

9/19/02

09-25-2002



Form PTO-1594

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OMB No. 0651-0027 (exp. 5/31/2002)

Tab settings

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

To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Strouds, Inc.

- Individual(s)
- Association
- General Partnership
- Limited Partnership
- Corporation-State of Delaware
- Other \_\_\_\_\_

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

3. Nature of conveyance:

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

Execution Date: 03/27/2001

2. Name and address of receiving party(ies)

Name: Strouds Acquisition Corporation

Internal

Address: \_\_\_\_\_

Street Address: 280 Machlin Court

City: City of Industry State: CA Zip: 91789

- Individual(s) citizenship \_\_\_\_\_
- Association \_\_\_\_\_
- General Partnership \_\_\_\_\_
- Limited Partnership \_\_\_\_\_
- Corporation-State of 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 Application No.(s) \_\_\_\_\_

B. Trademark Registration No.(s) See attached list

Additional number(s) attached  Yes  No

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

Name: S. Daniel Harbottle

Internal Address: \_\_\_\_\_

Street Address: Rutan & Tucker

611 Anton Blvd, Suite 1400

City: Costa Mesa State: CA Zip: 92626

6. Total number of applications and registrations involved: 8

7. Total fee (37 CFR 3.41).....\$ 215

- Enclosed
- Authorized to be charged to deposit account

8. Deposit account number: \_\_\_\_\_

DO NOT USE THIS SPACE

9. Signature.

Robert Valone, President

Name of Person Signing

Signature

9/10/02  
Date

Total number of pages including cover sheet, attachments, and document: 65

09/24/2002 6TOM11 00000213 2003415

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

01 FC:481  
02 FC:482

40.00 OP  
175.00 OP

TRADEMARK  
REEL: 002587 FRAME: 0783

Schedule of Trademarks Purchased

Mark	Registration Number	Registration Date
STROUDS THE LINEN EXPERTS	2003415	09/24/1996
STROUDS	2036339	02/11/1997
PALETTE	2186141	09/01/1998
STROUDS LINEN OUTLET	2002249	09/24/1996
ESSENTIALS	2178791	08/04/1998
STROUDS HOME COMPASS	2200220	10/27/1998
THE LINEN EXPERTS	2252827	06/15/1999
STROUDS LINEN OUTLET (design mark with oval)	2596942	07/23/2002

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**ASSET PURCHASE AGREEMENT**

**by and between**

**STROUDS, INC., DEBTOR AND  
DEBTOR-IN-POSSESSION**

**as the Seller**

**and**

**STROUDS ACQUISITION CORPORATION**

**as the Purchaser**

**Dated as of March 27, 2001**

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## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated as of March 27, 2001 (this "Agreement"), is made by and between Strouds, Inc., Debtor and Debtor-In-Possession, a Delaware corporation (the "Seller"), and Strouds Acquisition Corporation, a Delaware corporation (the "Purchaser"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Article IX, Article X or Section 5.05, as applicable.

WHEREAS, the Seller is engaged in the business of developing, marketing and selling fashion bedding and other high quality home textiles (collectively, the "Business");

WHEREAS, the Seller sought relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") by filing Case No. 00-3552 (the "Chapter 11 Case") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court");

WHEREAS, the Purchaser desires to purchase substantially all of the assets of the Seller related to the Business and assume certain liabilities from the Seller, and the Seller desires to sell, convey, assign and transfer to the Purchaser, substantially all of the assets and properties related to the Business, together with certain obligations and liabilities relating thereto, all in the manner and subject to the terms and conditions set forth herein and in accordance with Sections 363 and 365 and other applicable provisions of the Bankruptcy Code; and

WHEREAS, the Acquired Assets will be sold pursuant to an order of the Bankruptcy Court approving such sale under Section 363 of the Bankruptcy Code, and such sale will include the assumption and assignment of certain executory contracts and unexpired leases and liabilities thereunder under Section 365 of the Bankruptcy Code and the terms and conditions of this Agreement.

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

### ARTICLE I PURCHASE AND SALE OF ASSETS

#### Section 1.01. Acquired Assets.

(a) Pursuant to Sections 363 and 365 of the Bankruptcy Code and on the terms and subject to the conditions precedent set forth in Article VI of this Agreement, at the Closing the Seller shall sell, assign, transfer, convey, and deliver to the Purchaser, and the Purchaser shall purchase for the aggregate Purchase Price and accept from the Seller, all of the Seller's rights, title, and interests in, to and under all of the following assets, property, rights and claims of the Seller related to the Business, wherever located, real, personal or mixed, whether tangible or intangible, owned, held or used in the conduct of the Business by the Seller as the same shall

exist on the Closing Date, free and clear of all liens, claims, encumbrances and other interests in property (collectively, the "Acquired Assets"):

