

10/25/01

Form PTO-1594 (Rev. 03/01) OMB No. 0651-0027 (exp. 5/31/2002) Tab settings

01-15-2002

U.S. DEPARTMENT OF COMMERCE U.S. Patent and Trademark Office



101947262

original documents or copy thereof.

To the Honorable Commissioner of F

1. Name of conveying party(ies): Capsule Net, LLC

- Individual(s) Association General Partnership Limited Partnership Corporation-State Other Limited Liability Company-GA

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

3. Nature of conveyance:

- Assignment Merger Security Agreement Change of Name Other Asset Purchase Agreement

Execution Date: March 5, 1999

2. Name and address of receiving party(ies)

Name: Managed Health Care Associates, Inc. Address: 25A Vreeland Road

Street Address: Suite 203 City: Florham Park State: NJ Zip: 07932

- Individual(s) citizenship Association General Partnership Limited Partnership Corporation-State NJ 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 Application No.(s)

B. Trademark Registration No.(s)

2,299,758

Additional number(s) attached Yes No

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

Name: Albert B. Chen, Esq.

Internal Address: Kramer Levin Naftalis & Frankel LLP

Street Address: 919 Third Avenue

City: NY State: NY Zip: 10022

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41): \$ 40.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

(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.

Albert B. Chen Reg. No. 41,667

Signature

10/25/01 Date

Name of Person Signing

Total number of pages including cover sheet, attachments, and document: 37

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

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40.00 DP

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of March 5, 1999, by and among Managed Health Care Associates, Inc., a New Jersey corporation ("MHA"), CNL Acquisition, Inc., a Delaware corporation and wholly-owned subsidiary of MHA (the "Purchaser"), James C. Haverstick ("JCH") and CapsuleNet, LLC, a Georgia limited liability company (the "Seller").

WHEREAS, the Seller, among other things, is engaged in the business of selling veterinary products to members through Seller's website (the "Business");

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Purchaser desires to purchase from the Seller and the Seller desires to sell to the Purchaser, substantially all of the assets of the Seller, as more particularly described herein, in consideration for the payments from MHA and the Purchaser as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, each intending to be legally bound, do hereby agree as follows:

1. Definitions

1.1 Defined Terms. As used herein, the following terms, whether capitalized or not, shall have the meanings set forth respectively after each such term:

Accounts Receivable: As defined in Section 2.1(d).

Affiliate: Any director or officer of the Seller and any member of the immediate family of any such director or officer and any other Person which directly or indirectly controls, is controlled by or is under common control with any member of the Seller Group.

Agreement: This Asset Purchase Agreement and all of its Exhibits and Schedules.

ANI: Auto-Net International, Inc.

Assets: As defined in Section 2.1.

Assumed Liabilities: As defined in Section 2.3.

Balance Sheets: As defined in Section 5.6.

Benefit Arrangement: Any material benefit arrangement that is not an Employee Benefit Plan, including (i) any employment or consulting agreement, (ii) any arrangement providing for insurance coverage or workers' compensation benefits, (iii) any incentive bonus or deferred bonus arrangement, (iv)

any arrangement providing termination allowance, severance or similar benefits, (v) any equity compensation plan, (vi) any deferred compensation plan and (vii) any compensation policy and practice.

Books and Records: As defined in Section 2.1(c).

Business: As defined in the prologue to the Agreement.

Business Day: Any day of the year on which banks are not required or authorized to be closed in the State of New Jersey.

Closing: As defined in Section 3.2(a).

Closing Date: As defined in Section 3.2(a).

Code: The Internal Revenue Code of 1986, as amended.

Consents: With respect to any Person, all registrations, filings and applications, notices and governmental and third party consents, permits, approvals, orders, authorities, qualifications, and waivers necessary for the consummation of the sale and purchase of the Assets contemplated by this Agreement by such Person.

Contract: With respect to any Person, any contract, agreement, mortgage, deed of trust, bond, indenture, lease, license, note, franchise, certificate, option, warrant, right, instrument or other similar document and any oral obligation, right, contract or agreement of such Person.

Damages: As defined in Section 10.2.

Dollars or "S": The legal currency of the United States of America.

Employee Benefit Plan: The meaning given such term in Section 3(3) of ERISA.

Excluded Assets: As defined in Section 2.2.

Financial Statements: As defined in Section 5.6.

GAAP: Generally accepted accounting principles, applied on a consistent basis, as in effect on the date hereof.

Governmental Authority: The federal government, any state, county, municipal, local or foreign government and any governmental agency, bureau, commission, authority or body.

Intangible Property: All Contracts, certificates of deposit, bank accounts, securities, partnership or other ownership interests, rights to receive money or property by assignment, future interests, claims and rights against third parties, accounts receivable, notes receivable, prepaid expenses, acquisition costs, patents, trademarks, trademark rights, trade names, product designations, service marks, copyrights (and applications for any of the foregoing), electronic data processing systems, information

systems, computer software programs, program specifications charts, procedures, source codes, input data, routines, data bases, report layouts, formats, record file layouts, diagrams, functional specifications narrative descriptions, flow charts and other related material and other intangible property of any nature owned, leased, licensed, used or held for use, directly or indirectly, by, on behalf of or for the account of a Person.

ICH: James C. Haverstick.

Judgment: Any judgment, writ, order, injunction, determination, award or decree of or by any court, judge, justice or magistrate, including any bankruptcy court or judge, and any order of or by an Governmental Authority.

Key Employees: James C. Haverstick and Deborah Haverstick.

Law: Any statute, ordinance, code, rule, regulation or order enacted, adopted, promulgated, applied or followed by any Governmental Authority.

Licenses and Permits: As defined in Section 2.1(a).

Lien: Any security agreement, financing statement (whether or not filed), security or other interest, conditional sale or other title retention agreement, lease, consignment or bailment given for security purposes, lien, charge, restrictive agreement, mortgage, deed of trust, indenture, pledge, option, encumbrance, limitation, restriction, adverse interest, constructive or other trust, claim, charge, attachment, exception to or defect in title or other ownership interest (including reservations, rights of entry, possibilities or reverter, encroachments, easements, rights of way, restrictive covenants and licenses) of any kind, whether direct, indirect, accrued or contingent.

Material Adverse Effect: A material adverse effect on the financial condition, Assets, liabilities, results of operations, prospects or the business of (i) with respect to the Seller or the Seller Group, the Seller and (ii) with respect to the Purchaser or MHA, the Purchaser Group, taken as a whole.

MHA: Managed Health Care Associates, Inc. a New Jersey corporation.

Person: Any individual, trustee, corporation, general or limited partnership, joint venture, joint stock company, bank, firm, Governmental Agency, trust, association, organization or unincorporated entity of any kind.

