

03-05-2001



COVER SHEET ONLY

U.S. DEPARTMENT OF COMMERCE Patent and Trademark Office

2.21.01

To the Honorable 101626172

to record the attached original documents or copy thereof.

i. Name of conveying party(ies):

Nat-Rul Health Products, Inc.

- Individual(s), Association, General Partnership, Limited Partnership, Corporation - New York, Other

Additional name(s) of conveying party(ies) attached? Yes No

3. Nature of conveyance:

- Assignment, Merger, Security Agreement, Change of Name, Other

Execution Date: April 23, 1999

ii. Name and address of receiving party(ies):

Name: Nat-Rul Health Inc. 80 Red Schoolhouse Road Chestnut Ridge Business Park Suite 110 Chestnut Ridge, New York 10977

- Individual(s) citizenship, Association, General Partnership, Limited Partnership, Corporation - Delaware, Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No

(Designations must be a separate document from Assignment) Additional name(s) & address(es) attached? Yes No

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

A. Trademark Applications

B. Trademark Registrations

SEE ATTACHED SCHEDULE A

1854429

Additional numbers attached? Yes No

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

Name: Darby & Darby P.C. Street Address: 805 Third Avenue, 27th Floor City: New York State: New York Zip: 10022-7513

6. Total number of applications and registrations involved:

5

7. Total fee (37 CFR 3.41): \$140.00

- Enclosed, Authorized to be charged to deposit account

File No. 5945/87863

EXPRESS MAIL CERTIFICATE Date 2/21/01 Label No. 2706721376US

I hereby certify that, on the date indicated above, this paper or fee was deposited with the U.S. Postal Service & that it was addressed for delivery to the Assistant Commissioner for Patents, Washington, DC 20231 by "Express Mail Post Office to Addressee" service.

8. Deposit account number:

04-0100

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

Signature of D B Peck

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.

Randi S. Miller Name of Person Signing

Signature of Randi S. Miller

February 21, 2001 Date

03/02/2001 00000051 1854430

Total number of pages including cover sheet, attachments, and document:

22

Mail documents to be recorded with required cover sheet information to: Commissioner of Patents & Trademarks, Box Assignments Washington, D.C. 20231

SCHEDULE A**NAT-RUL HEALTH PRODUCTS, INC.
TRADEMARK REGISTRATIONS**

<u>MARK</u>	<u>REGISTRATION NO.</u>	<u>REGISTERED</u>
LIFEMATE	1,854,439	09/20/94
MAXIMUM MEMORY	1,297,254	09/18/84
MAXIMUM VIRILITY	1,311,695	12/25/84
MAXIPHANE	1,196,629	06/01/82
NAT-RUL HEALTH and Design	1,177,780	11/17/81