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

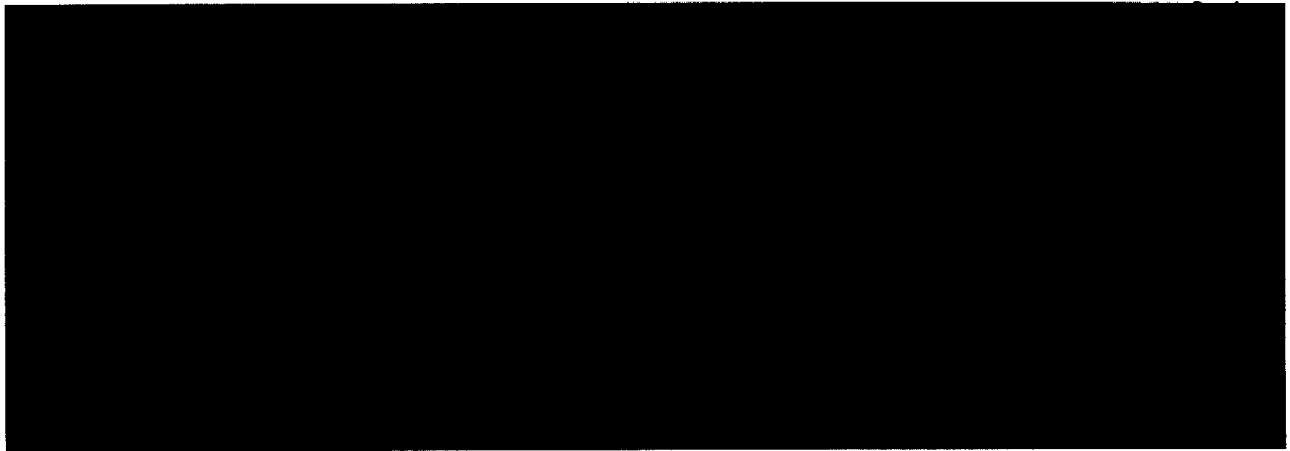
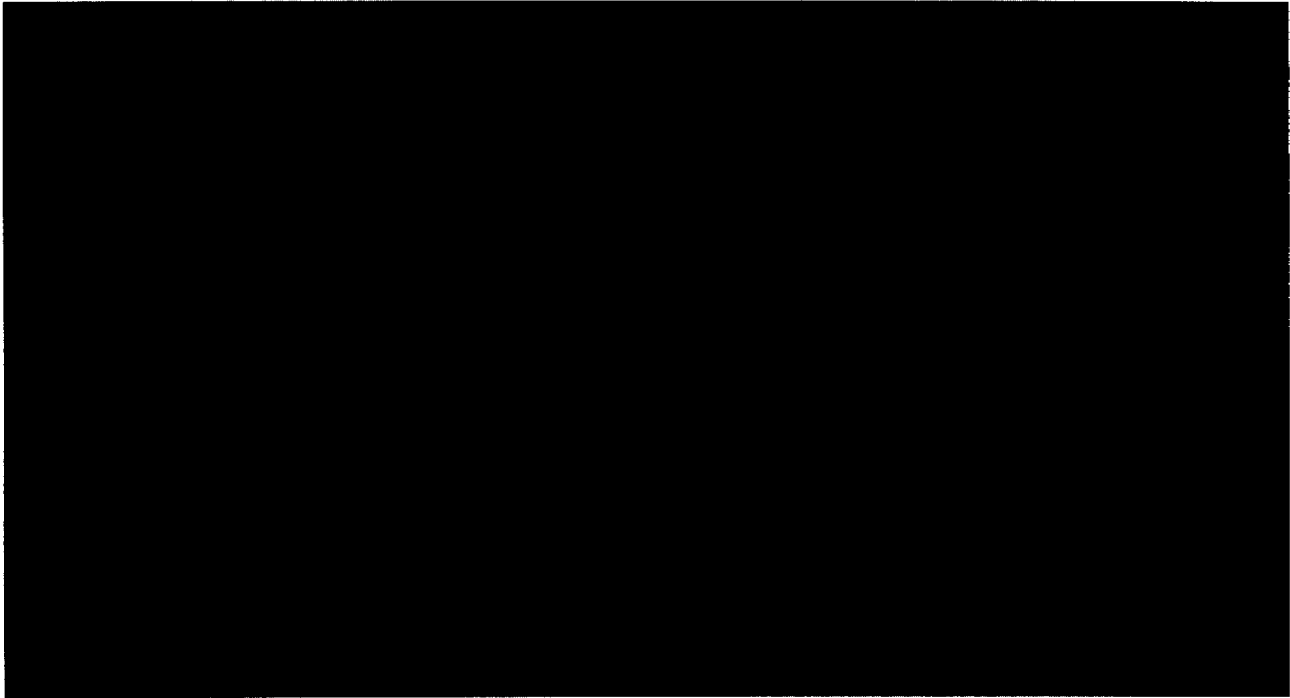
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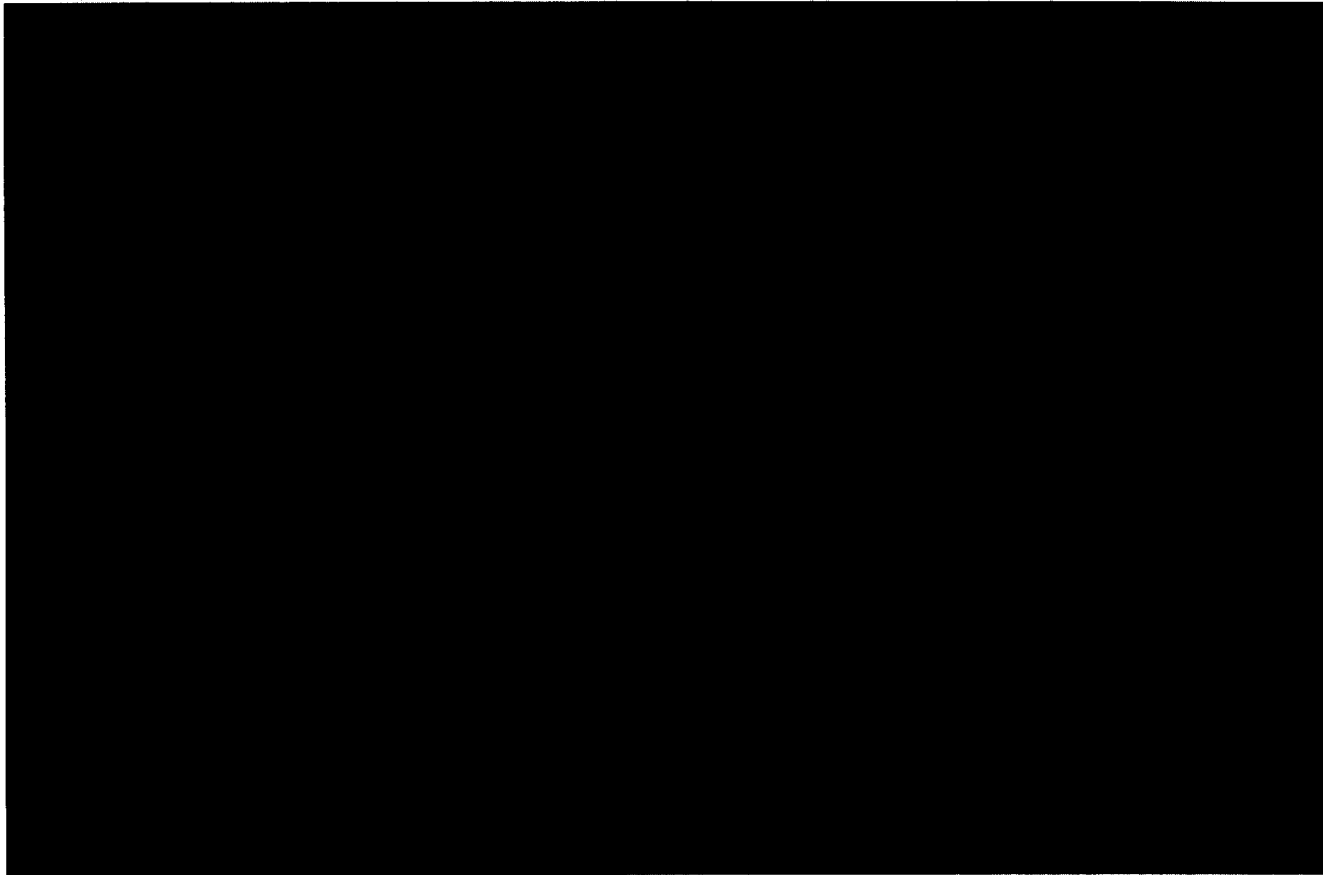
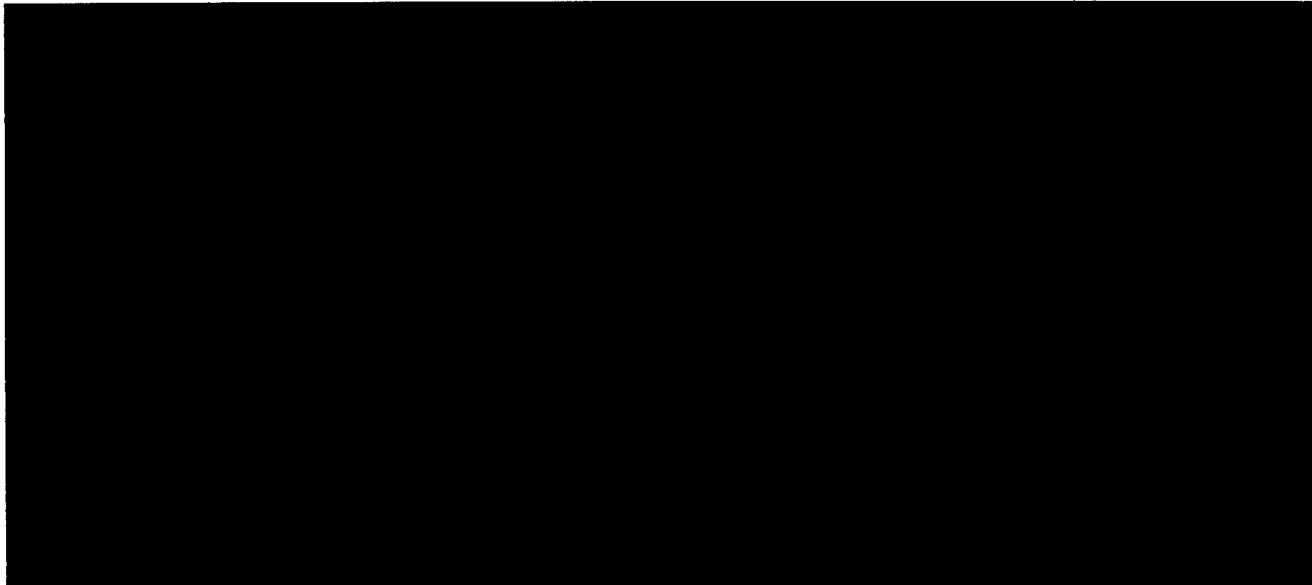
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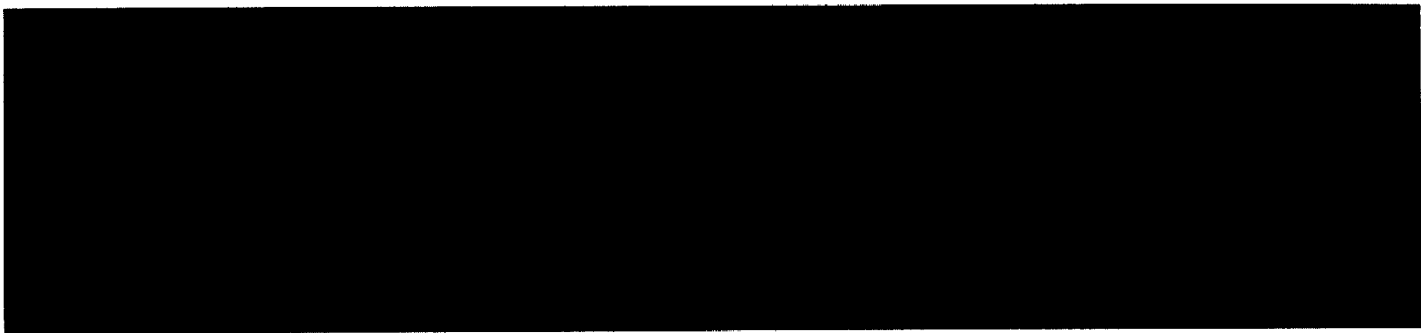
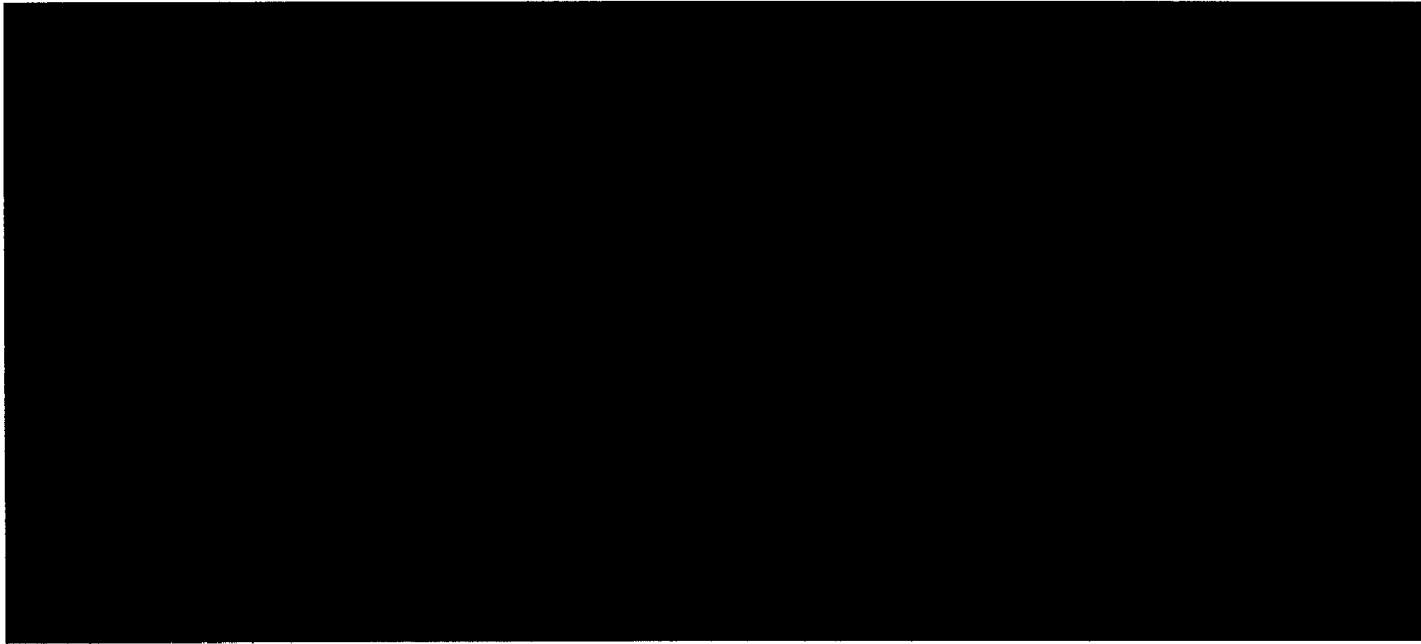
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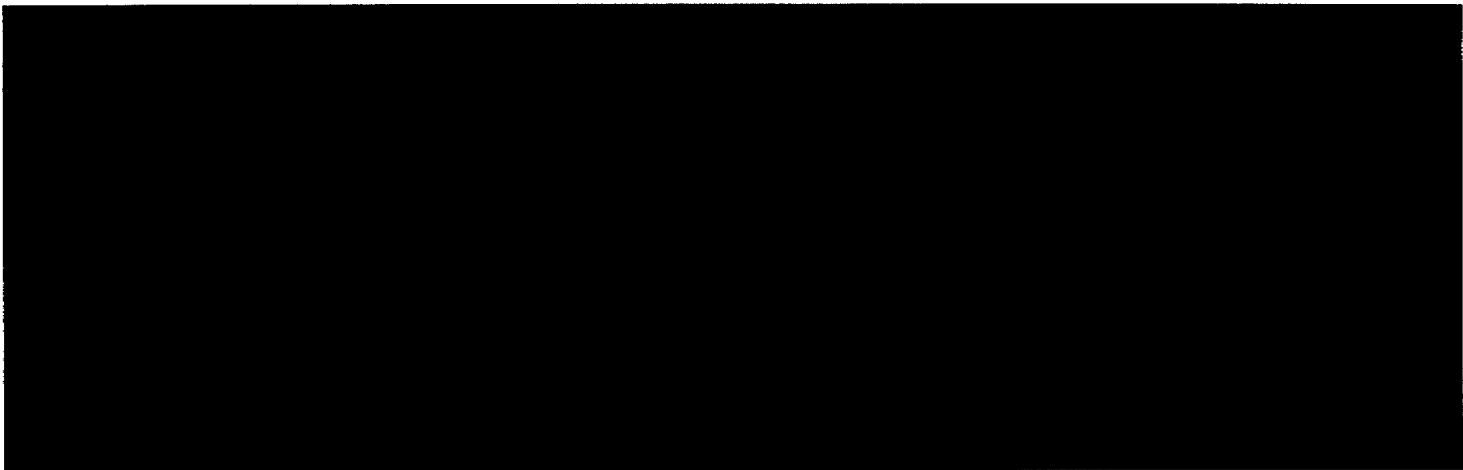
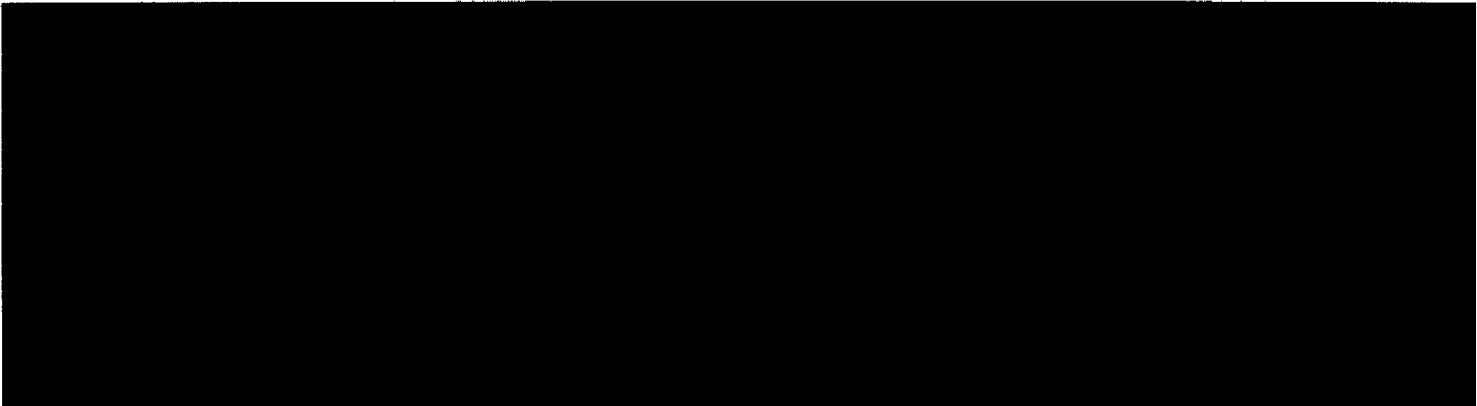
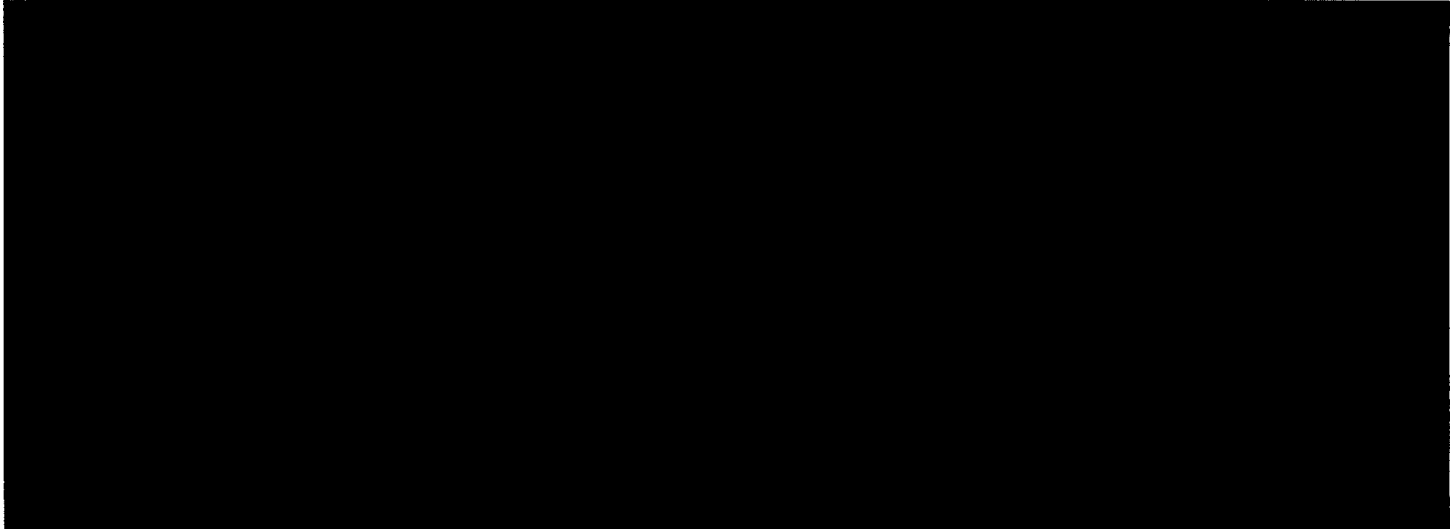
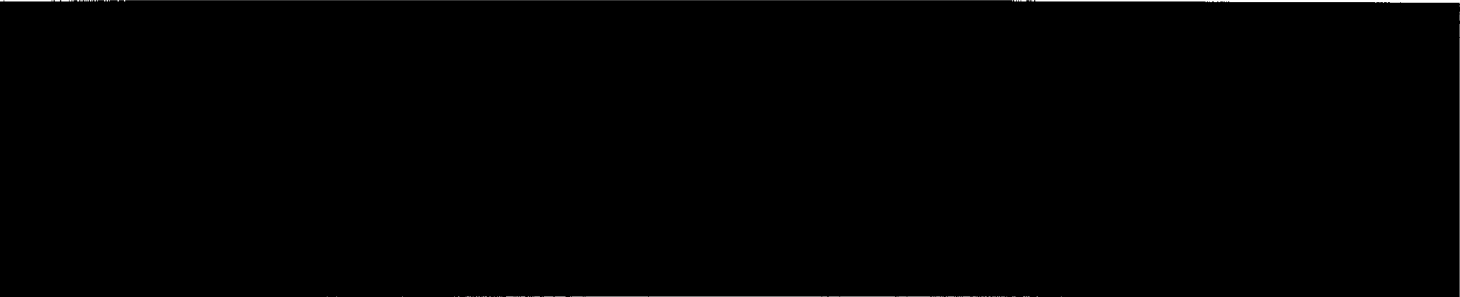
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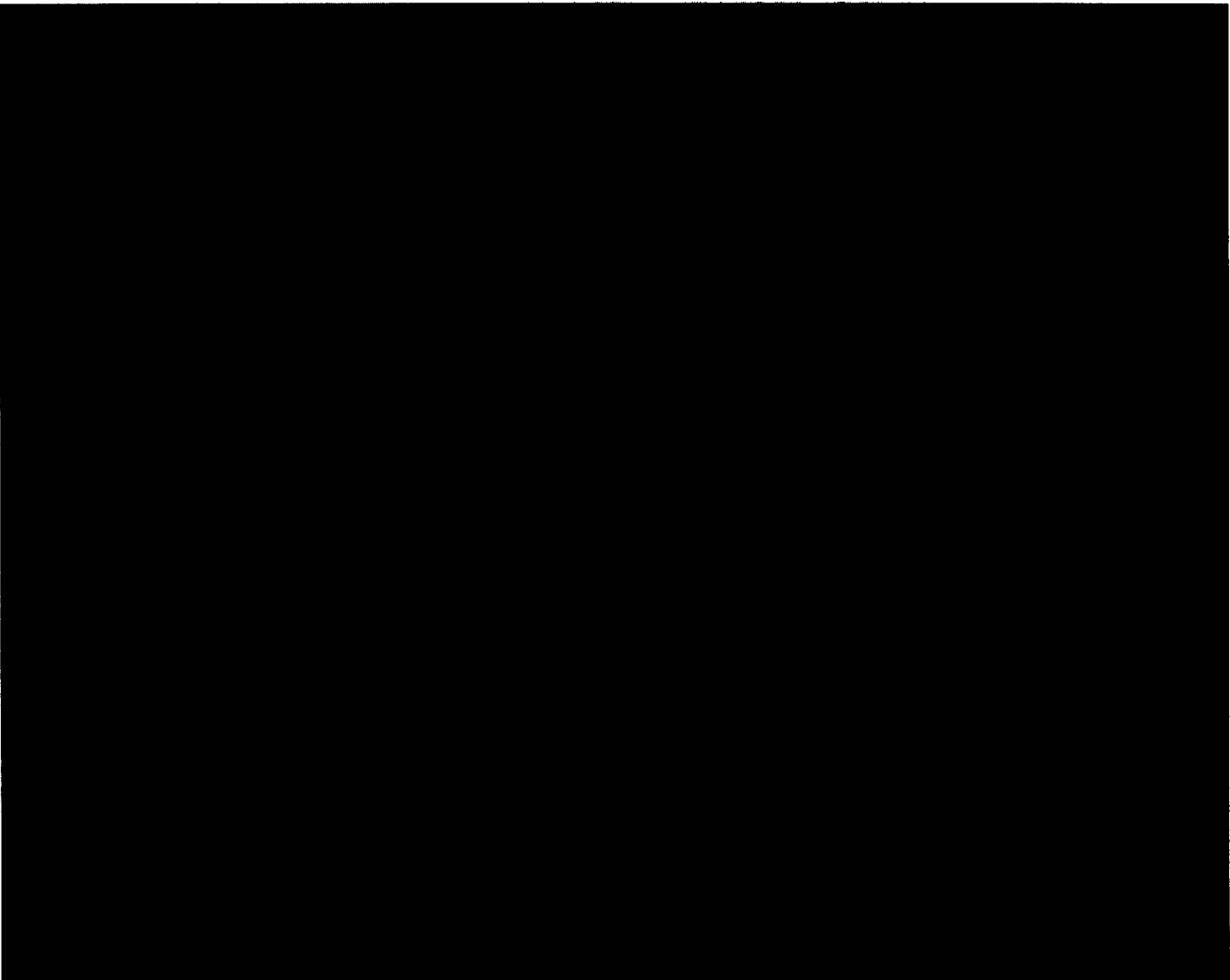
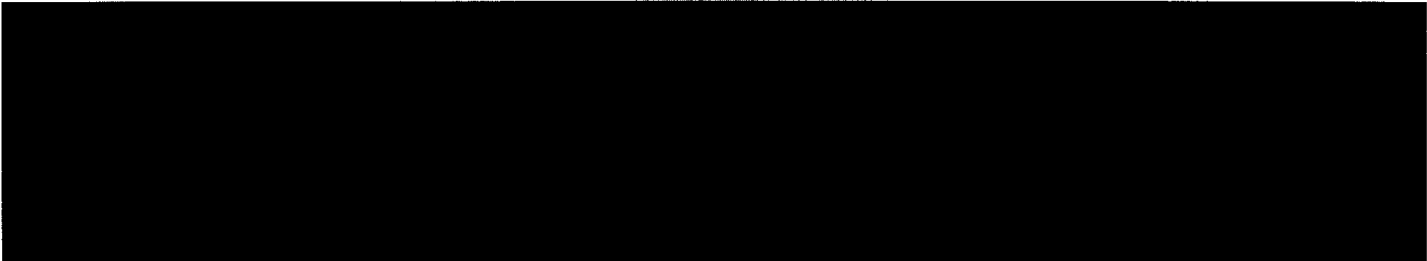
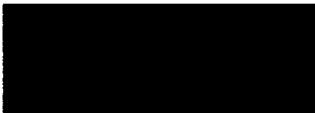
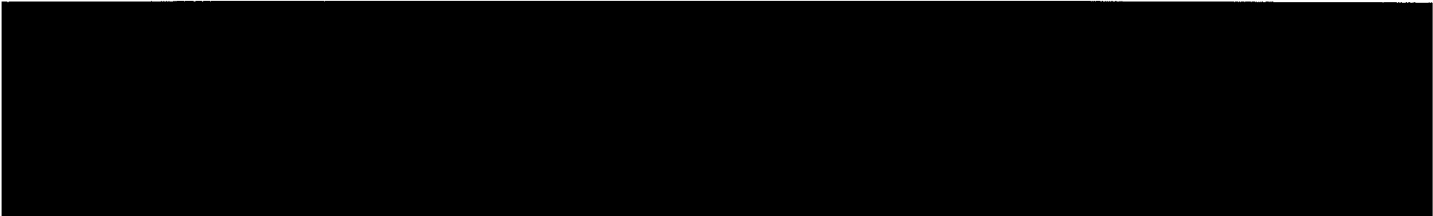












