decision rendered by the arbitrators shall be final, non-appealable, final and binding upon the parties hereto (and any attempted appeal shall be void and of no effect), and may be enforced by any court of competent jurisdiction. The arbitrators shall have the right to assess damages and legal fees and costs, to require the parties to close (i.e. specific performance) and to adjust the Purchase Price in accordance with the terms of this Agreement. Notwithstanding the foregoing, any claim asserted by a third party which may entitle any party hereto to indemnification under Article X of this Agreement may be litigated in the forum where such third party claim is pending.

Section 11.2. Adjustments Generally. Anything to the contrary notwithstanding herein, unless Purchaser shall have a claim under Sections 2.3(a), 2.3(b) or 6.6 by virtue of (a) the Adjusted Division Equity being less than \$23,500,000, (b) the current Acquired Assets not exceeding the current Assumed Liabilities by at least \$1,000,000 or (c) there being less than \$7,500,000 of trade Accounts Receivable (which shall be net of the WPM receivables and reserves for discounts, returns, rebates, allowances, bad debts and uncollectable accounts) or \$7,500,000 in Inventory included on the Closing Date Balance Sheet, Purchaser shall have no claim against Seller for breach of any representation, warranty, covenant or any other matter under or related to this Agreement.

no claim shall be eliminated by application of the preceding paragraph if the Deductible Amount provided for in Section 4.16 has resulted in the preceding sentence. For example, if by virtue of a breach of representation, warranty, covenant or any other matter under or related to this Agreement the Division Equity is reduced to \$23,450,000, Seller shall be responsible to pay the \$50,000 deficiency regardless of the Deductible Amount, and if the current Acquired Assets over current Assumed Liabilities shall be \$7,750,000 and Inventory or net Accounts Receivable be \$7,450,000 by virtue of a breach of representation, warranty, covenant or any other matter under or related to this Agreement, a like result shall follow. The Deductible Amount shall only be applied if the claim is for less than \$100,000 only until a maximum of \$100,000 is

Section 11.3. Authorization; Mail. Seller agrees that Purchaser shall have the right and authority to collect for the account of Purchaser all receivables and items which shall be transferred to Purchaser as provided herein, and to receive in the name of Seller or the Division any checks received on account of any receivables or other items. Seller agrees that it will transfer and deliver to Purchaser any cash or other property that Seller may receive in respect of any such receivables or other items. Seller hereby authorizes and empowers Purchaser from the Closing Date (i) to receive and open mail addressed to Seller or the Division and to deal with the contents thereof in any manner Purchaser sees fit, and (ii) to receive and open such mail and the contents thereof relate to the Acquired Assets or other-division's business conducted by Seller prior to the Closing Date or to any liabilities and obligations assumed by Purchaser hereunder. Seller agrees to deliver to Purchaser any mail, checks or other documents received by it pertaining to

business conducted prior to the Closing Date, the Acquired Assets or any
rights and obligations assumed by Purchaser hereunder. Purchaser agrees to
accept any mail which it receives to which it is not entitled by reason of this
Agreement and to which Seller is entitled.

Section 11.4. Expenses. Whether or not the transactions contemplated
by this Agreement shall be consummated and except as otherwise expressly provided
in this Agreement, each of the parties hereto shall pay the fees and expenses of its
attorneys and other experts and all other expenses incurred by it in con-
nection with the preparation for, entering into and consummation of the transactions
contemplated by this Agreement and all other matters incident thereto and, with
the exception of such fees and expenses shall be charged to or reimbursed by,
Purchaser shall be responsible for the payment of, and pay at the
close of escrow account pursuant to an escrow agreement with terms mutually
agreed to by Seller and Purchaser, all sales, transfer, use and recording taxes imposed
by federal authorities with respect to the sale, conveyance, transfer,
and delivery of the Acquired Assets to Purchaser.

Section 11.5. Notices. All notices, requests, demands and other commu-
nications required or permitted to be given under this Agreement shall be in
writing and shall be deemed to have been duly given upon the delivery or mailing
of such communication, in the case of delivery, if delivered personally or sent by registered or certified
mail, return receipt requested, postage prepaid, as follows:

(1) if to Seller to:

IPCO Corporation
1025 Westchester Avenue
White Plains, New York 10604

Attn: Mr. Robert Savin, Chairman

with a copy (which shall not constitute notice)
to:

IPCO Corporation
1025 Westchester Avenue
White Plains, New York 10604

Attn: Office of General Counsel

- and -

Parker Chapin Flattau & Klimpl
1211 Avenue of the Americas
New York, New York 10036

Attn: Herbert Rosedale, Esq.