ASSET PURCHASE AGREEMENT

AMONG

NAT-RUL HEALTH INC.,

NAT-RUL HEALTH PRODUCTS, INC.,

SAUL COHEN

AND

HOWARD L. FRIEDMAN

DATED AS OF APRIL 23, 1999

TABLE OF CONTENTS

1. DEFINITIONS 1

2. BASIC TRANSACTIONS 7

 (a) Purchase and Sale of Assets 7

 (b) Assumptions and Liabilities 8

 (c) Purchase Price 8

 (d) The Closing 8

 (e) Deliveries at the Closing 8

 (f) Allocation 9

 (g) Closing Working Capital 9

3. REPRESENTATIONS AND WARRANTIES OF THE SELLER AND THE
 SELLER STOCKHOLDERS 11

 (a) Organization of the Seller 11

 (b) Authorization of the Transaction 11

 (c) Noncontravention 11

 (d) Seller Stockholder Shares 12

 (e) Brokers' Fees 12

 (f) Title to Assets 12

 (g) Subsidiaries 13

 (h) Financial Statements 13

 (i) Events Subsequent to Most Recent Fiscal Year End 14

 (j) Undisclosed Liabilities 16

 (k) Legal Compliance 16

 (l) Tax Matters 17

 (m) Real Property 17

 (n) Intellectual Property 17

 (o) Acquired Assets 20

 (p) Inventory 20

 (q) Contracts 20

 (r) Powers of Attorney 21

 (s) Insurance 21

 (t) Litigation 22

 (u) Product Liability 22

 (v) Employees 22

 (w) Employee Benefits 23

 (x) Environmental, Health and Safety Matters 23

 (y) Customers, Suppliers, etc. 25

 (z) Certain Business Relationships with the Seller 25

 (aa) Disclosure 25

4. REPRESENTATIONS AND WARRANTIES OF THE BUYER 26

 (a) Organization of the Seller 26

(b) Authorization of the Transaction.....	26
(c) Noncontravention	26
(d) Brokers' Fees.....	26
5. PRE-CLOSING COVENANTS	26
(a) General.....	27
(b) Notices and Consents.....	27
(c) Operation of Business	27
(d) Preservation of Business	27
(e) Full Access.....	28
(f) Notice of Developments	28
(g) Exclusivity	28
6. CONDITIONS TO OBLIGATION TO CLOSE	29
(a) Conditions to Obligation of the Buyer.....	29
(b) Conditions to Obligation of the Seller	31
7. TERMINATION	32
(a) Termination of the Agreement.....	32
(b) Effect of Termination.....	32
(c) Fees and Expenses	33
8. POST-CLOSING COVENANTS	33
(a) General.....	33
(b) Litigation Support.....	34
(c) Transition	34
(d) Confidentiality	34
(e) Covenant Not to Compete.....	35
(f) Non-solicitation.....	35
(g) Transfer Taxes	36
(h) Bulk Transfer Laws.....	36
(i) Record Retention and Access	36
(j) Offer of Employment.....	37
9. REMEDIES FOR BREACHES OF THIS AGREEMENT.....	37
(a) Survival of Representations and Warranties.....	37
(b) Indemnification Provisions for the Benefit of the Buyer.....	37
(c) Indemnification Provisions for the Benefit of the Seller Stockholders	38
(d) Matters Involving Third Parties.....	38
(e) Determination of Adverse Consequences	39
(f) Adjustment to Indemnities.....	39
(g) Other Indemnification Provisions	40
(h) Set-Off.....	40

10. MISCELLANEOUS	40
(a) Press Releases and Public Announcements	40
(b) No Third-Party Beneficiaries	40
(c) Entire Agreement	40
(d) Succession and Assignment	41
(e) Counterparts	41
(f) Headings	41
(g) Notices	41
(h) Governing Law	42
(i) Amendments and Waivers	42
(j) Severability	43
(k) Expenses	43
(l) Construction	43
(m) Incorporation of Exhibits and Schedules	43
(n) Specific Performance	43
(o) Submission to Jurisdiction	44
(p) Waiver of Jury Trial	44

Exhibit A – Buyer Note

Exhibit B – Allocation Schedule

Exhibit C – Financial Statements

Exhibit D – Lease

Exhibit E – Form of Employment Agreement of Daniel O’Brien

Exhibit F – Form of Employment of Mary Garone

Disclosure Schedule – Exceptions to Representations and Warranties

This ASSET PURCHASE AGREEMENT, dated as of April 23, 1999, among NAT-RUL HEALTH INC., a Delaware corporation (the "*Buyer*"), NAT-RUL HEALTH PRODUCTS, INC., a New York corporation (the "*Seller*"), and the stockholders of the Seller listed on the signature pages hereto (the "*Seller Stockholders*").

WITNESSETH:

WHEREAS, this Agreement contemplates a transaction in which the Buyer will purchase all of the assets (and assume certain of the liabilities) of the Seller;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the parties agree as follows:

1. *Definitions.*

"*Acquired Assets*" means all right, title, and interest in and to all of the assets of the Seller, including all of its (a) tangible personal property (such as machinery, equipment, inventories of raw materials and supplies, manufactured and purchased parts, goods in process and finished goods, furniture, trucks, tractors, trailers, tools, jigs and dies), (b) Intellectual Property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions, (c) leases, subleases and rights thereunder, (d) agreements, contracts, indentures, mortgages, instruments, liens, guaranties, other similar arrangements, other than insurance policies and rights thereunder, (e) accounts receivable, notes receivable and other receivables, (f) securities, (g) claims, credits, deferred charges, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off and rights of recoupment (excluding any such item relating to Taxes, insurance or any matter set forth in clause (d) above and the Holland and Medicap Lawsuits), (h) franchises, approvals, permits, licenses, orders, registrations, certificates, variances and similar rights obtained from governments and governmental agencies, (i) books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports and other printed or written materials and (j) Cash; provided, however, that the Acquired Assets shall not include (i) the corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates and other documents relating to the organization, maintenance and existence of the Seller as a corporation. (ii) any of the rights of the Seller under this Agreement (or under any side agreement between the Seller on the one

“*Financial Statements*” has the meaning set forth in Section 3(h)(i) below.

“*GAAP*” means United States generally accepted accounting principles as in effect from time to time.