**ARTICLE III  
REPRESENTATIONS AND WARRANTIES OF THE SELLER**

The Purchaser specifically acknowledges and agrees to the following with respect to the representations and warranties of the Seller:

A. The Purchaser will not have any recourse to the Seller or to any of the officers or directors of the Seller in the event any of the representations and warranties made herein or deemed made are untrue as at any time of expression thereof. The only remedy for breach of such representations and warranties shall be the Purchaser's option, under certain circumstances, not to close in accordance with and subject to the limitations in Section 7.01(iii) hereof and, without limiting the foregoing, the Purchaser shall have no remedy whatsoever for any such breach after the Closing.

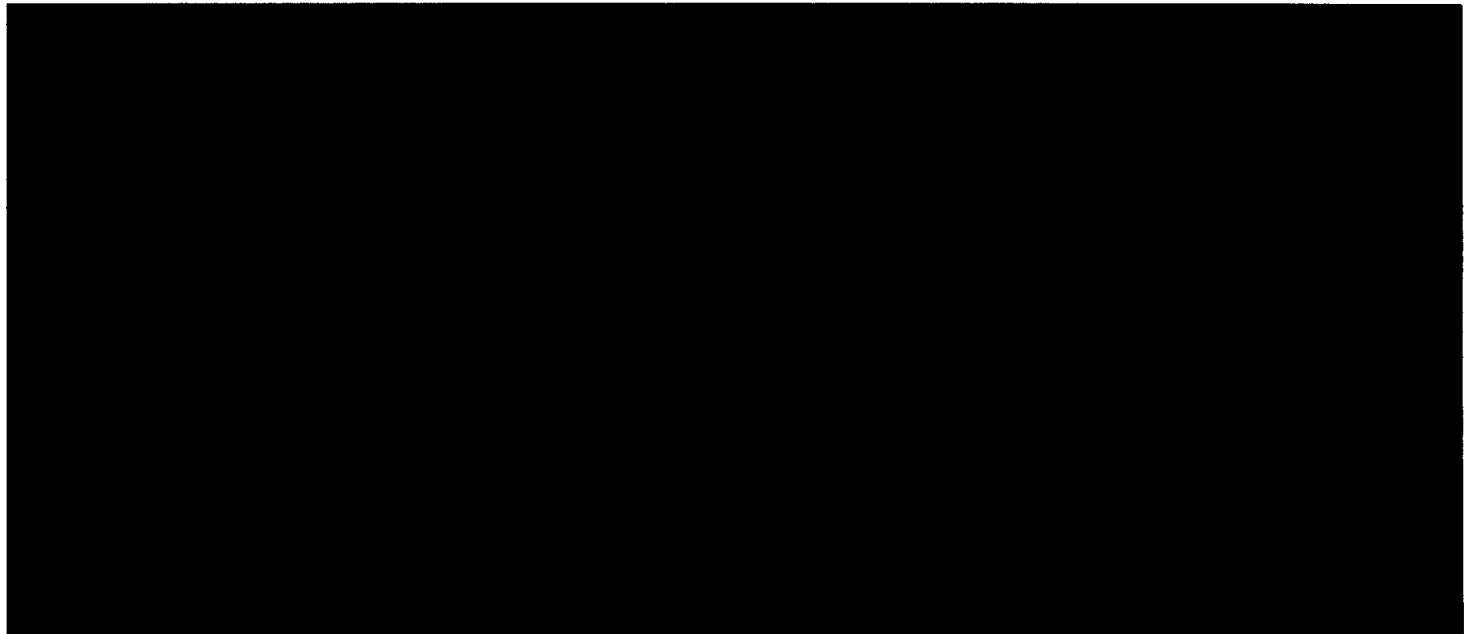
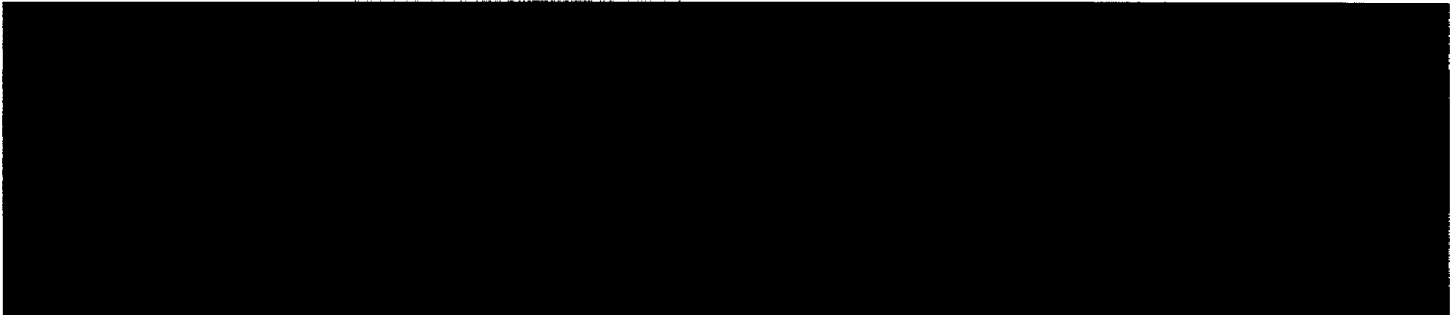
B. The Purchaser has conducted its own due diligence investigations of the Business and has waived its right to conduct such due diligence.

C. If information provided in any Section of the schedule annexed hereto and made a part hereof (which schedule contains appropriate references to identify the representations and warranties herein to which the information in such schedule relates) (the "Seller Disclosure Schedule") is applicable to any other Sections, then such information shall be deemed to have been provided with respect to all such Sections.

The Seller represents and warrants to the Purchaser as follows:

Section 3.01. Organization. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to own, lease and operate its properties and to carry on its business, and is in good standing, in each jurisdiction where the operations of the Business require such qualification, except where the failure to have such authority or approvals or to be so qualified would not individually or in the aggregate have a Material Adverse Effect.

Section 3.02. Authority Relative to this Agreement. The Seller has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement by the Seller and the consummation by the Seller of the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by the Seller and (assuming this Agreement constitutes a valid and binding obligation of the Purchaser), will constitute a valid and binding obligation of the Seller upon the entry of the Sale Order, except for the provisions of Section 7.02 hereof which shall become the binding obligation of the Seller upon the entry of the Bidding Procedures Order.