Purchase Price: As defined in Section 3.1.

Purchaser: CNL Acquisition, Inc., a Delaware corporation.

Purchaser Group: MHA and the Purchaser.

Real Property: All realty, fixtures, easements, rights-of-way and other interests (excluding Tangible Property) in real property, buildings, improvements and construction-in-progress owned directly or indirectly, by or on behalf of a Person.

Seller: CapsuleNet, LLC, a Georgia limited liability company

Seller Group: JCH and the Seller.

Subsidiary: With respect to any Person, any corporation, association or other business entity of which more than 50% of the issued and outstanding stock or equivalent thereof having ordinary voting power is owned or controlled by such Person, by one or more Subsidiaries or by such Person and one or more Subsidiaries.

Survival Period: As defined in Section 10.1.

System: As defined in Section 5.14.

Tangible Property: All furnishings, machinery, equipment, computer systems and software, supplies, inventories, vehicles, books and records and other tangible personal property and facilities of any nature owned, leased, used or held for use, directly or indirectly, by or on behalf of a Person.

Tangible Property Lease: As defined in Section 5.12.

Tax Liability: As defined in Section 10.1.

Taxes: As defined in Section 5.8.

Taxpayers: As defined in Section 5.8.

Tax Returns: As defined in Section 5.8.

Year 2000 Compliant: Systems which at all times: (i) consistently and accurately handle and process date and time information and data values before, during and after January 1, 2000, including but not limited to accepting date input, providing date output, and performing calculations on or utilizing dates or portions of dates; (ii) function accurately and in accordance with its specifications without interruption, abnormal endings, degradation, change in operation or other impact, or disruption of other Systems, result in from processing date or time data with values, before, during and after January 1, 2000; (iii) respond to and process two-digit input in a way that resolves any ambiguity as to century; and (iv) store and provide output of the date information in ways that are unambiguous as to century.

1.2 Use of Defined Terms. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class. The use of any gender shall be applicable to all genders.

1.3 Miscellaneous Terms. The term "or" shall not be exclusive. The terms "herein," "hereof," "hereto," "hereunder" and other terms similar to such terms shall refer to this Agreement as a whole and not merely to the specific article, section, paragraph or clause where such terms may appear. The term "including" shall mean "including, but not limited to."

2. Acquisition and Transfer of Assets.

2.1 Acquisition and Transfer of Assets. Upon the terms and subject to the conditions hereinafter set forth, the Seller shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser shall purchase, acquire and accept from the Seller, free and clear of all liens, claims, charges and encumbrances (subject to only those liens for liabilities which the Purchaser specifically agrees in writing to assume), all of the Seller's right, title and interest in and to all of the assets, properties, rights, contracts and claims used or held for use in or related to the Business (except as otherwise set forth in Section 2.2 hereof), of every kind, character and description, wherever located, whether tangible or intangible, whether real, personal or mixed, whether accrued, contingent or otherwise as the same shall exist as of the Closing (such rights, title and interest in and to all such assets, properties, rights, contracts and claims, being collectively referred to herein as, the "Assets"). The Assets shall include all of the Seller's rights, title and interest in and to the assets, properties, rights, contracts and claims described in the following paragraphs (a) through (j) used or held for use in or related to the Business:

(a) Licenses and Permits. All right, title and interest of the Seller in and to the licenses, permits, approvals, franchises, registrations, accreditations or authorizations (to the extent permitted by applicable law to be transferred) (collectively, "Licenses and Permits");

(b) Intangible Property. All Intangible Property, wherever located, of the Seller related to the Business (including but not limited to the name "CapsuleNet") and all registrations and applications for registration of any of the foregoing, including but not limited to those which are specified on Schedule 2.1(b);

(c) Books and Records. All books, accounting, financial and other related records and documents, correspondence, manuals, production records, employment records, standard operating procedures, customer lists, supplier lists and any other confidential or proprietary information pertaining to the Business (collectively, the "Books and Records"). The Seller shall be entitled to retain copies of its Books and Records for tax purposes;

(d) Accounts Receivable. All accounts receivable, notes receivable and other receivables (whether short-term or long-term) from third parties and all deposits with third parties, if any, together with any unpaid interest accrued thereon and other amounts due with respect thereto from the respective obligors and any security or collateral therefor, including recoverable deposits (collectively, the "Accounts Receivable");

(e) Tangible Property. All Tangible Property, wherever located, of the Seller related to the Business, including but not limited to the Tangible Property set forth in Schedule 2.1(e) hereto;

(f) Contracts. All rights and interests of the Seller in, to and under all contracts (including all membership agreements with subscribers and all other leases and other contracts listed on Schedule 2.1(f) hereto), subject to the requisite approvals of the parties hereto;

(g) Securities. All rights and interests of the Seller in securities;

(h) Claims. Claims, prepayments, refunds, causes of action, cases in action and rights of offset or recoupment; and

(i) Goodwill. All goodwill relating to any of the Assets.

2.2 Excluded Assets. Notwithstanding anything to the contrary contained in this Agreement, the Seller and the Purchaser expressly understand and agree that the Seller are not hereunder selling, assigning, transferring, conveying or delivering to the Purchaser the following assets, properties, rights, contracts and claims (collectively, the "Excluded Assets");

(a) all cash, whether on hand, in banks or elsewhere, of the Seller;

(b) the Veterinary Information Network, Inc. contract; and

(c) copies of the Seller's tax records consisting of the Seller's tax returns, general ledgers and supporting documents.

2.3 Liabilities. Effective as of the Closing, the Purchaser shall not assume and become responsible for any debts, claims, liabilities and obligations of the Seller, other than trade payables received after Closing relating to liabilities incurred by the Seller in the ordinary course of business, excluding those liabilities related to the Excluded Assets (the "Assumed Liabilities"). Notwithstanding anything to the contrary in this Agreement, except as expressly set forth in this Agreement, the Purchaser shall not assume or become responsible for (w) any liabilities for amounts due under any contracts, leases or agreements rejected, breached, terminated or constructively terminated as a result of the Closing or the sale of the Assets, (x) any pending, threatened or future lawsuits which relate to actions completed prior to the Closing Date, (y) any liabilities for taxes of the Seller which relate to periods prior to the Closing Date or which arise as a result of the Closing or the transactions contemplated hereunder, or (z) any Taxes of JCH for all periods.

3. Purchase.

3.1 Purchase Price

(a) The aggregate purchase price for the Assets (the "Purchase Price") shall be equal to an amount equal to \$60,000 which shall be paid to the Seller at Closing.

(b) Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets being sold hereunder in the manner required by Treasury Regulations §1.1060-1T as reasonably determined by the Purchaser Group.