“*Holland and Medicap Lawsuits*” means, collectively, (i) Robert Holland d/b/a Holland Business Services, Inc. v. Nat-Rul Health Products, Inc. (N.Y. Sup. Ct., Rockland County, Index No. 6863/97) and (ii) Nat-Rul Health Products, Inc. v. Medicap Pharmacies, Inc. (Iowa Dist. Ct., Polk County, Law No. CL COC 73017).

“*Howsaul Properties*” means Howsaul Properties, Inc., a New York corporation.

“*Indemnified Party*” has the meaning set forth in Section 9(d)(i) below.

“*Indemnifying Party*” has the meaning set forth in Section 9(d)(i) below.

“*Intellectual Property*” means (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, (b) all trademarks, service marks, trade dress, logos, trade names, design marks, brands, brand names and corporate names, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith, and all applications for registration on the Principal Register in the United States Patent and Trademark Office (but not applications on an intent to use basis), applications for foreign registrations, registrations and renewals in connection therewith, (c) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, innovations, rights of privacy or publicity, compositions, manufacturing and production processes and techniques, technical data, reports, models, designs, drawings, specifications, research and development data, customer and supplier lists and information, pricing and cost information and business and marketing plans and proposals), (d) all computer software (including data and related documentation), (e) all other proprietary rights and (f) all copies and tangible embodiments of the foregoing (in whatever form or medium, any licenses for use of any of the foregoing and other intellectual property and proprietary rights whether or not subject to statutory registration or protection).

“*Knowledge of the Seller*” means actual knowledge after reasonable investigation of either of the Seller Stockholders.

“*Lease*” has the meaning set forth in Section 6(a)(ix) below.

“*Liability*” means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due), including any Liability for Taxes.

“*Purchase Price*” has the meaning set forth in Section 2(c) below.

“*Securities Exchange Act*” means the Securities Exchange Act of 1934.

“*Seller*” has the meaning set forth in the preamble above.

“*Seller’s Account*” has the meaning set forth in Section 2(c)(i) below.

“*Seller Shares*” has the meaning set forth in Section 3(d) below.

“*Seller Stockholder*” has the meaning set forth in the preamble above.

“*Subsidiary*” of any Person means any corporation, partnership, joint venture, limited liability company or trust of which (or in which) more than 50% of (a) the issued and outstanding voting stock of such corporation, (b) the interest in capital or profits of such partnership, limited liability company or joint venture or (c) the beneficial interest in such trust is at the time, directly or indirectly, owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person’s other Subsidiaries.

“*Tax*” means any federal, state or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax, assessment, duty or similar charge of any kind whatsoever, including any interest, penalty or addition thereto.

“*Tax Return*” means any return, declaration, report, claim for refund, or information return or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof, that is required to be filed with a taxing authority.

“*Third Party Claim*” has the meaning set forth in Section 9(d)(i) below.

“*Transferred Employees*” has the meaning set forth in Section 8(k) below.

“*Working Capital Certificate*” has the meaning set forth in Section 2(g)(i) below.

2. *Purchase and Sale of Assets.*

(a) *Purchase and Sale of Assets.* On and subject to the terms and conditions of this Agreement, the Buyer agrees to purchase from the Seller, and the Seller agrees to sell, transfer, convey and deliver to the Buyer, all of the Acquired Assets at the Closing for the consideration specified below in Section 2(c).

(b) *Assumption of Liabilities.* On and subject to the terms and conditions of this Agreement, the Buyer agrees to assume and become responsible for all of the Assumed Liabilities at the Closing. The Buyer will not assume or have any responsibility, however, with respect to any Excluded Liability or any other obligation or Liability of the Seller not specifically included within the definition of Assumed Liabilities.

(c) *Purchase Price.*

Subject to adjustment as set forth in Section 2(g), the purchase price (the "*Purchase Price*") for the Acquired Assets shall be \$1,400,000 (assuming Closing Working Capital of \$665,000) which shall be payable by the Buyer as follows:

(i) \$25,000 (the "*Deposit*") shall be payable upon the execution of this Agreement by wire transfer or bank cashier's check, in any case, of immediately available funds to a bank account specified in writing by the Seller to the Buyer no less than two business days prior to the Closing (the "*Seller's Account*");

(ii) \$1,258,500 shall be payable upon the Closing by wire transfer of immediately available funds to the Seller's Account;

(iii) the Escrow Amount, if any, shall be payable at the time specified in Section 2(g)(iii) by wire transfer of immediately available funds to the Seller's Account; by way of illustration only, the Escrow Amount shall be \$66,500 if Closing Working Capital is \$665,000; and

(iv) a promissory note, substantially in the form of Exhibit A hereto, bearing a principal amount of \$50,000 (the "*Buyer Note*") shall be delivered by the Buyer to the Seller upon the Closing.