(b) if to Purchaser:

Whitestone Products, Inc.
40 Turner Place
Piscataway, New Jersey 08854

Attn: President

with a copy (which shall not constitute notice)
to:

RLG Investments Inc.-U.S.A.
5433 Westheimer, Suite 900
Houston, Texas 77056

Attn: M. A. Bohsali, President

(c) if to Guarantor:

RLG Investments Inc.-U.S.A.
5433 Westheimer, Suite 900
Houston, Texas 77056

Attn: M. A. Bohsali, President

person or address as any party hereto shall have specified by notice in writing to the other parties hereto.

Section 11.6. Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes any and all prior agreements and understandings with respect to the subject matter hereof. No representation, promise or statement of fact has been made by any party hereto which is not embodied in this Agreement or in the statements, certificates, exhibits or other documents delivered pursuant to this Agreement in connection with the transactions contemplated hereby, and no party shall be bound by or liable for any alleged representation, promise or statement of fact set forth herein or therein.

Section 11.7. Amendment; Waiver. Except as otherwise expressly provided herein, this Agreement may be amended, modified, superseded or cancelled, and any representations, warranties, covenants or conditions hereto may be waived by a written instrument executed by the parties hereto or, in the case of a waiver by one party hereto waiving compliance.

Section 11.8. Parties in Interest. All of the terms, representations, warranties, covenants and conditions contained in this Agreement shall be binding upon, and shall be for the benefit of and be enforceable by, the parties hereto and their successors and assigns, except that this Agreement is not assignable without the consent of the parties hereto.

Section 11.9. Governing Law. This Agreement shall be governed by and shall be enforced in accordance with the laws of the State of New York.

Section 11.10. Captions. The article and section headings contained in this Agreement are for reference purposes only and shall not in any way affect the interpretation of this Agreement.

Section 11.11. Severability. The invalidity or unenforceability of any provision hereof shall not affect the validity or enforceability of any other provision contained herein.

Section 11.12. Further Assurances. After the Closing Date, without further consideration, Seller and Purchaser shall execute and deliver such further instruments and documents as either party shall reasonably request to consummate the transactions contemplated by the Agreement and to perfect Purchaser's title to the Required Assets.

Section 11.13. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original instrument and all of which together shall constitute a single agreement.

Section 11.14. Delivery of Schedules and Documents. The schedules and documents referred to herein have, except as to those specifically not deliverable and after the date hereof, been delivered.

Section 11.15. Actions of Purchaser and Guarantor. Purchaser and Guarantor acknowledge that (i) to their knowledge, they have been provided with full access to all of the books and records, personnel and data relating to the Division, (ii) they are experienced and knowledgeable in the business conducted by the Division and (iii) as a result of their inquiry and inspection they have not, as at the Closing Date, discovered any misrepresentations, omissions or inaccuracies in the information furnished or made available by Seller or by a representative of Seller. Purchaser and Guarantor further acknowledge that as at the Closing Date they have no knowledge or

...ion with respect to any breach of a representation, warranty or covenant
...on behalf of Seller.

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

IPCO CORPORATION

By: Robert S. Savin
Robert S. Savin, Chairman
and Chief Executive Officer

WHITESTONE PRODUCTS, INC.

By: John V. Christman
John V. Christman, President

RLG INVESTMENTS, INC. - USA,
Guarantor

By: M.A. Bohsali
M.A. Bohsali, President

SCHEDULE 4.9 - Intangible Rights

TRADEMARKS

<u>Trademark</u>	<u>Req. No</u>	<u>Date</u>
DABS	661,376	5/6/58
DISPOSEZE	787,586	3/30/65
AMBEZE	1,143,082	12/16/80
PRETTY BABY*	1,276,088	5/1/84
ULTRA SHIELD**	1,294,094	9/11/84
MAXISHIELD	1,344,153	6/25/85
WONCE	1,393,992	5/20/86
WP	1,504,533	9/20/88
WHITESTONE PRODUCTS	1,491,892	6/14/88
ROMPERS	1,260,908	12/13/83
EXCELGUARD	1,299,398	10/9/84
EXCELSORB		
UNREGISTERED		

*PRETTY BABY also subject to foreign trademark application
Reg. No. 315,570 in Taiwan.

**ULTRA SHIELD is also subject to U.S. trademark application
No.73/754,609 and Canadian trademark application No.627,993.

PATENTS

U.S. Patent No. 4,778,458
Inventor - David E. Gronostajski
Date - 10/18/88
Invention - Disposable sanitary absorbent incontinent pad
having a covered layer fastened with impervious
adhesive at waist and leg areas.

U.S. Patent No. 4,547,243
Inventor - David L. Brody
Date - 10/15/85
Invention - Method and apparatus for continuously attaching
elastic strands to disposable absorbent products.

U.S. Patent No. 3,885,566
Inventor - E.J. Jacobs
Date - 5/27/75
Invention - Disposable diaper with integral adhesive
reinforcing areas.

TRADEMARK