3.2 The Closing.

(a) Subject to the terms and conditions of this Agreement, the sale and the purchase of the Assets contemplated hereby shall take place at a closing (the "Closing") at the offices of MHA at 10:00 a.m., local time, on the date which is three (3) Business Days after the satisfaction or waiver of all other conditions to consummation of the sale and purchase of the Assets contemplated hereby or at such

other time and place as the Seller and the Purchaser Group shall mutually agree upon (the day on which the Closing takes place shall be referred to herein as the "Closing Date").

(b) At the Closing, JCH shall deliver to the Purchaser Group the certificates required by Section 8.1 and Section 8.3 hereof.

(c) At the Closing, the Seller shall deliver to the Purchaser Group the following:

(1) executed and acknowledged (if appropriate) assignments, Intangible Property assignments and/or bills of sale, dated the Closing Date, transferring to the Purchaser all of the Assets free and clear of all Liens, each reasonably satisfactory in form and substance to the Purchaser Group.

(2) the certificates required by Section 8.2 and Section 8.4 hereof;

(3) the legal opinion required by Section 8.8 hereof;

(4) resolutions duly adopted by the sole member of the Seller authorizing the transactions which are the subject of this Agreement;

(5) certificates issued by appropriate governmental authorities evidencing, as of a recent date, the good standing and tax status of the Seller in the State of Georgia;

(6) a copy of the Certificate of Organization and all amendments thereto of each of the Seller, certified by the sole member of the Seller;

(7) certificates of the Secretary of the Seller to the effect that there have been no amendments to the charter documents referred to in Section 3.2(c)(6) hereof since the date of the certification referred to in such subsection;

(8) copy of the Operating Agreement, including all amendments thereto, of the Seller, certified by the sole member of the Seller;

(9) all books and records relating to the business of the Seller; and

(10) evidence of cancellation of the Veterinary Information Network, Inc. agreement.

(d) At the Closing, the Purchaser Group shall deliver to the Seller the following:

(1) cash in the amount of \$60,000;

(2) the certificates required by Section 9.1 and Section 9.2 hereof; and

(3) resolutions adopted by the Board of Directors of MHA and the Purchaser authorizing the transactions contemplated hereby, certified by the Secretaries of MHA and the Purchaser, respectively.

(c) Each of the parties hereto shall deliver all other documents and instruments required to be delivered by either of them at or prior to the Closing Date pursuant to this Agreement or as otherwise required herein.

4. Representations and Warranties of JCH.

JCH hereby represents and warrants to the Purchaser Group as follows:

4.1 Authority. JCH has all requisite right, power and authority and full legal capacity to enter into this Agreement and to carry out his or her obligations hereunder. No proceedings on the part of JCH are necessary to authorize this Agreement or the transactions contemplated hereby. This Agreement has been duly and validly executed by JCH and, assuming due authorization, execution and delivery by each of the other parties hereto, this Agreement constitutes a legal, valid and binding obligation of JCH, enforceable against JCH in accordance with its terms.

4.2 Ownership of Persons. There are no Persons in which JCH or any Affiliate of JCH owns, or has the right to acquire, any direct or indirect equity interest.

5. Representations and Warranties of the Seller Group.

The members of the Seller Group, jointly and severally, hereby represent and warrant to the Purchaser Group as follows:

5.1 Organization, Standing, Power and Qualification. The Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Georgia, and has all necessary corporate power and authority to carry on its business as now conducted, to enter into this Agreement, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The Seller was organized in 1998. The Seller is not required to qualify as a foreign limited liability company to do business in any jurisdiction. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Seller and all necessary action on the part of the stockholders of the Seller. This Agreement has been duly executed and delivered by the Seller, and assuming due authorization, execution and delivery by each of the other parties hereto, this Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms.

5.2 Capital Structure of the Seller. All of the issued and outstanding equity interests of the Seller are owned by JCH, free and clear of all Liens. All of the issued and outstanding equity of the Seller is duly authorized, validly issued, fully paid and nonassessable, were not issued in violation of any preemptive, subscription or other rights of any Person to acquire securities of the Seller and constitute in the aggregate all of the issued and outstanding equity of all classes of the Seller. There are no voting trusts or other Contracts, arrangements or understandings applicable to the exercise of voting or any other

Contract rights with respect to any equity of the Seller. There are no outstanding rights, warrants, options, subscriptions, agreements or commitments giving anyone any right to require the Seller to sell or issue any equity of the Seller.

5.3 Subsidiaries. The Seller has no Subsidiaries. There are no Persons in which the Seller owns, or has the right to acquire, any direct or indirect equity interest.

5.4 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions described herein will not, result in or constitute (a) a default, breach or violation of the organizational documents of the Seller or any Contract to which any member of the Seller Group is a party or by which any of their respective Assets are bound; (b) an event which (with notice or lapse of time or both) would permit any Person to terminate, accelerate the performance required by, or accelerate the maturity of any indebtedness or obligation of any member of the Seller Group under any Contract to which any member of the Seller Group is a party or by which any of their respective Assets are bound; (c) the creation or imposition of any Lien on any property of any member of the Seller Group, under any Contract to which any member of the Seller Group is a party or by which any of their respective Assets are bound; or (d) a violation of any Law or Judgment of any court or other Governmental Authority or any other restriction of any kind or character by which any member of the Seller Group or any of their respective Assets are bound.

5.5 Title to Assets; Consents.

(a) The Seller owns and has good and valid title to or, in the case of leased properties, a valid leasehold interest in, all of the Assets, including all of such Assets reflected on the Balance Sheet, except Assets disposed of in the ordinary course of business or consistent with past practice after December 31, 1998. The Seller holds title to its Assets free and clear of all Liens. The Assets comprise substantially all of the assets used or held for use by the Seller in conducting the Business.

(b) The execution and delivery of this Agreement by the Seller do not, and the performance of this Agreement by the Seller will not, require any Consent.

5.6 Financial Statements. The Seller has delivered to MHA a complete and correct copy of the unaudited financial statements of the Seller for the two (2) years ended December 31, 1998 (the "Financial Statements"), including the balance sheets for the two (2) years ended December 31, 1998 (the "Balance Sheets"), and the related statements of income, stockholders' equity and cash flows for the two (2) years ended December 31, 1998. The Financial Statements were each prepared in accordance with the books and records of the Seller and fairly present the financial position, assets and liabilities of the Seller for the two (2) years ended December 31, 1998 and the results of its operations and changes in its financial position, for the periods covered, reflecting all necessary accruals, all in conformity with GAAP.