(d) *The Closing.* The closing of the transactions contemplated by this Agreement (the "*Closing*") shall take place at the offices of Brock Silverstein LLC, 153 East 53rd Street, 56th Floor, New York, New York 10022, commencing at 10:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the parties to consummate the transactions contemplated hereby (other than conditions with respect to actions the respective parties will take at the Closing itself) or such other date as the parties may mutually determine (the "*Closing Date*").

(e) *Deliveries at the Closing.* At the Closing, (i) the Seller will deliver to the Buyer the various certificates, instruments, and documents referred to in Section 6(a) below; (ii) the Buyer will deliver to the Seller the various certificates, instruments, and documents referred to in Section 6(b) below; (iii) the Seller will execute, acknowledge (if appropriate) and deliver to the Buyer assignments (including Intellectual Property

transfer documents) and such other instruments of sale, transfer, conveyance, and assignment as the Buyer and its counsel reasonably may request; (iv) the Buyer will execute, acknowledge (if appropriate) and deliver to the Seller an assumption and such other instruments of assumption as the Seller and its counsel reasonably may request and (v) the Buyer will deliver to the Seller the consideration specified in Section 2(c)(ii) and Section 2(c)(iv) above.

(f) *Allocation.* The parties agree to allocate the Purchase Price (and all other capitalizable costs) among the Acquired Assets for all purposes (including financial accounting and tax purposes) in accordance with the allocation schedule attached hereto as Exhibit B. Any adjustment to the Purchase Price shall be allocated as provided by Temp. Treas. Reg. §1.1060-1T(f). Each of the parties agree to be bound by such allocation for all purposes, including for purposes of all Federal, state, local and foreign Tax Returns filed by it subsequent to the Closing Date, the determination by the Seller of taxable gain or loss on the sale of the Acquired Assets and the determination by the Buyer of its tax basis in the Acquired Assets.

(g) *Closing Working Capital.*

(i) As soon as possible, but in any event not later than 90 days following the Closing Date, the Buyer shall prepare and deliver to the Seller a certificate containing a computation of Closing Working Capital and setting forth each of the accounts and other items forming the basis of such computation (the "*Working Capital Certificate*"). In connection with the computation of Closing Working Capital, (A) the Buyer shall conduct a physical inventory, at its expense, on or around the Closing Date with the assistance of the Seller and the Seller Stockholders, (B) the reserves with respect to accounts and notes receivable to be used in calculating Closing Working Capital shall be 15% or such lesser amount as mutually agreed in writing by the Buyer and the Seller and (C) inventory shall be valued at original cost to the Seller; provided, however, that no value shall be assigned to any inventory (I) that has an expiry or used by date on its label that is less than 180 days after the Closing Date; (II) that is damaged; (III) if the same or similar type of inventory has not been sold by the Seller during the six full calendar months immediately preceding the Closing Date; and (IV) if based upon the average monthly sales of the same or similar type of inventory during the 12 full calendar months immediately preceding the Closing Date, such inventory would not be sold, based on such average monthly sales, prior to a date that is 180 days prior to the expiry or used by date on its label, but only to the extent that the original cost of all such inventory exceeded \$10,000.

(ii) Unless the Seller, within 90 days after receipt of the Working Capital Certificate, has notified the Buyer in writing that the Seller objects to the Buyer's computation of Closing Working Capital, specifying with reasonable particularity the items giving rise to such objection (an "*Objection*"), or on such earlier date as the Buyer and the Seller may mutually agree, the Buyer's computation of Closing Working Capital shall be binding upon the parties hereto.

If the Seller delivers to the Buyer an Objection within such 90-day period, the Seller and the Buyer shall negotiate in good faith and use all reasonable efforts to reach an agreement on such disputed items and computation. If the Seller and the Buyer are unable to reach such agreement within 90 days after receipt by the Buyer of the Objection, the Seller and the Buyer shall select a mutually acceptable accounting firm (the "*Accounting Referee*") and cause it to determine the Closing Working Capital by resolving disputed items and computations within 30 days of the expiration of the 90-day period referred to in the immediately preceding sentence. Such determination shall be binding upon all of the parties hereto. The fees and expenses of any Accounting Referee shall be borne equally by the Buyer on the one hand and jointly and severally by the Seller Stockholders on the other hand.