**Section 3.06. Intellectual Property.**

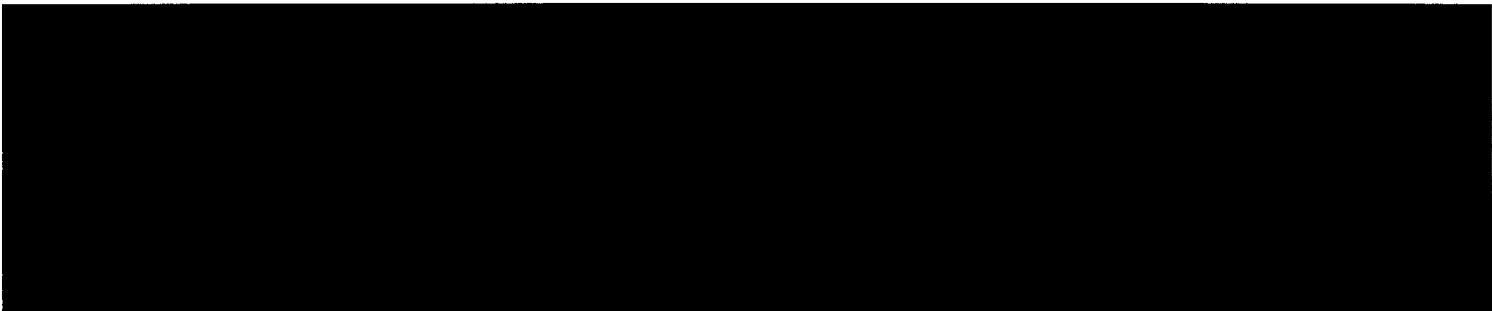
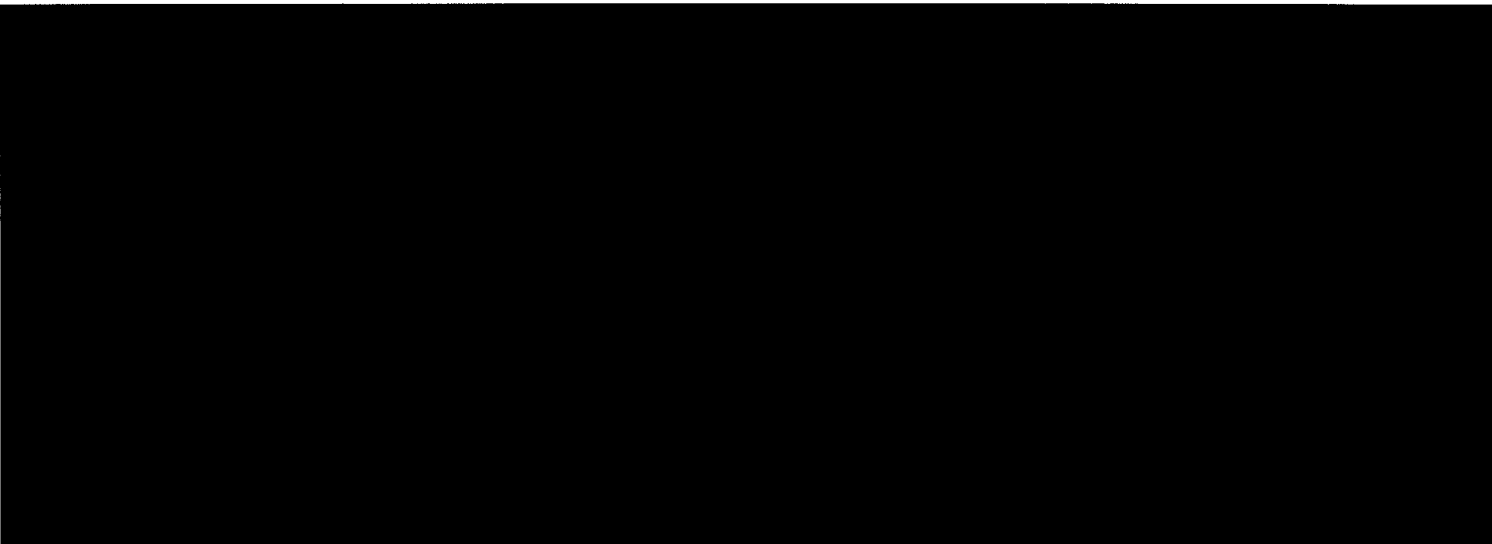
(a) Schedule 3.06(a) of this Agreement contains a complete and accurate list of all U.S. and foreign registered trademarks, patents, registered Internet domain names, and copyrights owned or licensed by the Seller as of the date hereof and used in the Business (the "Business Intellectual Property").

(b) Except as set forth on Schedule 3.06(b), as of the date hereof, the Seller has not been a defendant in any action, suit or proceeding relating to, and has not received any written claim alleging that the Seller is infringing upon, the Intellectual Property of others. Except as set forth on Schedule 3.06(b), to the Seller's knowledge, no other Person is infringing upon any Business Intellectual Property and the Seller is not infringing upon the Intellectual Property of any other Person except in each case as would not have a Material Adverse Effect. Except as otherwise set forth herein, no Business Intellectual Property is subject to any outstanding judgment, injunction, order, decree or agreement restricting the use thereof by the Seller with respect to the Business or restricting the licensing thereof by the Seller to any Person.

**Section 3.09. Compliance with Laws and Court Orders.** To the knowledge of the Seller, the Business has since September 7, 2000 been conducted in compliance with all laws, statutes, rules, regulations, judgments, injunctions, orders or decrees applicable to the Acquired Assets or the conduct of the Business and since September 7, 2000 the Seller has not received any written communication from a government authority that alleges that the Business has not been conducted in compliance with any laws, statutes, rules, regulations, judgements, injunctions,



orders or decrees, except in each case for violations that have not had and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.



**ARTICLE IV  
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

The Purchaser represents and warrants to the Seller as follows:

Section 4.01. Organization. The Purchaser is a corporation validly existing and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted. The Purchaser is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities make such qualification appropriate, except where the failure to be so qualified would not individually or in the aggregate have a material adverse effect on such Purchaser.


Section 4.02. Authority Relative to this Agreement. The Purchaser has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery, and performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby have been duly authorized by all requisite corporate action. This Agreement has been duly and validly executed and delivered by

the Purchaser and (assuming this Agreement constitutes a valid and binding obligation of the Seller) constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforceability against the Purchaser may be limited by applicable bankruptcy, reorganization, fraudulent conveyance, conservatorship, insolvency, moratorium, and other laws of similar application affecting creditors' rights generally against the Purchaser from time to time in effect and to general equitable principles and except for the provisions of Section 7.02 hereof which shall become the binding obligation of the Purchaser upon the entry of the Bidding Procedures Order.

Section 4.03. Consents and Approvals. To the Purchaser's best knowledge, no consent, approval, or authorization of, or declaration, filing or registration with, any United States federal or state governmental or regulatory authority is required to be made or obtained by the Purchaser in connection with the execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby.

Section 4.04. No Violations. Assuming that the conditions set forth in Article VI shall have been satisfied, neither the execution, delivery or performances of this Agreement by the Purchaser, nor the consummation by the Purchaser of the transactions contemplated hereby, nor compliance by the Purchaser with any of the provisions hereof, will (a) conflict with or result in any breach of any provisions of the certificate of incorporation or bylaws of the Purchaser, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time) a default (or give rise to any right of termination, cancellation, acceleration, vesting, payment, exercise, suspension, or revocation) under any of the terms, conditions or provisions of any note, bond, mortgage, deed of trust, security interest, indenture, license, contract, agreement, plan or other instrument or obligation to which the Purchaser is a party or by which the Purchaser or its properties or assets may be bound or affected, (c) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Purchaser or the Purchaser's properties or assets, (d) result in the creation or imposition of any encumbrance on any asset of any Purchaser, or (e) cause the suspension or revocation of any permit, license, governmental authorization, consent or approval necessary for the Purchaser to conduct its business as currently conducted, except in the case of clauses (b), (c), (d), and (e) for violations, breaches, defaults, terminations, cancellations, accelerations, creations, impositions, suspensions or revocations that would not individually or in the aggregate have a Material Adverse Effect on the Purchaser's ability to complete the transactions contemplated by this Agreement.

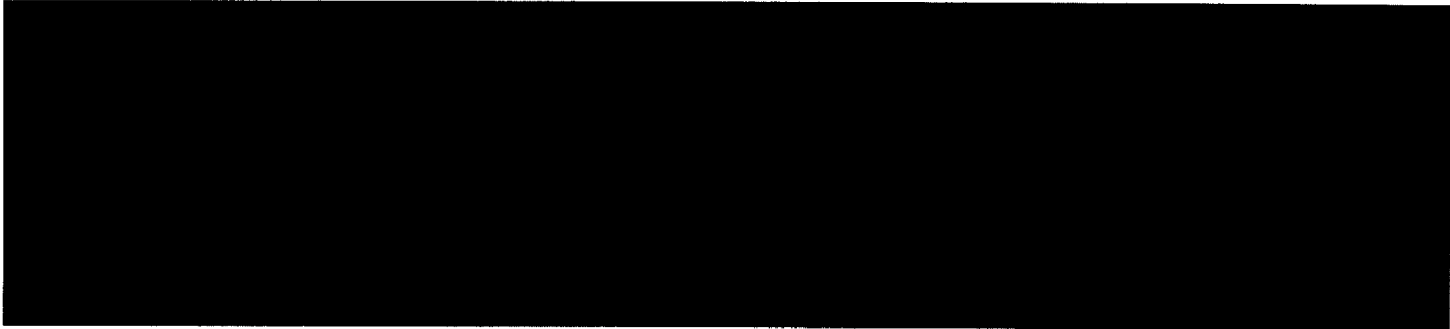
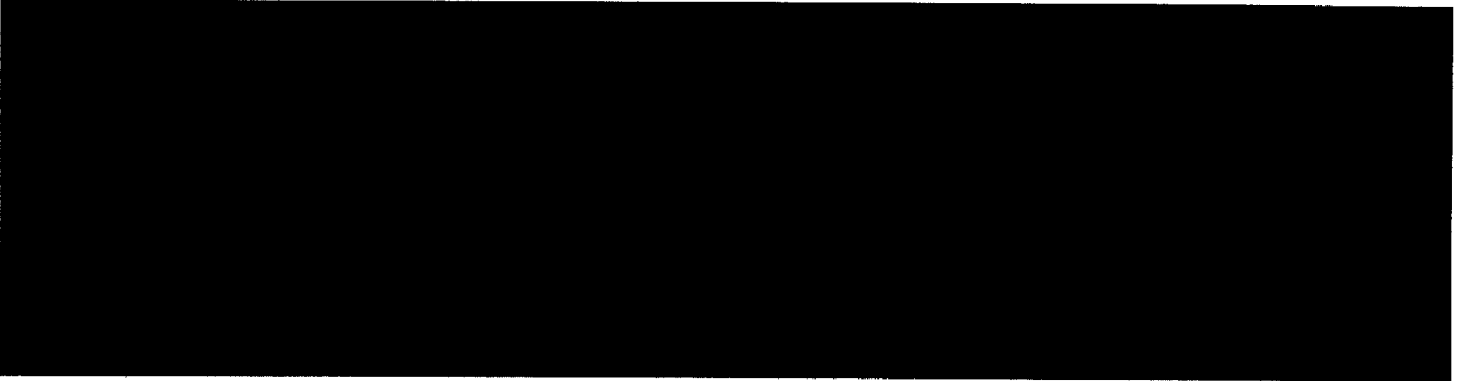