5.7 Absence of Undisclosed Liabilities. Since December 31, 1998, the Seller does not have any indebtedness, liability or obligation of any nature, whether absolute, accrued, contingent or otherwise, related to or arising from the operation of its business or other ownership, possession or use of its Assets through the Closing, except for indebtedness, liabilities or obligations incurred in the ordinary course of its business consistent with past practice, which indebtedness, liabilities or obligations is not

reasonably likely to have a Material Adverse Effect on the Seller. Since December 31, 1998, no event has occurred which has had or is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on the Seller.

5.8 Taxes.

(a) For purposes of this Agreement, the terms "Tax" and "Taxes" shall mean any and all taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, premium, unrelated business income, sales, use, ad valorem, value added, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, property or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest and any penalties (including penalties for failure to file in accordance with applicable information reporting requirements), and additions to tax by any authority, whether federal, state, or local or domestic or foreign. The term "Tax Return" shall mean any report, return, form, declaration or other document or information required to be supplied to any authority in connection with Taxes.

(b) Each member of the Seller Group (collectively, the "Taxpayers") has filed all Tax Returns that were required to be filed. All such Tax Returns were when filed, and continue to be, correct and complete in all respects. All Taxes owed by the Taxpayers (whether or not shown on any Tax Return) have been timely paid. Neither of the Taxpayers currently is the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where either of the Taxpayers does not file Tax Returns that it is or may be subject to taxation by that jurisdiction that have not been satisfactorily resolved. There are no liens with respect to Taxes on any of the assets or property of either of the Taxpayers, except for liens with respect to Taxes not yet payable.

(c) Each of the Taxpayers has withheld or collected and paid all Taxes required to have been withheld or collected and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder, an other third party, or otherwise.

(d) There is no dispute or claim concerning any Tax Liability of either of the Taxpayers either (A) claimed or raised by any authority in writing or (B) as to which either of the Taxpayers or the directors and officers (and employees responsible for Tax matters) of either of the Taxpayers has knowledge. There are no proceedings with respect to Taxes pending.

(e) Schedule 5.8(e) annexed hereto sets forth an accurate, correct and complete list of all federal, state, local, and foreign Tax Returns filed with respect to the Taxpayers for taxable periods ended on or after December 31, 1995, indicates those Tax Returns that have been audited and indicates those Tax Returns that currently are the subject of audit. The Seller has delivered to the Purchaser Group correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by or on behalf of either of the Taxpayers since January 1, 1996. To the knowledge of the Taxpayers, no other audit or investigation with respect to Taxes has been threatened.

(f) Neither of the Taxpayers have waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(g) None of the assets of either of the Taxpayers are assets that are required to be treated as being owned by another person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately before the enactment of the Tax Reform Act of 1986, or is "tax-exempt use property" within the meaning of Section 168(h)(1) of the Code.

(h) Neither of the Taxpayers has agreed to make, nor is it required to make, any adjustments under Section 481(a) of the Code by reason of a change in accounting method or otherwise.

(i) Neither of the Taxpayers is a party to any contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code, or the payment of any consideration which would not be deductible by reason of Section 162(m) of the Code.

(j) Neither of the Taxpayers is a foreign person within the meaning of Code Section 1445.

(k) Neither of the Taxpayers is a party to any agreement with any other Taxpayer or person, whether written or unwritten, providing for the payment of Tax liabilities, payment for Tax losses, entitlements to refunds or similar Tax matters.

(l) No ruling with respect to Taxes relating to either of the Taxpayers has been requested by or on behalf of the Taxpayers.

(m) The Seller is and has been since its inception a limited liability company treated as a partnership for Federal and applicable stated income Tax purposes.

(n) The unpaid Taxes of the Taxpayers (A) did not, as of the most recent fiscal month end, exceed the reserves for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) on their respective books at such time and (B) do not exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Taxpayers in filing their Tax Returns.

(o) For purposes of this Section 5.9, references to the Taxpayers shall also refer to any predecessor companies.

5.9 Insurance. The Seller maintains no fire, liability, product liability, workers compensation, vehicular, unemployment and other insurance, self insurance programs and fidelity bonds. The failure to have any such insurance, self insurance programs and fidelity bonds is not reasonably likely to have a Material Adverse Effect on the Seller.

5.10 Material Contracts. Schedule 2.1(f) sets forth an accurate and complete list of the following Contracts to which the Seller is a party or bound, by which any of its Assets are subject or bound or pursuant to which the Seller is a beneficiary, other than Contracts comprising any of the Excluded Assets:

(a) Tangible Property Leases and Intangible Property;

- (b) Any Contract concerning non-competition or confidentiality;
- (c) Any joint venture, partnership, cooperative arrangement or any other Contract involving a sharing of profits;
- (d) Any power of attorney, proxy or similar instrument;
- (e) The Certificate of Organization (as amended or restated), By-laws (as amended or restated) and other organizational and constitutive documents of the Seller;
- (f) Any other Contract related to the business of the Seller (other than those excluded by an express exception from the descriptions set forth in subsections (a) through (e) above) which (i) provides for payment or performance by any party thereto having an aggregate value of \$5,000 or more, (ii) provides for a period of performance which extends beyond twelve (12) months from the date hereof, or (iii) is between an Affiliate and any member of the Seller Group; and
- (g) Any proposed arrangement or Contract which the Seller reasonably believes to be near consummation and of a type that if entered into would be a Contract described in subsections (a) through (f) above.

Accurate and complete copies of each Contract described in this Section 5.10 have been made available by the Seller to the Purchaser Group. Each Contract described in this Section 5.10 is in full force and effect. Each party to a Contract described in this Section 5.10 has complied with all material commitments and obligations on its part to be performed or observed thereunder. No event has occurred which is or, after the giving of notice of passage of time or both, would constitute a default under or a breach of any Contract described in this Section 5.10 by any member of the Seller Group. No member of the Seller Group has received any notice of a default, offset or counterclaim under any Contract described in this Section 5.10.

5.11 Real Property. The Company does not own or lease any Real Property.

5.12 Tangible Property.

(a) Annexed hereto as Schedule 2.1(e) is an accurate and complete list of Tangible Property owned by the Seller. Except as set forth on Schedule 2.1(e) annexed hereto, the Seller has good and clear title to all of the Tangible Property owned by the Seller, free and clear of all Liens. All Tangible Property in use by the Seller is in good operating condition and repair (reasonable wear and tear excepted), is suitable for the purposes for which it is presently being used and is adequate to meet all present and reasonably anticipated future requirements of the business of the Seller, as currently conducted or as proposed to be conducted. The Seller has been in peaceable possession of the Tangible Property covered by each Tangible Property lease or sublease (each, a "Tangible Property Lease") since the commencement of the term thereof.