(iii) (A) If Closing Working Capital is less than \$598,500, then, within five business days of the final determination of Closing Working Capital in accordance with Section 2(g)(ii) above, the Seller shall pay to the Buyer by wire transfer of immediately available funds to a bank account specified in writing by the Buyer to the Seller (the "*Buyer's Account*") an amount equal to the excess of \$598,500 over Closing Working Capital.

(B) If Closing Working Capital is greater than \$598,500, then, within five business days of the final determination of Closing Working Capital in accordance with Section 2(g)(ii) above, the Buyer shall pay to the Seller by wire transfer of immediately available funds to the Seller's Account an amount equal to the excess of Closing Working Capital over \$598,500 (any such amount being referred to herein as the "*Escrow Amount*").

(iv) The Seller shall pay to the Buyer an amount equal to any refund (or to any credit against payments otherwise due) of any security deposit or similar prepayment constituting an Acquired Asset which is refunded to the Seller by any lessee or other third party or which is not otherwise credited to the Buyer by such lessee or other third party. The Seller shall remain liable for all of the costs relating to all group medical, dental or death benefits for claims incurred, related to or arising from events occurring on or prior to 11:59 p.m. on the date prior to the Closing or death or disability occurring on or prior to 11:59 p.m. on the date prior to the Closing, whether reported by the Closing Date or thereafter and, notwithstanding anything to the contrary contained herein, such costs and claims shall not constitute Assumed Liabilities; the Buyer shall be liable for all of the costs of employee compensation for Transferred Employees on account of service on behalf of the Buyer on or after the Closing Date, provided, however, that, except to the extent the Buyer assumes any Employee Benefit Plan in writing after the date hereof, the Buyer shall not be liable for any other costs or expenses for Transferred Employees or any other employees or dependents of the Seller.

(v) Any amounts paid to the Buyer or the Seller pursuant to this Section 2(g) shall constitute an adjustment to the Purchase Price.

3. *Representations and Warranties of the Seller and the Seller Stockholders.* The Seller and each Seller Stockholder jointly and severally represents and warrants to the Buyer that the statements contained in this Section 3 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3), except as set forth in the Disclosure Schedule.

(a) *Organization of the Seller.* The Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Seller has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Seller is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is necessary because of the property owned, leased or operated by it or because of the nature of its business as now being conducted.

(b) *Authorization of Transaction.* (i) This Agreement has been duly executed and delivered by each of the Seller and the Seller Stockholders. The Seller has full corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. Without limiting the generality of the foregoing, the Seller has duly authorized the execution, delivery and performance of this Agreement by the Seller. Each Seller Stockholder has legal capacity to execute and deliver this Agreement and to perform his obligations hereunder as provided by this Agreement. This Agreement constitutes the valid and legally binding obligations of each of the Seller and the Seller Stockholders, enforceable against each of the Seller and the Seller Stockholders in accordance with its terms and conditions.

(ii) The Lease has been duly executed and delivered by Howsaul Properties. Howsaul Properties has full corporate power and authority to execute and deliver the Lease, to perform its obligations thereunder and to consummate the transactions contemplated thereby. Without limiting the generality of the foregoing, the board of directors of Howsaul Properties has duly authorized the execution, delivery and performance of the Lease by Howsaul Properties. The Lease constitutes the valid and legally binding obligation of Howsaul Properties, enforceable against Howsaul Properties in accordance with its terms and conditions.

(c) *Noncontravention.* (i) None of the execution and the delivery of this Agreement, the performance by the Seller or either of the Seller Stockholders of their respective obligations hereunder or the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above) will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree,

ruling, charge or other restriction of any government, governmental agency or court to which the Seller is subject or any provision of the charter or bylaws of the Seller or (ii) conflict with, result in a breach of, constitute a default under (with or without notice or lapse of time or both), result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel or require any notice under any Agreement to which the Seller or either of the Seller Stockholders is a party or by which it or he is bound or to which any of its or his assets is subject (or result in the imposition of any Lien upon any of its or his assets), which conflict, breach, default or acceleration could have a Material Adverse Effect. No notice to, filing with, or authorization, consent or approval of any government or governmental agency is required to be obtained or made in order for the Seller or either Seller Stockholder to execute, deliver and perform this Agreement or to consummate the transactions contemplated by this Agreement (including the assignments and assumptions referred to in Section 2 above) or, to the Knowledge of the Seller, for the Buyer to own and operate the Acquired Assets as owned and operated by the Seller on the date hereof (other than as required by some characteristic of the Buyer).