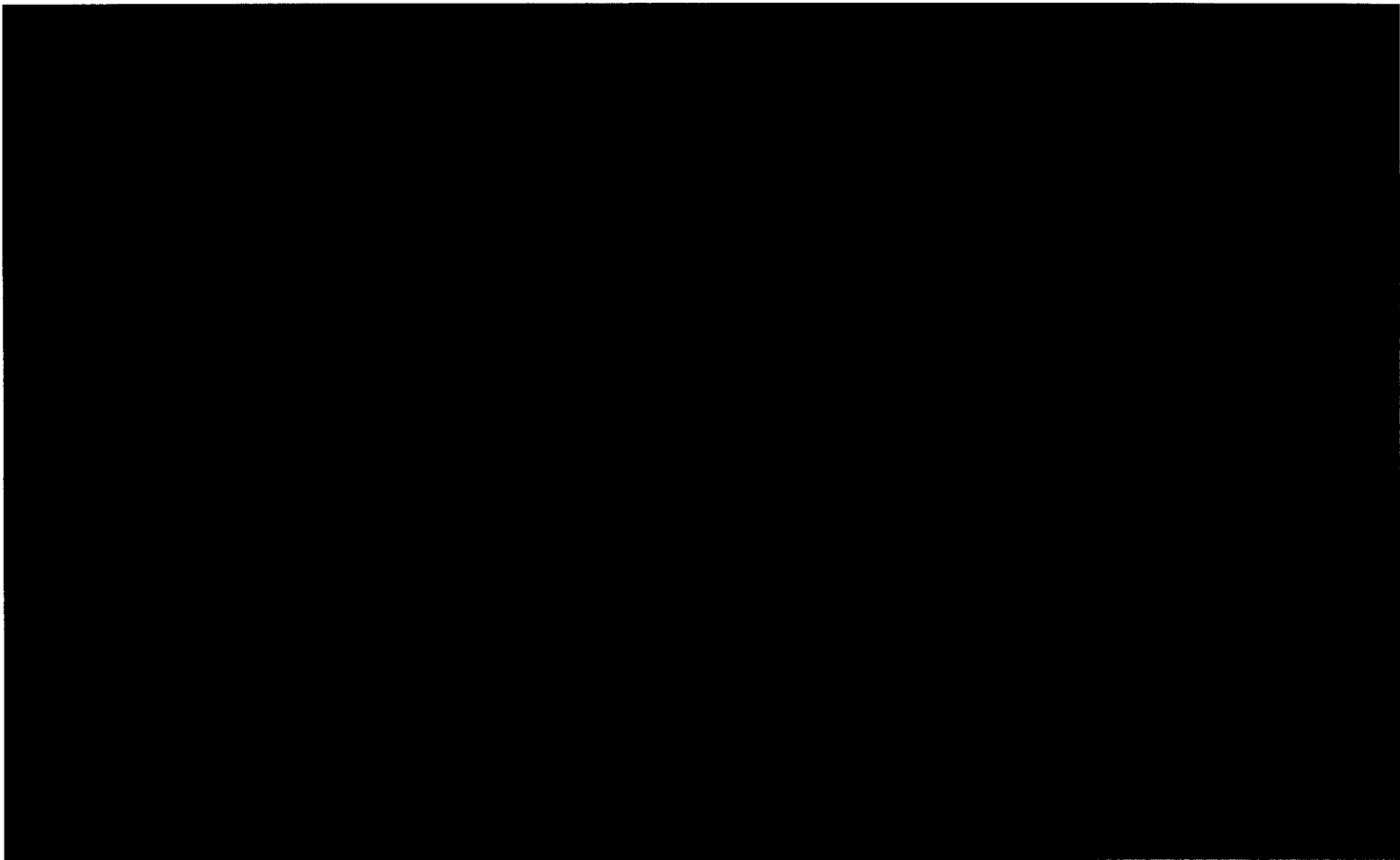
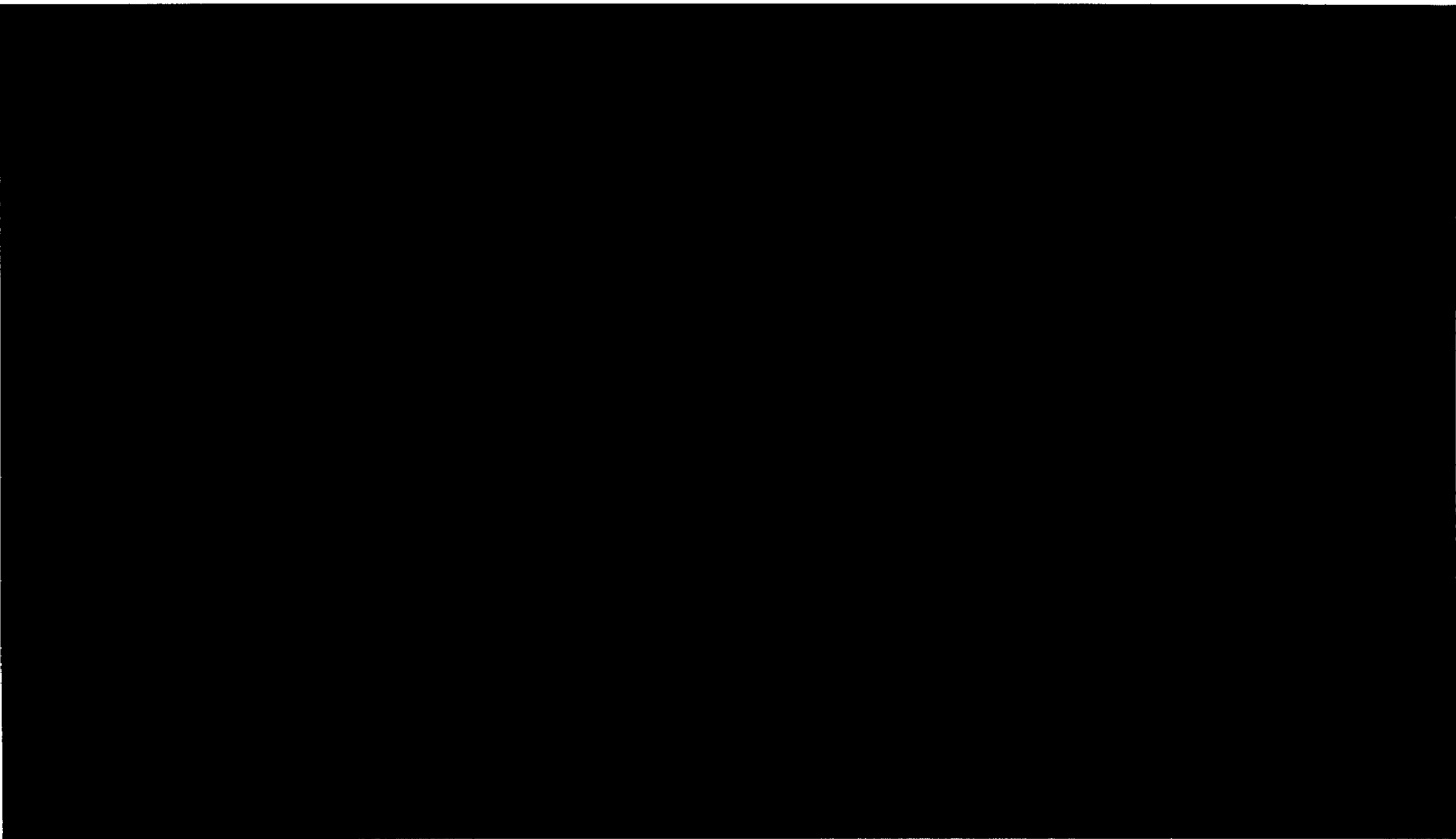


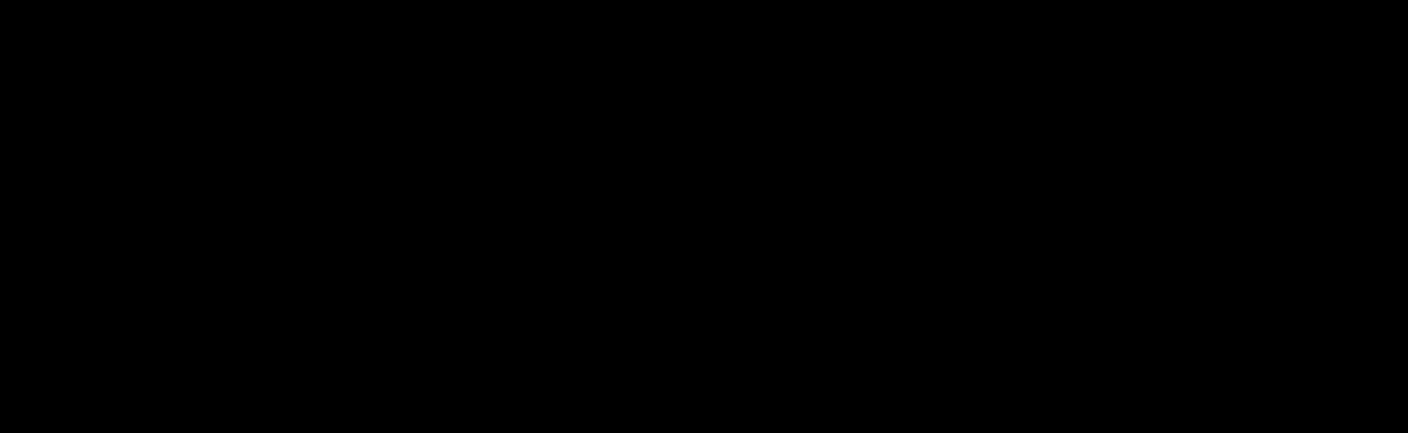
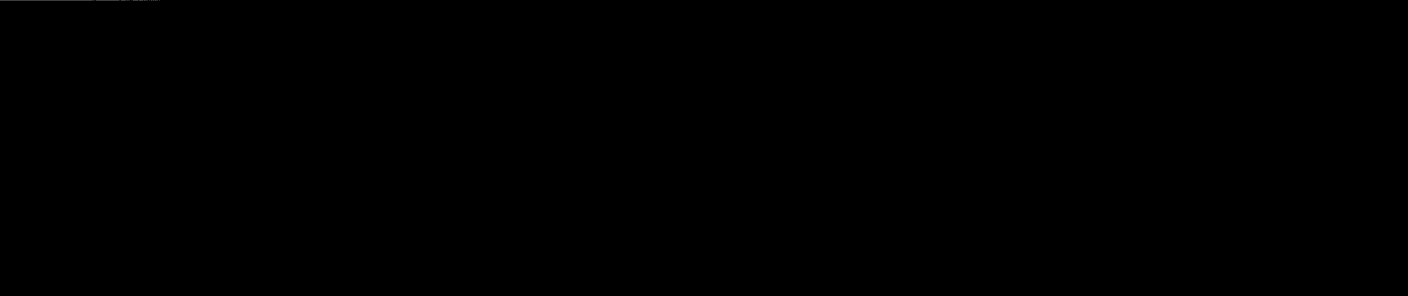
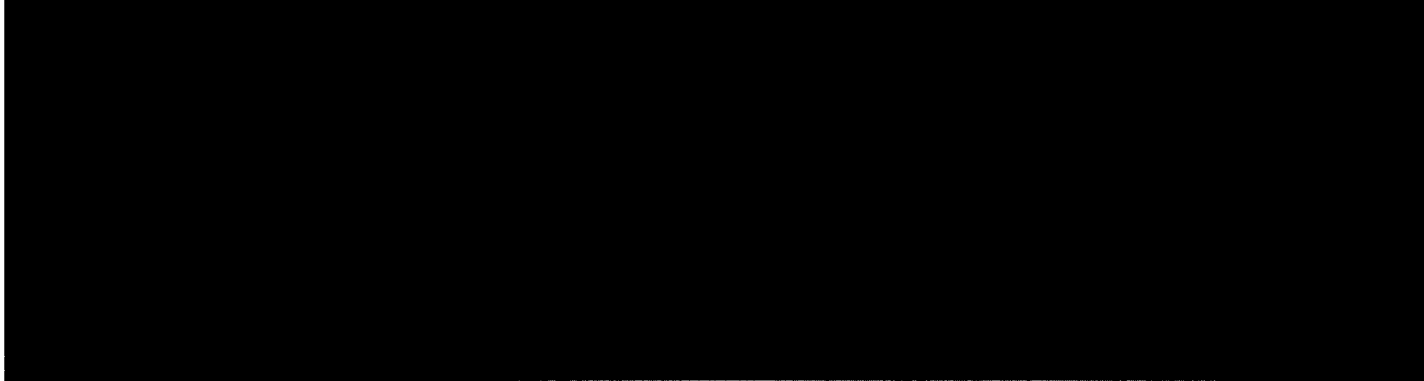
Section 4.07. Representations and Warranties of the Purchaser. The representations and warranties of the Purchaser are materially true and correct as of the date hereof and as of the Closing Date, and none of such representations or warranties contain a misstatement of material fact, or omit to state a material fact, necessary to make the statements therein, taken as a whole in light of the circumstances in which they were made, not misleading.