(b) Each of the Tangible Property Leases is in full force and effect. The Seller has complied with all commitments and obligations on its part to be performed or observed under each of the Tangible Property Leases. To the best knowledge of the Seller, each party to each of the Tangible

Property Leases other than the Seller has complied with all commitments and obligations on its part to be performed or observed thereunder. The Seller has not received any notice of a default, offset or counterclaim under any of the Tangible Property Leases, and no event or condition has happened or presently exists which constitutes a default or, after notice or lapse of time or both, would constitute a default under any of the Tangible Property Leases. There is no Lien upon any leasehold interest of the Seller under any of the Tangible Property Leases.

5.13 Intangible Property.

(a) Schedule 2.1(b) annexed hereto sets forth an accurate and complete list of all Intangible Property used in the business of the Seller, as presently conducted or as proposed to be conducted. The Seller has not been known by or done business under any name other than as listed in Schedule 2.1(b).

(b) The Seller owns, is licensed or otherwise has the right to use all Intangible Property used in the business of the Seller, as presently conducted or as proposed to be conducted.

(c) The use of the Intangible Property by the Seller does not infringe upon or otherwise violate the rights of any third party in or to such Intangible Property, and no claim has been asserted with respect thereto. The Seller is not aware of any claim which can be asserted by any Person against any the Seller with respect to the use of any item of Intangible Property challenging or questioning the validity or effectiveness of such use of any such item. No employee of the Seller has a right to receive a royalty or similar payment, or has any other monetary rights, in respect of any item of Intangible Property of the Seller Group. The Seller has taken reasonable measures to protect the proprietary nature of each item of Intangible Property, and to maintain the confidentiality of all confidential information, that they own or use.

(d) The Seller is not and will not be liable for any claims for damage from any third party as a result of such third party's software, computers, network equipment, technical infrastructure, production equipment and other equipment and systems (collectively, a "System") failing to be Year 2000 Compliant. The Seller's software, computers, network equipment, technical infrastructure, production equipment and other equipment and systems are Year 2000 Compliant.

(e) The source code to any software provided by the Seller to any third party is fully narrated with logic diagrams and flow charts and is human readable and can be translated by a computer or assembler for execution. No software provided by the Seller to any third party contains or will contain any (i) worms, i.e., a program that travels from one computer to another computer but does not attach itself to the operating system of the computer it infects, (ii) viruses, i.e., a program that travels from one computer to another computer that attaches itself to the operating system it enters and can infect any other computer that uses files from the infected computer or (iii) self-destruct capabilities.

5.14 Employee Matters. The Company does not have, and has never had, any Employee Benefit Plans or Benefit Arrangements. Other than the Key Employees, there are no employees of the Seller as of the date hereof. Neither of the Key Employees is a party to any employment agreements.

5.15 **Accounts Receivable; Rebates or Other Amounts Payable.** All Accounts Receivable of the Seller reflected on the Balance Sheets and all Accounts Receivable of the Seller arising subsequent to the date thereof and prior to the Closing (i) have arisen in the ordinary course of business, (ii) are not subject to any defenses, offsets or counterclaims, except for reserves reflected in the Financial Statements (which reserves are adequate), (iii) constitute valid, undisputed claims of the Seller in the amounts reflected therein and (iv) are collectible in the ordinary course of business consistent with past practice.

5.16 **Compliance With Laws.** The Seller and its business and Assets comply in all material respects with all Laws applicable to the Seller and its business and Assets. There are no Licenses and Permits required by the Seller to own and conduct its business, as currently conducted or as proposed to be conducted, and the Seller has no Licenses and Permits.

5.17 **Legal Proceedings.** Except as disclosed to the Purchaser Group in writing, no member of the Seller Group is engaged in or a party to or threatened with any action, suit, proceeding, complaint, charge, investigation or arbitration or other method of settling disputes or disagreements, and there is not any reasonable basis for any such action against any member of the Seller Group or any of their Assets. The Seller has not received notice of any investigation threatened or contemplated by any Governmental Authority. No member of the Seller Group or any of their Assets are subject to any Judgment or other agreement which, among other things, restricts the ability of the Seller from operating its business, as it is currently conducted, which is reasonably likely to have a Material Adverse Effect on the Seller or which restricts the ability of any member of the Seller Group from consummating the transactions contemplated by this Agreement. There is no action, suit, proceeding, complaint, charge, investigation or arbitration or other method of settling disputes or disagreements by or before any Governmental Authority which questions the validity of this Agreement or any action taken or to be taken by any member of the Seller Group in connection with the transactions contemplated hereby.

5.18 **Absence of Certain Practices.** No member of the Seller Group or any director, officer, agent, employee or other Person acting on behalf of any member of the Seller Group has given or agreed to give any gift or similar benefit of more than nominal value to any customer, supplier or governmental employee or official or any other Person who is or may be in a position to help or hinder the Seller in connection with any proposed transaction involving the Seller. No member of the Seller Group or any director, officer, agent, employee or other Person acting on behalf of any member of the Seller Group has (i) used any corporate or other funds for unlawful contributions, payments, gifts, or entertainment, or made any unlawful expenditures relating to political activity to, or on behalf of, government officials or others; (ii) accepted or received any unlawful contributions, payments, gifts or expenditures or (iii) has had any transaction or payment which was not recorded in its accounting books and records or disclosed on its financial statements.

5.19 **Interested Persons.** None of the Seller, any officer, director or employee of the Seller, or any affiliate, spouse, child, or other relative of any of the foregoing persons or entities, has any interest in, directly or indirectly, nor any contractual relationship with, any customer or supplier (including ANI) of the Seller, or with the Seller (other than in such person's capacity as an officer, director, or employee or stockholder of the Seller).

5.20 **No Brokers.** No member of the Seller Group has entered into any Contract, arrangement or understanding with any Person which may result in the obligation of any party hereto to pay any

finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the transactions contemplated hereby.

5.21 Books and Records. The books of account and other financial records of the Seller are accurate and complete in all material respects. The minute books of the Seller contain accurate and complete records of the organizational documents (as amended or restated) and of all meetings, and accurately reflect all other material corporate action of the members and managers of the Seller.

5.22 Disclosure. No representation, warranty or statement made by any member of the Seller Group in this Agreement or the Exhibits and Schedules annexed hereto contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact required to be stated herein or therein or necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

6. Representations and Warranties of the Purchaser Group.

The Purchaser Group, jointly and severally, hereby represent and warrant to the members of the Seller Group as follows:

6.1 Organization, Standing, Power and Qualification. MHA and the Purchaser are corporations duly organized, validly existing and in good standing under the laws of the State of New Jersey and Delaware, respectively, and have all necessary power and authority to carry on their business as now conducted, to enter into this Agreement, to carry out their obligations hereunder and thereunder and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by MHA and the Purchaser (where applicable), and assuming due authorization, execution and delivery by the members of the Seller Group of this Agreement, this Agreement constitutes a legal, valid and binding obligation of MHA and the Purchaser enforceable against MHA and the Purchaser in accordance with its terms.