(ii) None of the execution and delivery of the Lease, the performance by Howsaul Properties of its obligations thereunder or the consummation of the transactions contemplated thereby will (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge or other restriction of any government, government agency or court to which Howsaul Properties is subject or any provision of the charter or by-laws of Howsaul Properties or (B) conflict with, result in a breach of, constitute a default under (with or without notice or lapse of time or both), result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel or require any notice under any Agreement to which Howsaul Properties is a party or by which it or he is bound or to which any of its or his assets is subject (or result in the imposition of any Lien upon any of its or his assets), which conflict, breach, default or acceleration could have a material adverse effect on Howsaul Properties. No notice to, filing with, or authorization, consent or approval of any government or governmental agency is required to be obtained or made in order for Howsaul Properties to execute, deliver and perform the Lease or to consummate the transactions contemplated by the Lease.

(d) *Seller Stockholder Shares.* Each Seller Stockholder holds of record the number and type of shares of capital stock of the Seller (the "*Seller Shares*") set forth next to his name on Section 3(d) of the Disclosure Schedule. The Seller Shares listed on Section 3(d) of the Disclosure Schedule constitute all of the issued and outstanding capital stock of the Seller.

(e) *Brokers' Fees.* None of the Seller Stockholders or the Seller has any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Buyer could become liable or obligated.

(f) *Title to Assets.*

(i) The Seller has good and marketable title to, or a valid leasehold interest in, all material properties and assets used by it, located on its premises, or shown on the Most Recent Balance sheet or acquired after the date thereof, including all Acquired Assets, free and clear of all Liens, except for properties and assets disposed of in the Ordinary Course of Business since the date of the Most Recent Balance Sheet. Without limiting the generality of the foregoing, the Seller has good and marketable title to all of the Acquired Assets, free and clear of any Lien or restriction on transfer. Upon consummation of the transactions contemplated hereby, the Buyer will have acquired good and marketable title in and to, or a valid leasehold interest in, each of the Acquired Assets free and clear of all Liens (other than any Lien imposed as a result of any Agreement to which the Buyer is a party or by operation of law as a result of any action taken by the Buyer or any failure by the Buyer to take any action).

(ii) All personal property leases constituting Acquired Assets are in full force and effect, and the Seller holds good and valid title to the leasehold interest under each of such leases for the term set forth on Section 3(f) of the Disclosure Schedule free and clear of all Liens. The Seller has delivered to the Buyer complete and accurate copies of each of the leases described in Section 3(f), and none of such leases have been modified in any respect, except to the extent that such modifications are disclosed in the copies delivered to the Buyer. The Seller is not in default in any respect under any of such leases.

(iii) All leased personal property constituting Acquired Assets is in all material respects in the condition required of such property by the terms of such lease, except for ordinary wear and tear.

(g) *Subsidiaries.* The Seller has no Subsidiaries and does not directly or indirectly hold, or have the right or obligation to acquire, any capital stock, partnership interest or joint venture interest or other equity participation in any Person.

(h) *Financial Statements.*

(i) Attached hereto as Exhibit C are the following financial statements (collectively the "*Financial Statements*"): (A) unaudited balance sheets and statements of income, changes in stockholders' equity and cash flow as of and for the fiscal years ended December 31, 1996, December 31, 1997 and December 31, 1998 (the "*Most Recent Fiscal Year End*") for the Seller; and (B) an unaudited balance sheet and statement of income (the "*Most Recent Financial Statements*") as of and for the two months ended February 28, 1999 (the "*Most Recent Fiscal Month End*") for the Seller. The Financial Statements (including the notes thereto) present fairly in all material respects the financial condition of the Seller as of such dates and the results of operations of the Seller for such periods, are correct and complete, and are consistent with the books and records of the Seller (which books and records are correct and complete and have been

21 USC §301 et seq., including the Dietary Supplement Health and Education Act of 1994, and the regulations issued or proposed to be issued thereunder to the extent applicable to such business, except for such noncompliance which would not, individually or in the aggregate, have a Material Adverse Effect.

(l) *Tax Matters.*

(i) Taxes owed by the Seller with respect to taxable periods of the Seller (i) ending on or before the Closing Date and (ii) beginning before the Closing Date and ending after the Closing Date to the extent required to be paid to any taxing authority prior to the Closing Date have been paid. The Seller currently is not the beneficiary of any extension of time within which to file any Tax Return. No written claim has ever been made by an authority in a jurisdiction where the Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of the Seller that arose in connection with any failure (or alleged failure) to pay any Tax.