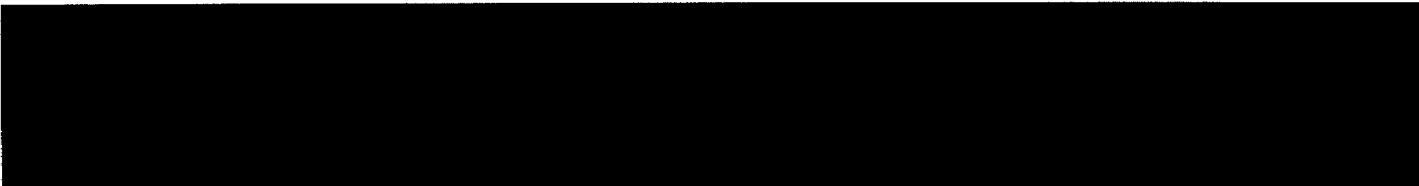
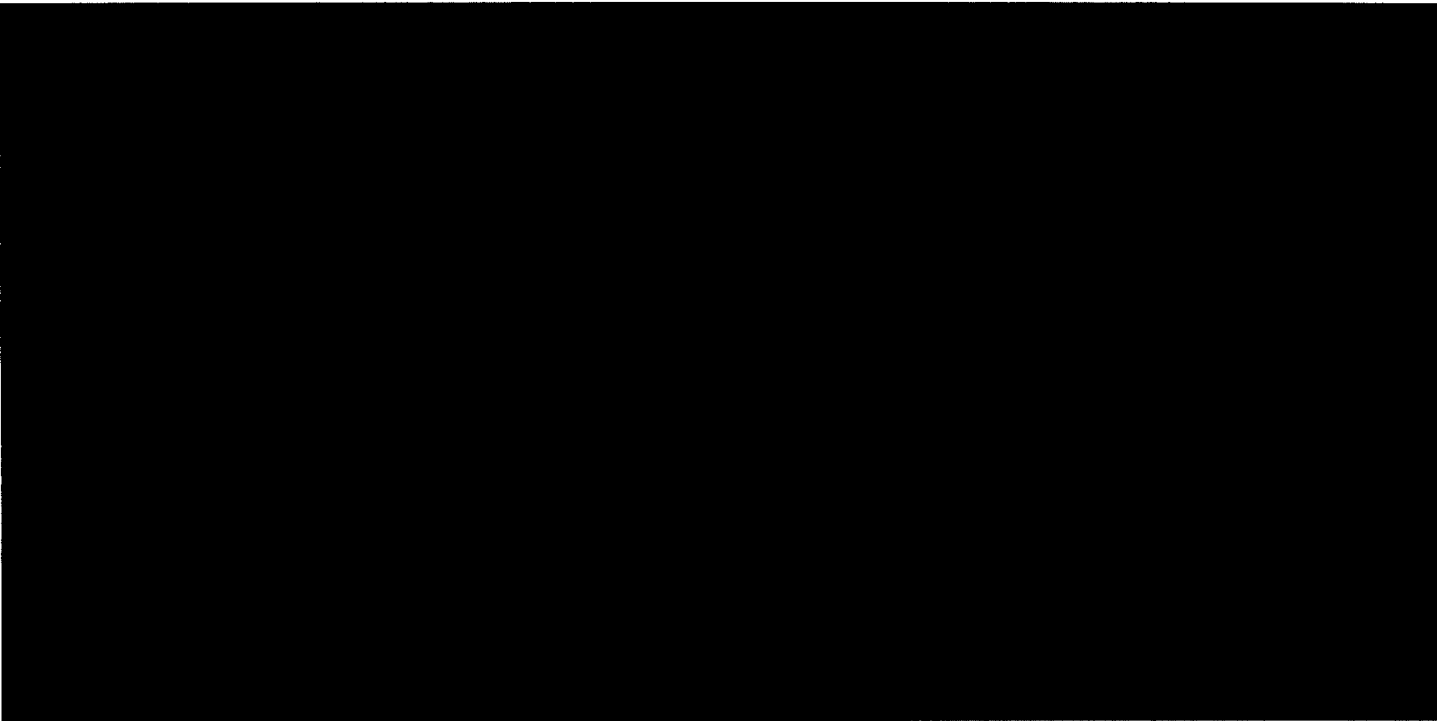
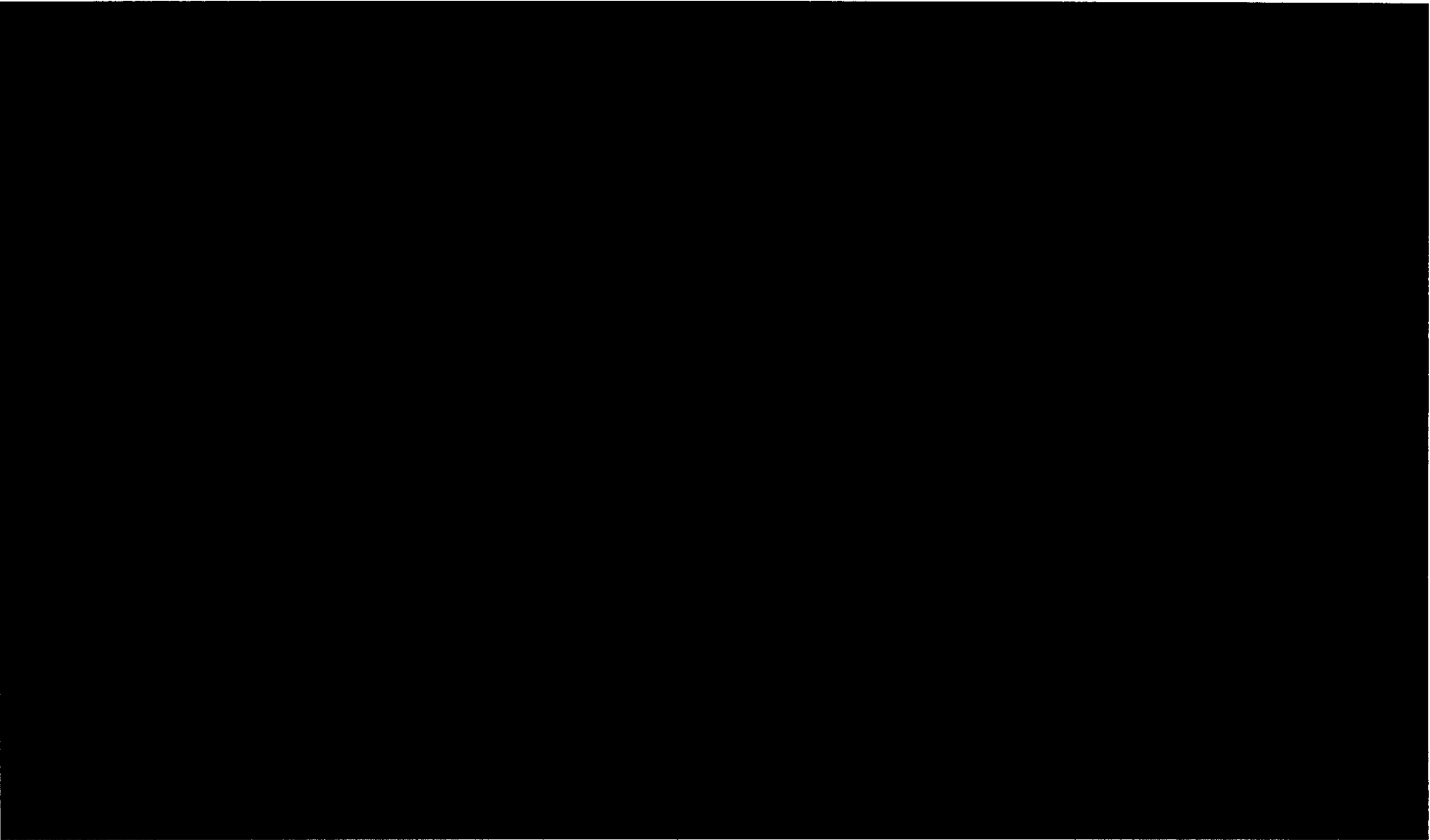
**ARTICLE V  
COVENANTS**

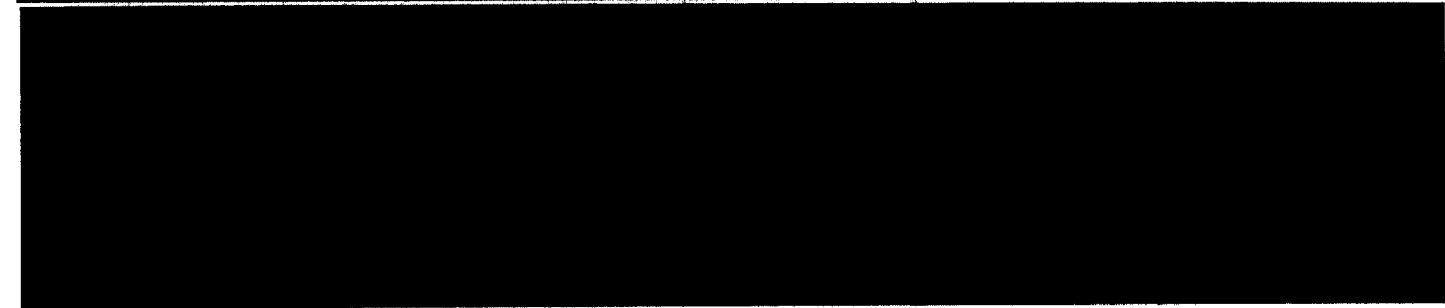
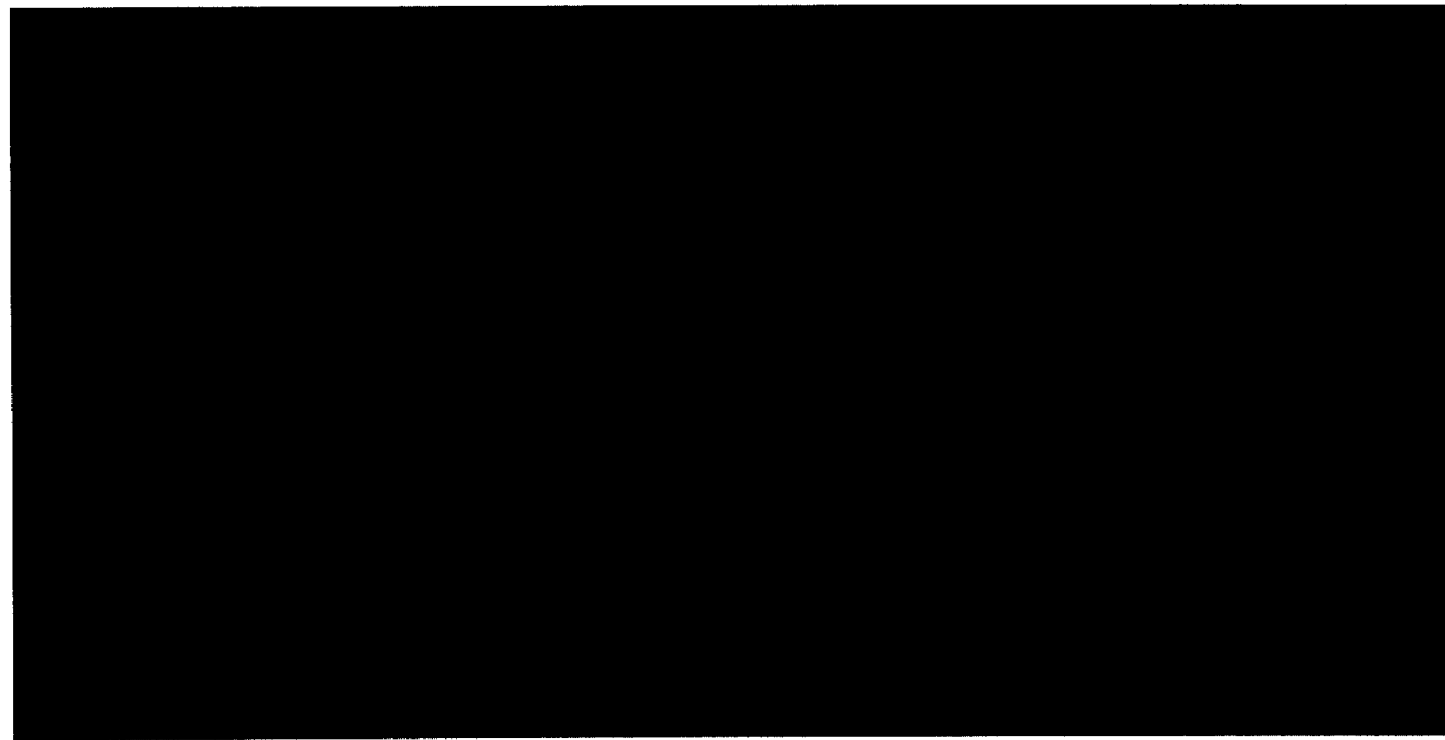
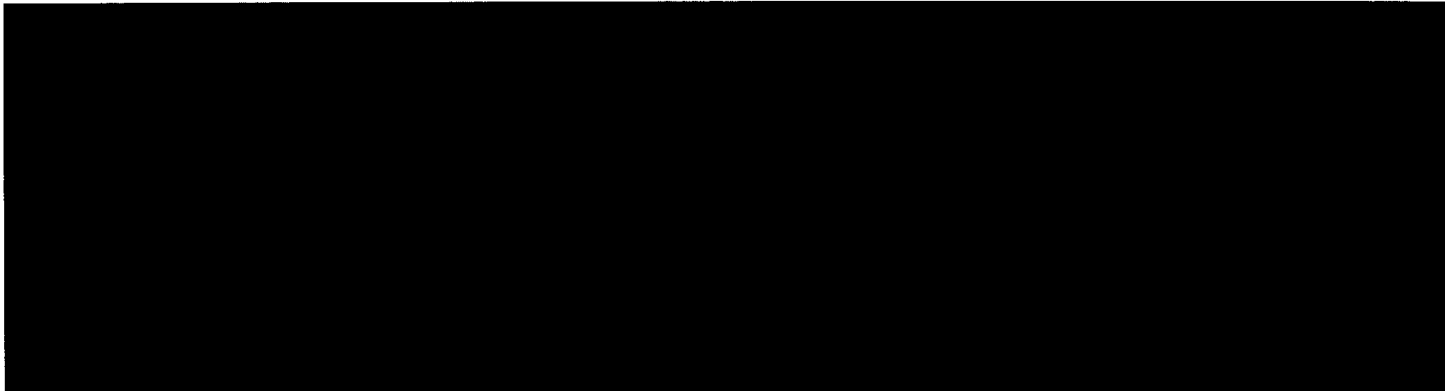














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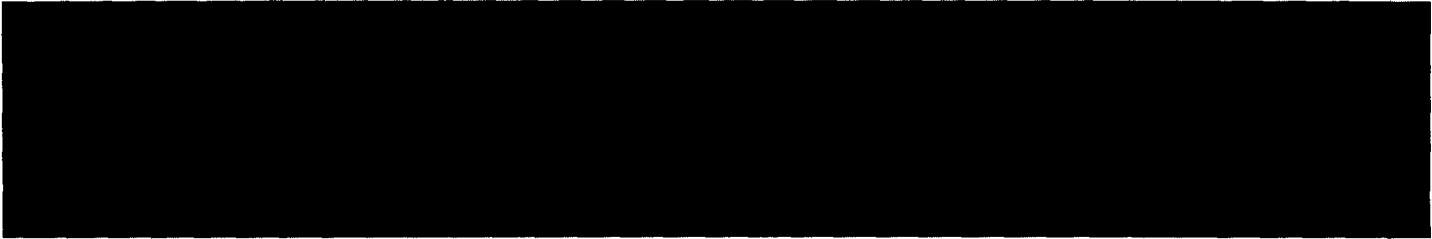
**Section 5.07. Conduct of the Business. Except as otherwise provided herein or authorized by the Bankruptcy Court prior to the date hereof, from the date hereof until the Closing Date, the Seller:**

(a) shall conduct the Business in the ordinary course and shall use commercially reasonable efforts to preserve intact the business organizations and relationships with third parties and to keep available the services of the present employees of the Business consistent with its duties as debtor in possession under the Bankruptcy Code;

(b) except to the extent necessary to comply with the requirements of applicable laws, regulations or Bankruptcy Court orders, shall not take or agree to commit to take any action that it knows would make any representation or warranty of the Seller hereunder inaccurate in any material respect at, or as of any time prior to, the Closing Date;

(c) shall not offer credit terms or trade promotions except in the ordinary course consistent with past practices with respect to the applicable product lines of the Seller or except to the extent reasonably necessary to be competitive with competitors' comparable product offerings; and

[REDACTED]



[REDACTED]