6.2 No Conflict. The execution and delivery of this Agreement do not, and the consummation of the transactions described herein will not, result in or constitute (a) a default, breach or violation of the Certificates of Incorporation or the By-laws of MHA and the Purchaser or any Contract to which MHA and the Purchaser are a party or by which any of their Assets are bound; and (b) a violation of any Law or Judgment of any court or other Governmental Authority or any other restriction of any kind or character by which MHA or the Purchaser or any of their Assets are bound, except, in each case, for such defaults, breaches, violations, events, Liens or restrictions as would not prevent MHA or the Purchaser from performing any of their material obligations under this Agreement.

6.3 Consents. Except for the Consent of Banque Nationale de Paris, the execution and delivery of this Agreement by MHA or the Purchaser does not, and the performance of this Agreement by MHA and the Purchaser will not, require any Consent, except where failure to obtain such Consent is not reasonably likely to prevent MHA or the Purchaser from performing any of their material obligations under this Agreement.

6.4 Disclosure. No representation, warranty or statement made by MHA or the Purchaser in this Agreement or the Exhibits and Schedules annexed hereto contains or will contain any untrue

statement of a material fact, or omits or will omit to state a material fact required to be stated herein or therein or necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

7. Other Agreements.

The parties hereto covenant and agree as follows:

7.1 Access to Information. From the date hereof, the Purchaser Group and its counsel, accountants, representatives and agents shall have full access, upon reasonable notice and during normal business hours, to the employees and the financial, legal and other representatives of the Seller with knowledge of the business of the Seller, offices, properties, books and records of the Seller and, upon reasonable notice, shall be furnished all relevant documents, records and other information concerning the business, finances and properties of the Seller that they may reasonably request.

7.2 Further Assurances. Subject to the terms and conditions hereof, the members of the Seller Group agree that after the Closing Date they will execute and deliver such documents to the Purchaser Group as the Purchaser Group may reasonably request in order to vest good title to the Assets in the Purchaser and to consummate the transactions contemplated hereby.

7.3 Notification of Certain Matters. The parties hereto each agree to give prompt notice to the other of (i) the occurrence, or failure to occur, of any event which occurrence or failure to occur is reasonably likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect, and (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

8. Conditions Precedent to the Purchaser Group's Obligations.

The obligations of the Purchaser Group are subject to the satisfaction, on or before the Closing Date, of the conditions set out below. The benefit of these conditions is for the Purchaser Group only and may be waived in writing by the Purchaser Group at any time in its sole discretion.

8.1 Accuracy of JCH's Representations and Warranties. The representations and warranties of JCH shall be true and correct as of the date when made and as of the Closing Date as though made at that time, and the Purchaser Group shall have received a certificate attesting thereto signed by JCH.

8.2 Accuracy of the Seller's Representations and Warranties. The representations and warranties of the Seller shall be true and correct as of the date when made and as of the Closing Date as though made at that time, and the Purchaser Group shall have received certificates attesting thereto signed by duly authorized officers of the Seller.

8.3 Performance by JCH. JCH shall have performed, satisfied and complied with all covenants, agreements, and conditions required by this Agreement and the Purchaser Group shall have received a certificate signed by JCH.

8.4 Performance by the Seller. The Seller shall have performed, satisfied and complied with all covenants, agreements, and conditions required by this Agreement and the Purchaser Group shall have received certificates signed by duly authorized officers of each of the Seller.

8.5 Changes in the Business. From the date of this Agreement to the Closing, there shall have occurred no event which would have a Material Adverse Effect on the Seller.

8.6 Key Employee Agreements. MHA shall have entered into new employment and non-competition agreements with each of the Key Employees, in substantially the form annexed hereto as Exhibit A, which agreements are in full force and effect as of the Closing Date.

8.7 ANI Agreement. MHA shall have entered into an agreement with ANI, in substantially the form annexed hereto as Exhibit B, which agreement is in full force and effect as of the Closing Date.

8.8 Opinion of Seller's Counsel. The Purchaser Group shall have received favorable opinion, dated the date of the Closing, of the counsel to the Seller, reasonably satisfactory in substance and form to the Purchaser Group, substantially in the form attached hereto as Exhibit C.

8.9 Absence of Litigation. No member of the Seller Group shall be engaged in or a party to or threatened with any action, suit, proceeding, complaint, charge, investigation or arbitration or other method of settling disputes or disagreements; and there shall not be any reasonable basis for any such action against any member of the Seller Group or any of their Assets except for litigation disclosed to the Purchaser Group in writing prior to the date of this Agreement. There shall not have been issued and be in effect any Judgment or order of any court or tribunal of competent jurisdiction which (i) makes the purchase by the Purchaser of the Assets illegal, or (ii) would impose limitations on the ability of the Purchaser to effectively exercise full rights of ownership of a material portion of the Assets or business of the Seller as a result of the transactions contemplated hereby.

8.10 Proceedings and Documents. All legal and corporate proceedings in connection with the transactions contemplated by this Agreement shall be in form and substance reasonably satisfactory to the Purchaser Group and its counsel, and the Purchaser Group shall have received all such counterpart originals or certified or other copies of such documents and proceeding in connection with such transactions as the Purchaser Group reasonably request, in form and substance as to certification and otherwise reasonably satisfactory to the Purchaser Group and its counsel.

9. Conditions Precedent to the Seller Group's Obligations.

The obligations of the Seller Group are subject to the satisfaction, on or before the Closing Date, of the conditions set out below. The benefit of these conditions is for the Seller Group only and may be waived by the Seller (on behalf of the Seller Group) in writing at any time in its sole discretion.

9.1 Accuracy of the Purchaser Group's Representations and Warranties. The representations and warranties of the Purchaser Group's shall be true and correct as of the date when made and as of the Closing Date, as though made at that time, and the Seller shall have received certificates attesting thereto signed by duly authorized officers of each of MHA and the Purchaser.

9.2 Performance by the Purchaser Group. The Purchaser Group shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement and the Seller shall have received certificates of duly authorized officers of each of MIIA and the Purchaser to such effect.

9.3 Consents. The Purchaser Group shall have obtained all Consents which are required for the consummation of the purchase, sale and transfer contemplated by this Agreement.

9.4 Absence of Litigation. There shall not have been issued and be in effect any Judgment or order of any court or tribunal of competent jurisdiction which makes the sale by the Seller of the Assets to the Purchaser Group illegal as a result of the transactions contemplated hereby.