(ii) There is no dispute or claim concerning any Tax Liability of the Seller either (A) claimed or raised by any authority in writing or (B) as to which either of the Seller Stockholders has knowledge. The Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(m) *Real Property.*

(i) The Seller does not own, nor has previously owned, any real property or interests, other than leasehold, in real property.

(ii) Section 3(m)(ii) of the Disclosure Schedule lists and describes briefly all real property leased or subleased to the Seller. The Seller has delivered to the Buyer correct and complete copies of the leases and subleases listed in Section 3(m)(ii) of the Disclosure Schedule (as amended to date).

(n) *Intellectual Property.*

(i) The Seller owns or has the right to use pursuant to license, sublicense, agreement or permission all Intellectual Property necessary for the operation of the businesses of the Seller as presently conducted. Each item of Intellectual Property owned or used by the Seller immediately prior to the Closing hereunder will be owned or available for use by the Buyer on identical terms and conditions immediately subsequent to the Closing. The Seller has taken all necessary action to maintain and protect each item of Intellectual Property that it owns or uses.

(ii) Other than with respect to assets that are not Acquired Assets, the Seller has not interfered with, infringed upon, misappropriated or otherwise

come into conflict with any Intellectual Property rights of third parties, and none of the Seller Stockholders and the directors and officers (and employees with responsibility for Intellectual Property matters) of the Seller has ever received any charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or violation (including any claim that the Seller must license or refrain from using any Intellectual Property rights of any third party). To the knowledge of the Seller, no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property rights of the Seller.

(iii) Section 3(n)(iii) of the Disclosure Schedule identifies each license, agreement or other permission which the Seller has granted to any third party with respect to any of its Intellectual Property (together with any exceptions). The Seller has delivered to the Buyer correct and complete copies of all such licenses, agreements and permissions (as amended to date) and has made available to the Buyer correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each such item. Section 3(n)(iii) of the Disclosure Schedule also identifies each trade name or trademark (registered or unregistered) used by the Seller in connection with any of its businesses. With respect to each item of Intellectual Property required to be identified in Section 3(n)(iii) of the Disclosure Schedule:

(A) the Seller possess all right, title, and interest in and to the item, free and clear of any Lien, license or other restriction;

(B) the item is not subject to any outstanding injunction, judgment, order, decree, ruling or charge;

(C) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or, to the Knowledge of the Seller, is threatened which challenges the legality, validity, enforceability, use or ownership of the item; and

(D) the Seller has not agreed to indemnify any Person for or against any interference, infringement, misappropriation or other conflict with respect to the item.

(iv) Section 3(n)(iv) of the Disclosure Schedule identifies each item of Intellectual Property that any third party owns and that the Seller uses pursuant to license, sublicense, agreement or permission. The Seller has delivered to the Buyer correct and complete copies of all such licenses, sublicenses, agreements and permissions (as amended to date). With respect to each item of Intellectual Property required to be identified in Section 3(n)(iv) of the Disclosure Schedule:

(A) the license, sublicense, agreement or permission covering the item is legal, valid, binding, enforceable and in full force and effect;

(B) to the Knowledge of the Seller, the license, sublicense, agreement or permission will continue to be legal, valid, binding, enforceable and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above);

(C) the Seller is not in breach or default of the license, sublicense, agreement or permission, and to the Knowledge of the Seller, no other party to any such license, sublicense, agreement or permission is in breach or default, and no event has occurred which with notice or lapse of time or both would constitute a breach or default or permit termination, modification or acceleration thereunder;

(D) no party to the license, sublicense, agreement or permission has repudiated any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) to the Knowledge of the Seller, the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling or charge;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or, to the Knowledge of the Seller, is threatened which challenges the legality, validity or enforceability of the underlying item of Intellectual Property; and

(H) the Seller has not granted any sublicense or similar right with respect to the license, sublicense, agreement or permission.

(v) The Seller will not interfere with, infringe upon, misappropriate or otherwise come into conflict with, any Intellectual Property rights of third parties as a result of the continued operation of its businesses as presently conducted.

(vi) All Intellectual Property that currently exists in written form owned or filed by, licensed to, or used by, the Seller in the conduct of the Seller's business as presently conducted and as proposed to be conducted is identified on either Section 3(n)(iii) or Section 3(n)(iv) of the Disclosure Schedule.

(vii) The Seller does not rely on data processing by any third party.