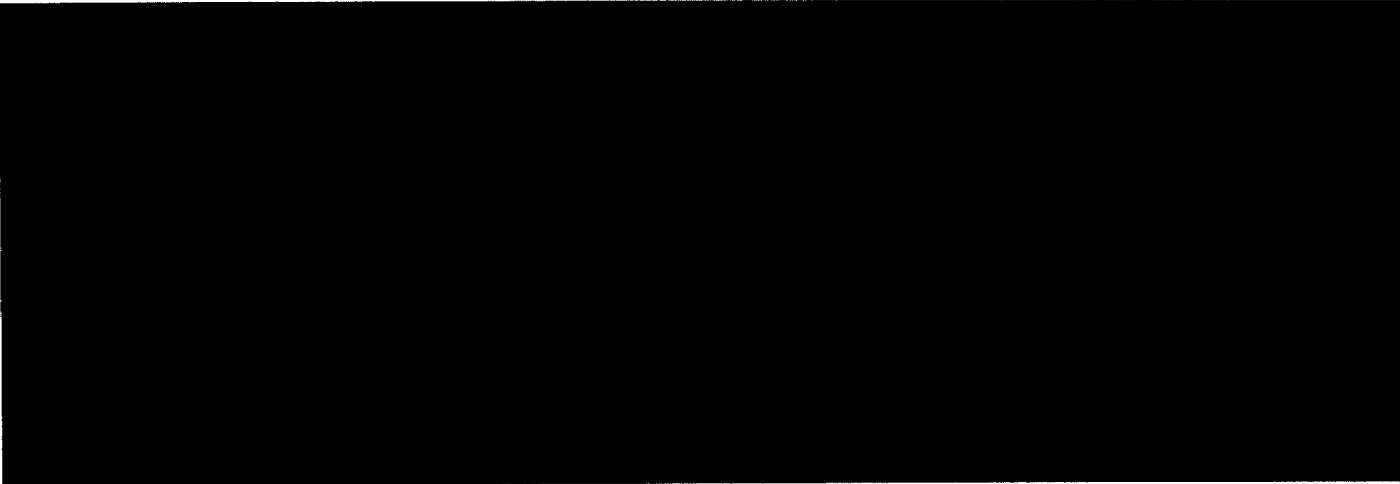
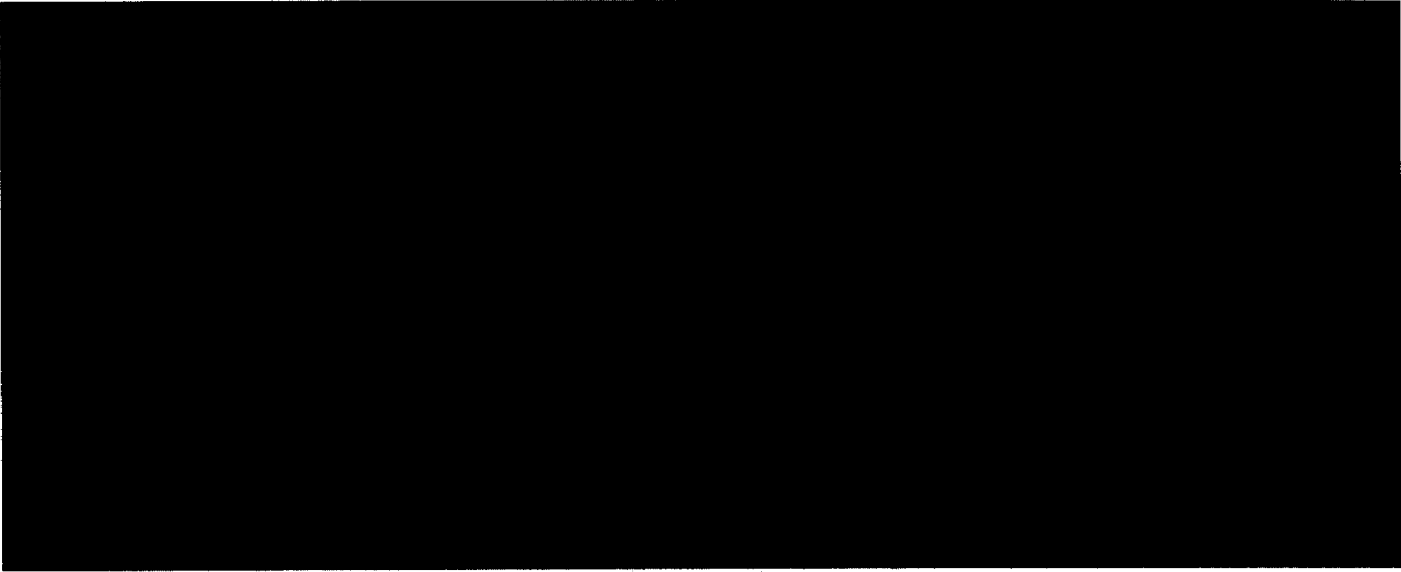
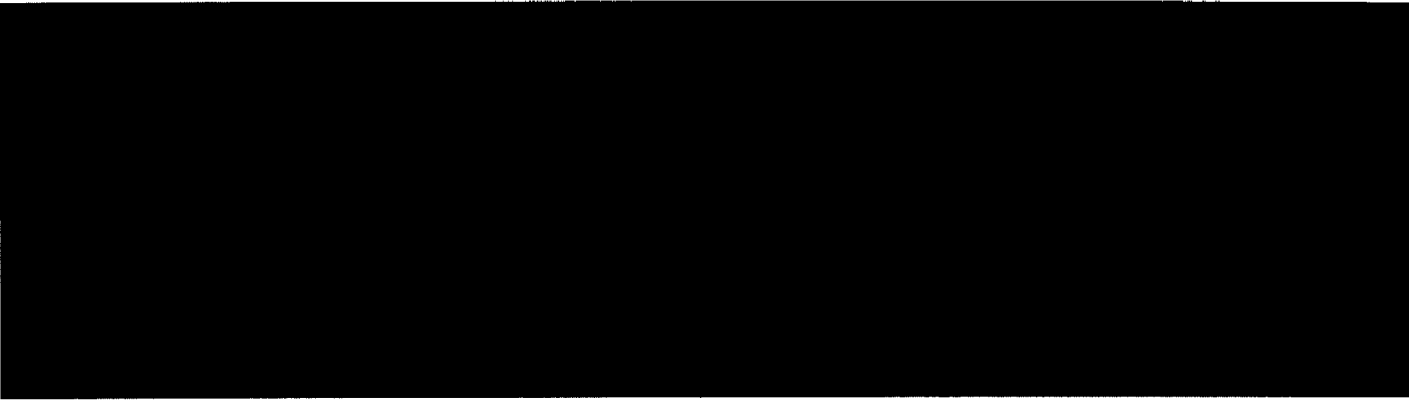
Section 5.11. Name Changes. The Seller agrees that at the Closing, or as soon thereafter as practicable, it will not use any name, logo, trade name or trademark incorporating "Strouds, Inc." or "Strouds" in any business activity, provided that the Purchaser hereby grants to the Seller a limited license to use such name for the administration of the Chapter 11 Case, including, without limitation, the liquidation of the remaining assets of the Seller, under either Chapter 11 or Chapter 7 of the Bankruptcy Code. Within a reasonable time after the Closing, the Seller will file with the Bankruptcy Court a request to change the captioned name of the Chapter 11 Case from "Strouds, Inc." to "Str., Inc."

[REDACTED]