9.5 Proceedings and Documents. All legal and corporate proceedings in connection with the transactions contemplated by this Agreement shall be in form and substance reasonably satisfactory to the Seller and the counsel to the Seller, and the Seller shall have received all such counterpart originals or certified or other copies of such documents and proceeding in connection with such transactions as the Seller reasonably request, in form and substance as to certification and otherwise reasonably satisfactory to the Seller and the counsel to the Seller.

10. Indemnification.

10.1 Survival of Representations, Warranties, Covenants and Agreements. Except as otherwise specifically provided for herein, the representations, warranties, covenants and agreements of the parties hereto included or provided for herein, or in other instruments or agreements delivered or to be delivered pursuant hereto, shall survive for a period ending on the second anniversary of the Closing Date; provided, however, that to the extent any breach of a representation, warranty, covenant or agreement involves any loss, damage, liability or claim in each case relating to or for Taxes ("Tax Liability"), the right to assert such claims and any indemnity obligation shall survive until the expiration of the applicable statute of limitations relating to such Tax Liability (such period as provided in this Section 10 or as otherwise specifically provided elsewhere herein being referred to as the "Survival Period"); provided further, however, that if, prior to the expiration of the Survival Period, any party hereto shall have been notified of a claim for indemnity hereunder and such claim shall not have been finally resolved before the expiration of the Survival Period, any representation, warranty, covenant or agreement that is the basis for such claim shall continue to survive and shall remain a basis for indemnity as to such claim until such claim is finally resolved; provided further, however, that the representations and warranties of JCH set forth in Section 4.1 and the representations and warranties of the Seller set forth in Sections 5.1, 5.2, 5.3 and 5.5(a) shall survive indefinitely. The respective representations and warranties contained herein shall not be deemed waived or otherwise affected by any investigation made by any party hereto or any amendment or supplement to the schedules or exhibits hereto occurring after the signing of this Agreement.

10.2 General Indemnity.

(a) The Seller Group agrees to indemnify and hold harmless the Purchaser Group against (i) any and all damage, loss, claim, expense, deficiency or cost resulting from any of the Excluded Assets or any of the liabilities of the Seller that do not constitute Assumed Liabilities; (ii) any and all damage, loss, claim, expense, deficiency or cost resulting from the breach by any member of the Seller Group of any representation or warranty made by any member of the Seller Group hereunder; (iii) any and all damage, loss, claim, expense, deficiency or cost resulting from the failure to comply in any material respect with any covenant made by any member of the Seller Group hereunder (including the covenants set forth in Section 3.1(b), Article 9, Article 11 and Section 12.2 hereof); and (iv) any and all actions, suits, proceedings, demands, assessments, Judgments, costs, costs of collection and legal and other expenses incident to any of the foregoing.

(b) The Purchaser Group agrees to indemnify and hold harmless the Seller Group against (i) any and all damage, loss, claim, expense, deficiency or cost resulting from the breach by the Purchaser Group of any representation or warranty made by the Purchaser Group hereunder, (ii) any and all damage, loss, claim, expense, deficiency or cost resulting from the failure to comply in any material respect with any covenant made by the Purchaser Group hereunder and (iii) any and all actions, suits, proceedings, demands, assessments, Judgments, costs, costs of collection and legal and other expenses incident to any of the foregoing.

10.3 Reimbursement.

(a) Subject to Section 10.4, the Seller Group agrees to reimburse the Purchaser Group on demand for any payment made by the Purchaser Group or any loss, damage, cost or expense suffered by the Purchaser Group at any time after the date hereof in respect of any matter to which the indemnity referred to in Section 10.2(a) relates.

(b) Subject to Section 10.4 hereof, the Purchaser Group agrees to reimburse the Seller Group on demand for any payment made by the Seller Group or any loss, damage, cost or expense suffered by the Seller Group at any time after the date hereof in respect of any matter to which the indemnity referred to in Section 10.2(b) relates.

10.4 Claims.

(a) In the event that at any time a claim is made by any Person not a party to this Agreement with respect to any matter to which the indemnity provided for by Section 10.2(a) relates, the Purchaser Group, on not less than twenty (20) days' notice to the Seller, may make settlement of such claim and such settlement shall be binding upon them; provided, however, that the Seller shall have the option, to be exercised by notice to the Purchaser Group within ten (10) days after such first mentioned notice shall have been given, to assume the contest and defense of such claim. If the Seller shall exercise such option, it shall have control over such contest and defense and over the payment, settlement or compromise of such claim, and the Purchaser Group agrees to cooperate fully with the Seller and its attorneys with respect to such contest and defense. If the Seller shall not exercise such option, the Purchaser Group may, but shall not be obligated to, assume the contest and defense of such claim. Any

payment or settlement resulting from such contest, together with the total expenses thereof, including but not limited to attorneys' fees, shall be binding upon the Seller Group and the Purchaser Group.

(b) In the event that at any time a claim is made by any Person not a party to this Agreement with respect to any matter to which the indemnity provided for by Section 10.2(b) relates, the Seller, on not less than twenty (20) days' notice to the Purchaser Group, may make settlement of, such claim and such settlement shall be binding upon the Purchaser Group; provided, however, that the Purchaser Group shall have the option, to be exercised by notice to the Seller within ten (10) days after such first mentioned notice shall have been given, to assume the contest and defense of such claim. If the Purchaser Group shall exercise such option, it shall have control over such contest and defense and over the payment, settlement or compromise of such claim, and the Seller agree to cooperate fully with the Purchaser Group and its attorneys with respect to such contest and defense. If the Purchaser Group shall not exercise such option, the Seller may, but shall not be obligated to, assume the contest and defense of such claim and shall have control over such contest and defense and over the payment, settlement or compromise of such claim. Any payment or settlement resulting from such contest, together with the total expenses thereof, including but not limited to attorneys' fees, shall be binding upon the Purchaser Group and the Seller Group.

11. Obligations After the Closing.

11.1 Tax Periods Ending on or Before the Closing Date. The Seller shall prepare or cause to be prepared and file or cause to be filed (at its expense) all Tax Returns for the Taxpayers for all periods ending on or prior to the Closing Date which are filed after the Closing Date. Such Tax Returns shall be prepared in a manner consistent with the Tax Returns (including amended Tax Returns) filed on or prior to the Closing Date for prior fiscal periods. The Seller shall pay, or cause to be paid, all Taxes shown as due (or required to be shown as due) on such Tax Returns.

11.2 Access to Information. Each of the Purchaser Group and the Seller will provide the others, the Purchaser Group shall cause the Taxpayers to provide the Seller and the Seller shall provide the Purchaser Group, with the right, at reasonable times and upon reasonable notice, to have access to, and to copy and use, any records or information and personnel which may be relevant in connection with the preparation of any Tax Returns, any audit or other examination by any authority, or any judicial or administrative proceedings relating to liability for Taxes. The party requesting assistance hereunder shall reimburse the other party for reasonable expenses incurred in providing such assistance. Any information obtained pursuant to this Section shall be held in strict confidence and shall be used solely in connection with the reason for which it was requested.