(viii) The Seller does not own or have any rights with respect to any patents, patent applications, patent disclosures, copyrightable works, copyrights or mask works and no such intangible asset is used in the continued operation of the business of the Seller as presently conducted or as presently proposed to be conducted.

(ix) The Seller makes no representation or warranty with respect to Year 2000 compatibility of its software.

(o) *Acquired Assets.* The Acquired Assets include all machinery, equipment and other assets, tangible and intangible, used or held for use in the business of the Seller as presently conducted and as presently proposed to be conducted other than the oral lease of real property between Howsaul Properties and the Seller. Each such tangible asset is free from defects (patent and latent), has been maintained in accordance with normal industry practice, is in good operating condition (subject to normal wear and tear), and is suitable for the purposes for which it presently is used.

(p) *Inventory.* The inventory of the Seller consists solely of manufactured goods, all of which is merchantable in the ordinary course, and none of which is obsolete, damaged or defective, subject only to the reserve for inventory writedown set forth on the face of the Most Recent Balance Sheet (rather than in any notes thereto) as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Seller.

(q) *Contracts.* Section 3(q) of the Disclosure Schedule lists the following Agreements to which the Seller is a party:

(i) any Agreement (or group of related Agreements) that involves consideration in excess of \$10,000 per annum;

(ii) any Agreement concerning a partnership or joint venture;

(iii) any Agreement (or group of related Agreements) under which the Seller has granted a Lien on any of its assets, tangible or intangible;

(iv) any Agreement concerning confidentiality or noncompetition;

(v) any collective bargaining agreement;

(vi) any Agreement for or relating to the sale or distribution of dietary supplements, vitamins, herbals, minerals, nutrients and other products of the Seller, including such Agreements directly or indirectly with pharmacies, co-ops and other retail or distribution businesses;

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

NAT-RUL HEALTH PRODUCTS, INC.

By: _____
Name:
Title:

NAT-RUL HEALTH INC.

By: Cyril Siewert
Name: Cyril Siewert
Title: Chief Executive Officer

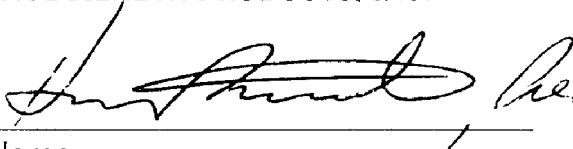
SELLER STOCKHOLDERS:

SAUL COHEN

HOWARD L. FRIEDMAN

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

NAT-RUL HEALTH PRODUCTS, INC.

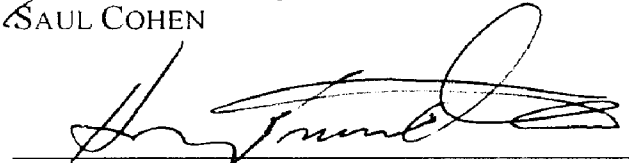
By: 
Name:
Title:

NAT-RUL HEALTH INC.

By: _____
Name: Cyrill Siewert
Title: Chief Executive Officer

SELLER STOCKHOLDERS:


SAUL COHEN


HOWARD L. FRIEDMAN

Section 3(n)(iii) Intellectual Property

The following is a list of trademarks owned by the Seller:

1. **NAT-RUL HEALTH AND DESIGN.** Registered with the US Patent and Trademark Office on November 17, 1981. Registration Number: 1,177,780.
2. **MAXIMUM MEMORY.** Registered with the US Patent and Trademark Office on September 18, 1984. Registration Number: 1,297,254.
3. **LIFEMATE.** Registered with the US Patent and Trademark Office on September 20, 1984. Registration Number: 1,854,439.
4. **MAXIMUM VIRILITY.** Registered with the US Patent and Trademark Office on December 25, 1984. Registration Number: 1,311,695.
5. **MAXIPHANE.** Registered with the US Patent and Trademark Office on January 1, 1982. Registration Number: 1,196,629.

The following is a list of formulas used by the Seller. The Seller does not enjoy any proprietary rights in such formulas.

1. Sureguard Multi Vitamin and Mineral
2. Sureguard Antioxidant
3. Burst of Energy
4. Natrul-Vites
5. Tranquil-Val
6. Opti-Woman
7. Natrul-100
8. Super Natrul-100
9. Senior-Vites
10. Maximum Memory
11. Yummy-Vites
12. PMS Relief
13. Change of Life
14. Up-Lifter
15. Super Zinc Lozenges Plus
16. Maximum Virility
17. Hair-Vites
18. Superb Nails

Section 3(n)(iii) Intellectual Property