12. Termination.

12.1 Right to Terminate. Notwithstanding anything to the contrary set forth in this Agreement, this Agreement may be terminated and the transactions contemplated herein abandoned at any time prior to the Closing:

- (a) by mutual consent of the parties hereto;

(b) by either the Purchaser Group or the Seller if the Closing shall not have occurred by March 15, 1999; provided, however, that the right to terminate this Agreement under this Section 12.1(b) shall not be available to any party whose intentional or grossly negligent failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date;

(c) by either the Purchaser Group or the Seller if a court of competent jurisdiction shall have issued a Judgment permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and nonappealable;

(d) by the Seller if the Purchaser Group (x) breaches its representations and warranties, or (y) fails to comply with any of its covenants or agreements contained herein; or

(e) by the Purchaser Group if any member of the Seller Group (x) breaches its representations and warranties, or (y) fails to comply with any of its covenants or agreements contained herein.

12.2 Obligations to Cease. In the event that this Agreement shall be terminated pursuant to Section 12.1 hereof, all obligations of the parties hereto under this Agreement shall terminate and there shall be no liability of any party hereto to any other party except for the obligations set forth in Sections 13.1 and 13.3 hereof. Nothing herein will relieve any party from liability for any breach of this Agreement.

13. Miscellaneous.

13.1 Legal and Accounting Expenses. Except as otherwise provided in this Agreement, the Seller shall bear the legal and accounting expenses of the Seller Group in connection with the transactions contemplated by this Agreement, and the Purchaser Group shall bear its own legal and accounting expenses in connection with the transactions contemplated by this Agreement.

13.2 Transfer Taxes; Waiver of Compliance with Bulk Transfer Laws.

(a) The Seller shall bear the expense of all transfer and documentary taxes, if any, payable in respect of the transfer of the Assets to the Purchaser Group pursuant to this Agreement and any applicable use taxes and other governmental charges assessed against the Assets of the Seller Group by reason of the transfer.

(b) The Purchaser Group hereby waives compliance by the Seller with the provisions of the bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this agreement, subject to the indemnification obligations of the Seller under Section 10 hereof.

13.3 Publicity. Without the prior written consent of the Purchaser Group, no member of the Seller Group shall issue any announcement, press release, public statement or other information to the press or any third party with respect to this Agreement or the transactions contemplated hereby; provided,

~~however~~, that nothing herein shall prohibit the Seller from making any public disclosure regarding this Agreement and the transactions contemplated hereby if required under applicable Law.

13.4 Headings. Subject headings are included for convenience only and shall not affect the interpretation of any provisions of this Agreement.

13.5 Notices. Any notice, demand, request, waiver, or other communication under this Agreement shall be in writing (including telecopier or facsimile or similar writing) and shall be deemed to have been duly given on the date of service if personally served or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, registered, return receipt requested, postage prepaid and addressed or on the date sent if sent by telecopier, to the parties at the following addresses or telecopier numbers (or at such other address or telecopier number for a party as shall be specified by like notice):

If to JCH or the Seller, to:

James C. Haverstick
182 Amherst Place
Atlanta, Georgia 30327
Fax No.: (707) 234-4170

with a copy to:

Charlene M. Martin, Esq.
3975 Roswell Road, N.E.
Atlanta, Georgia 30342-4217
Fax No.: (404) 266-2143

If to the Purchaser Group, to:

Managed Health Care Associates, Inc.
25-A Vreeland Road, Suite 203
Florham Park, New Jersey 07932
Attention: President
Fax No.: (973) 966-6038

with a copy to:

Swidler Berlin Shereff Friedman, LLP
919 Third Avenue
New York, New York 10022
Attention: Charles I. Weissman, Esq.
Fax No.: (212) 758-9526

13.6 Assignment and Successors. Prior to the Closing, none of the parties hereto shall assign any rights or delegate any duties hereunder without the prior written consent of the others. At or after the Closing, the Purchaser Group may assign its rights under this Agreement to its lenders as security for its obligations.

13.7 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the successors and assigns of the parties.

13.8 Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of New Jersey without regard to principles of conflicts of law.

13.9 Entire Agreement. This Agreement, including the Exhibits and Schedules hereto, sets forth the entire understanding and agreement and supersedes any and all other understandings, negotiations or agreements among the parties hereto relating to the sale and purchase of the Assets.

13.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute a single agreement.

13.11 Severability. In the event that any one or more of the immaterial provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable the same shall not affect any other provision of this Agreement, but this Agreement shall be construed in a manner which, as nearly as possible, reflects the original intent of the parties.

13.12 No Prejudice. This Agreement has been jointly prepared by the parties hereto and the terms hereof shall not be construed in favor of or against any party on account of its participation in such preparation.

13.13 Parties in Interest. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give to any Person other than the parties hereto any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

13.14 Amendment and Modification. This Agreement may be amended or modified only by written agreement executed by all parties hereto.

13.15 Waiver. At any time prior to the Closing, each of the parties hereto may (i) extend the time for the performance of any of the obligations or other acts of any other party hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party granting such waiver but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or future failure.


[SIGNATURES ARE LOCATED ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

MANAGED HEALTH CARE ASSOCIATES, INC.

By: 
Lawrence S. Irene
Chief Executive Officer

CNL ACQUISITION, INC.

By: 
Lawrence S. Irene
President

James C. Haverstick

CAPSULENET, LLC

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

MANAGED HEALTH CARE ASSOCIATES, INC.

By: _____
Lawrence S. Irene
Chief Executive Officer


CNL ACQUISITION, INC.

By: _____
Lawrence S. Irene
President



James C. Haverstick

CAPSULENET, LLC

By: 

Name: James C. Haverstick
Title: Sole Member

Schedule 2.1(b)

Intangible Property

CAPSULENET

capsulenet.com

Schedule 2.1(e)

Tangible Property

See attached.

SCHEDULE 2.1(e) - TANGIBLE PROPERTY

Office & Computer Equipment:

Hewlett Packard Office Jet 350 Fax machine
Computer - Pentium 100
Hewlett Packard Laser Jet 5L Printer

Computer Components:

Compaq Zip Drive
Ethernet cable
Ethernet Adapter Cards

Software:

Symantec Act 4.0
Symantec WinFax Pro v. 9.0
Crystal 3D Impact Pro v. 1.25

Schedule 2.1(f)

Contracts

Letter agreement with AutoNet International, Inc.

~~Other~~

Suppliers Purchasing Agreements:

Spectrum Surgical Instruments (Attached)

Grams American Corporation (Attached)