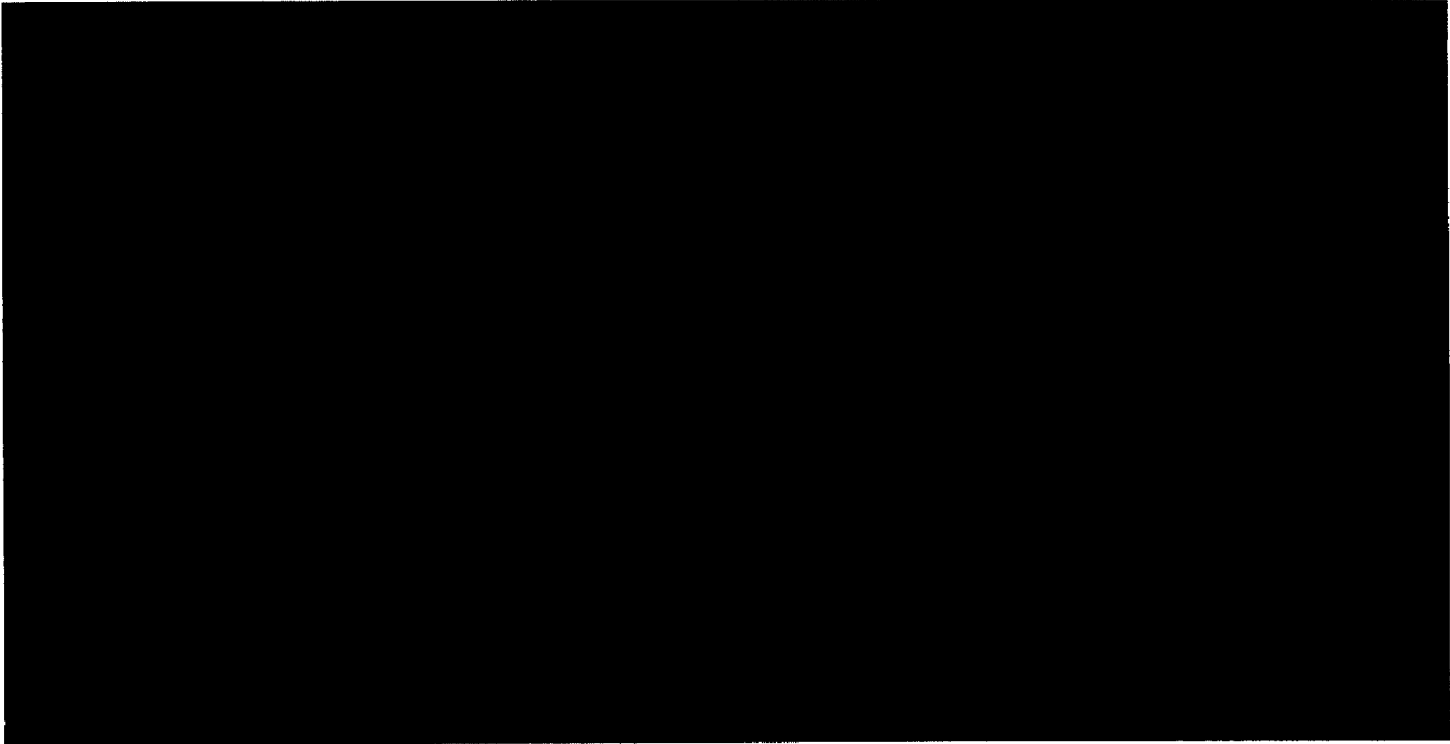
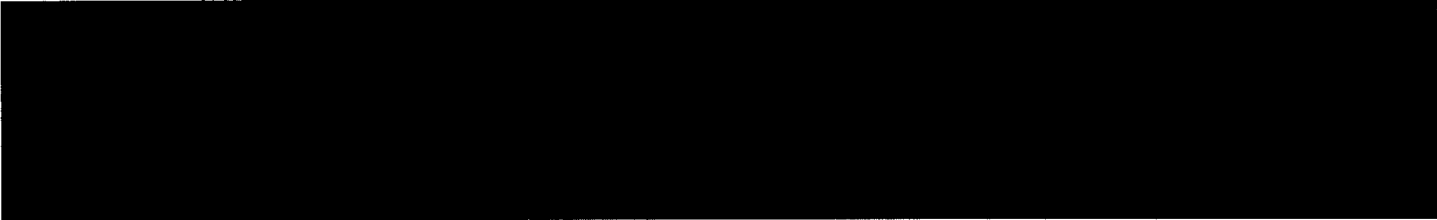
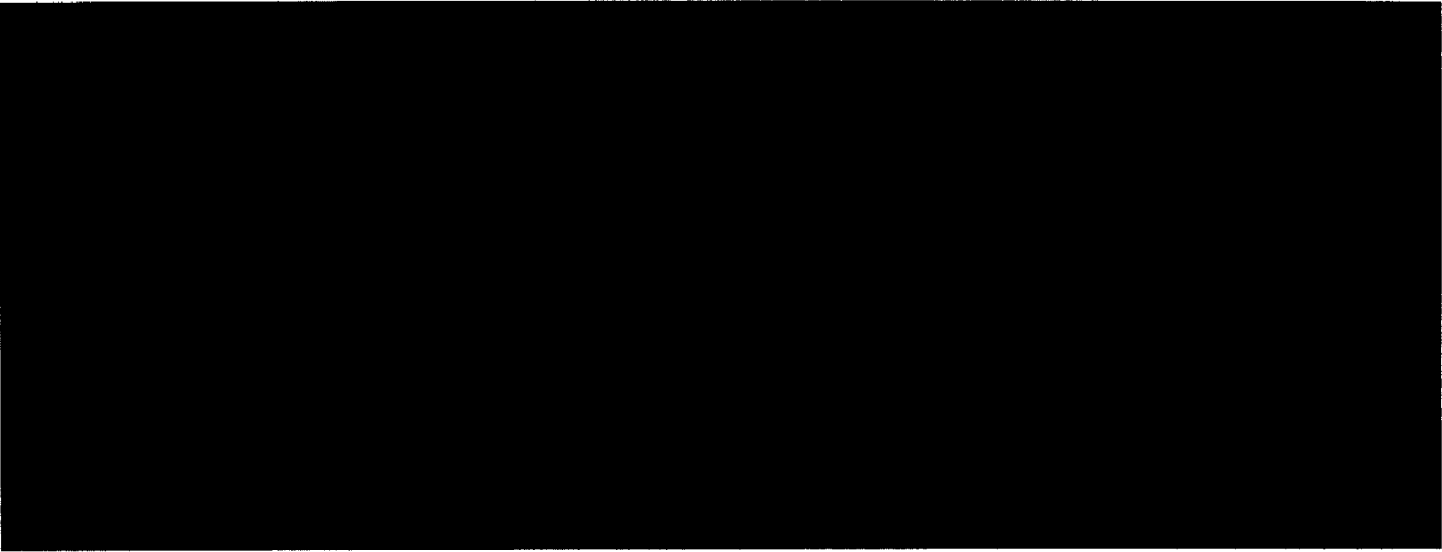
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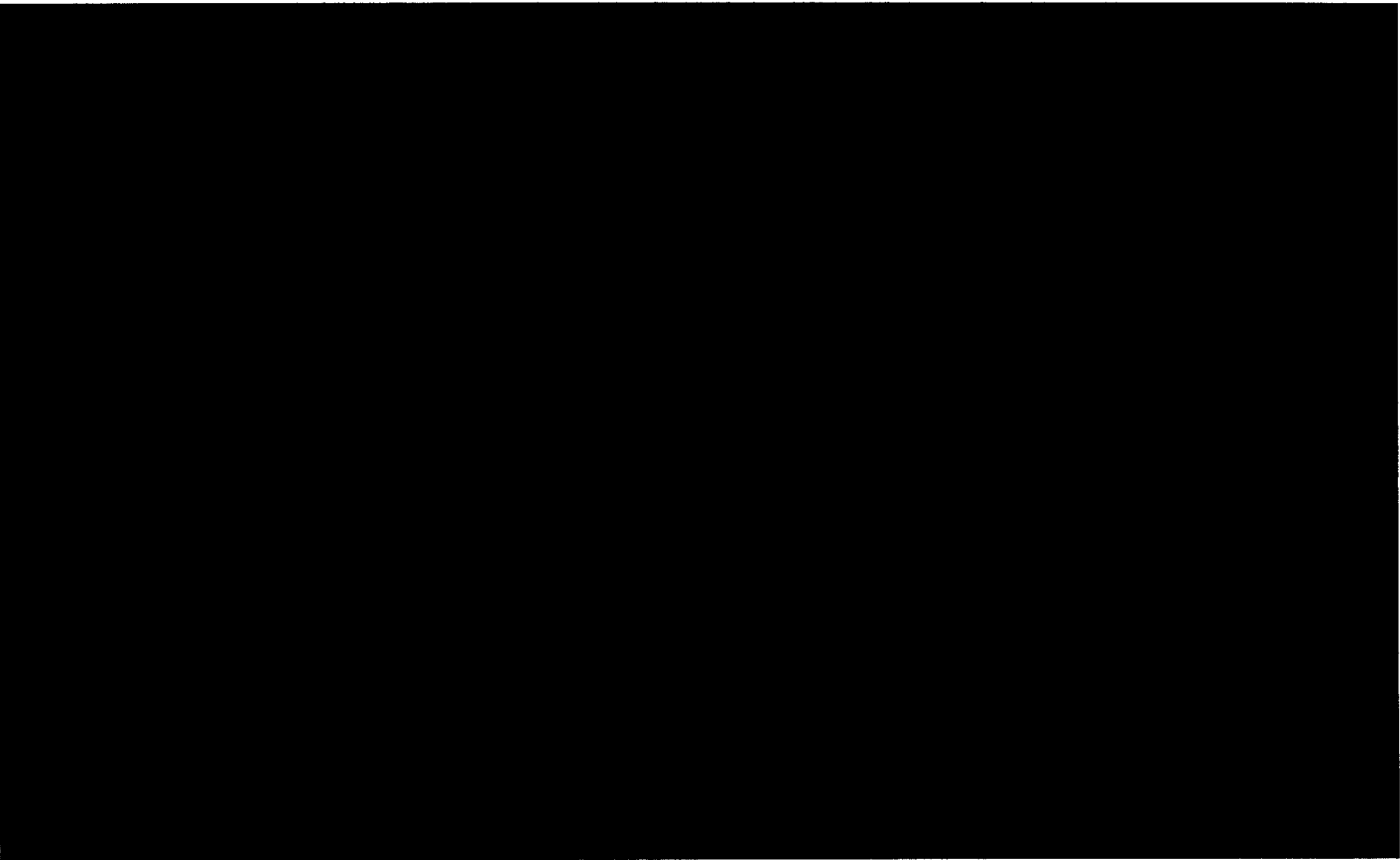
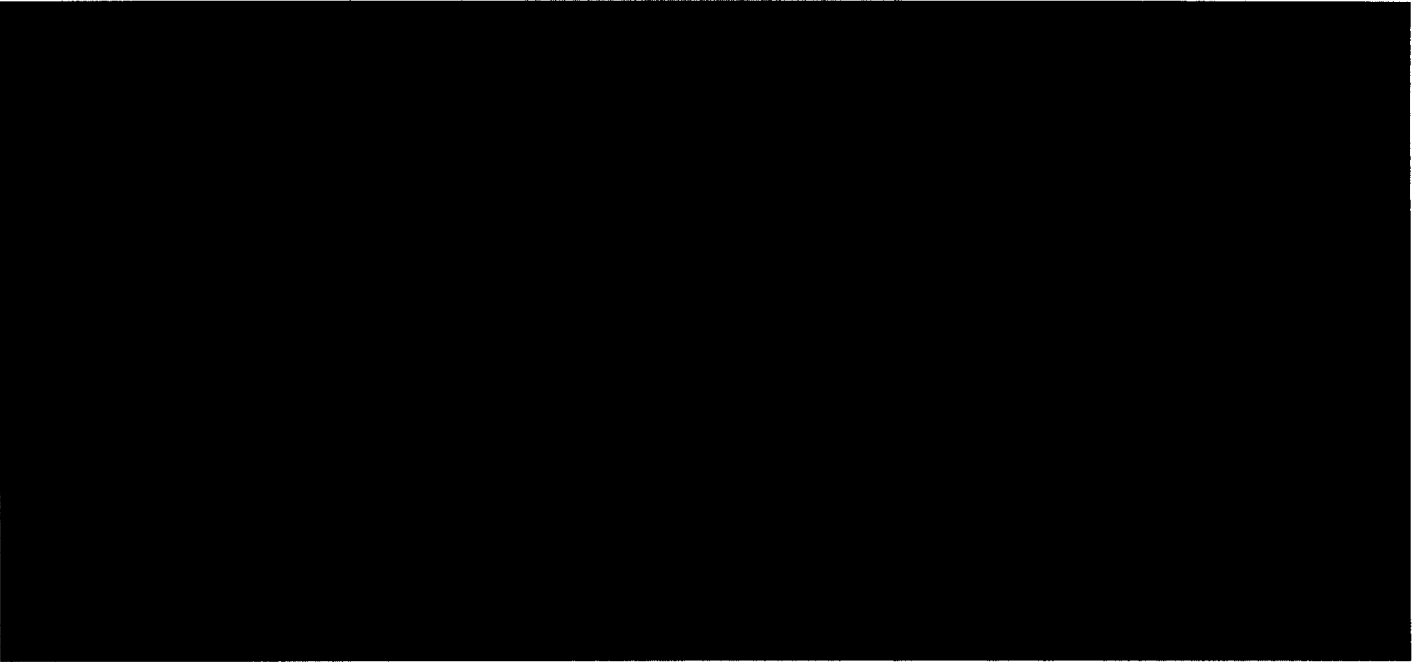
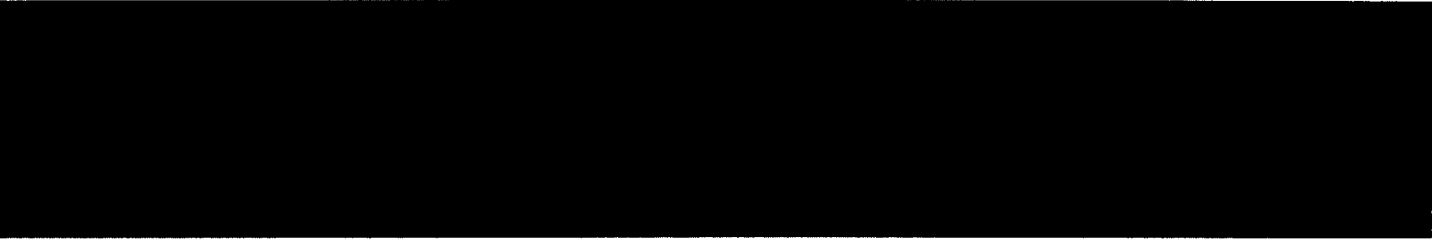
[REDACTED]

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**Section 8.04. Descriptive Headings; Certain Terms.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All references to "\$" or dollars shall be to United States dollars and all references to "days" shall be to calendar days unless otherwise specified.

**Section 8.05. Entire Agreement, Assignment.** This Agreement (including the Schedules, and the other documents and instruments referred to herein) (a) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties or any of them, with respect to the subject matter hereof, including any transaction between or among the parties hereto, and (b) shall not be assigned by operation of law or otherwise.

**Section 8.06. Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the rules of conflict of laws of the State of Delaware or any other jurisdiction. The Purchaser and the Seller irrevocably and unconditionally consent to submit to the jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated thereby (and agree not to commence any litigation relating thereto except in the Bankruptcy Court).

**Section 8.07. Expenses.** Whether or not the transactions contemplated by this Agreement are consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated thereby shall be paid by the party incurring such expenses unless specifically provided to the contrary herein. The foregoing shall not affect the legal right, if any, that any party hereto may have to recover expenses from any other party that breaches its obligations hereunder.

**Section 8.08. Amendment.** This Agreement and the Schedules hereto may not be amended except by an instrument in writing signed on behalf of all the parties hereto.

**Section 8.09. Waiver.** At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties



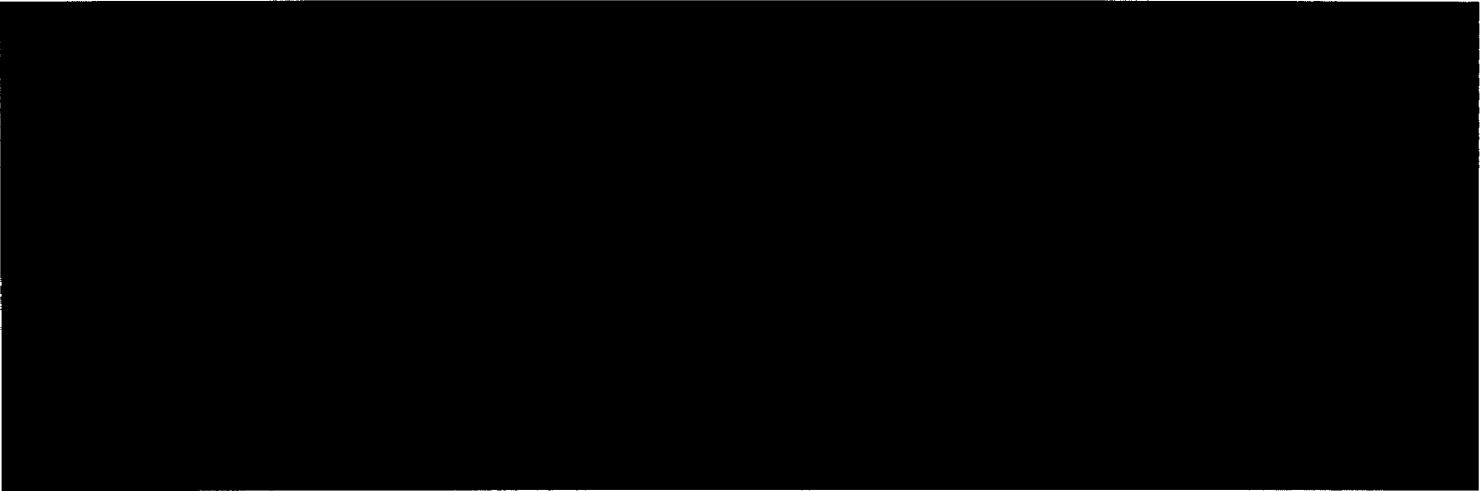
hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 8.10. Counterparts; Effectiveness; Authority. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement. This Agreement shall become effective when each party hereto shall have received counterparts thereof signed by the other party hereto. The authorized officers of each party executing this Agreement on behalf of such party have all corporate and other authority necessary to execute this Agreement and to bind each respective party hereunder. The parties hereto acknowledge that each of them has been represented by counsel and that the terms and provisions of this Agreement are the result of negotiation between the parties and their counsel. Accordingly, no rule of construction shall be applied as against any party based on the fact that such party prepared this Agreement.

Section 8.11 Execution by Facsimile. This Agreement may be executed by the Seller and the Purchaser by the exchange via facsimile of signature pages executed by the Parties, and this Agreement shall be enforceable by the Parties upon the execution of this Agreement by each of the Parties by the exchange of signatures pages via facsimile. Any party executing this Agreement via facsimile as provided herein shall deliver to the other Party an executed original of this Agreement within three (3) business days of such fax delivery.

Section 8.12. Severability; Validity; Parties of Interest. If any provision of this Agreement or the application thereof to any person or circumstance is held invalid or unenforceable, the remainder of this Agreement, and the application of such provision to other persons or circumstances, shall not be affected thereby, and to such end, the provisions of this Agreement are agreed to be severable. Nothing in this Agreement, express or implied, is intended to confer upon any person not a party to this Agreement any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 8.13. Bulk Sales. The Purchaser hereby waives compliance by the Seller with any bulk sales or other similar laws in any applicable jurisdiction in respect of the transactions contemplated by this Agreement.




**“Bankruptcy Code” has the meaning set forth in the Recitals.**

**“Bankruptcy Court” has the meaning set forth in the Recitals.**

**“Bankruptcy Rules” means the Federal Rules of Bankruptcy Procedures, as amended.**

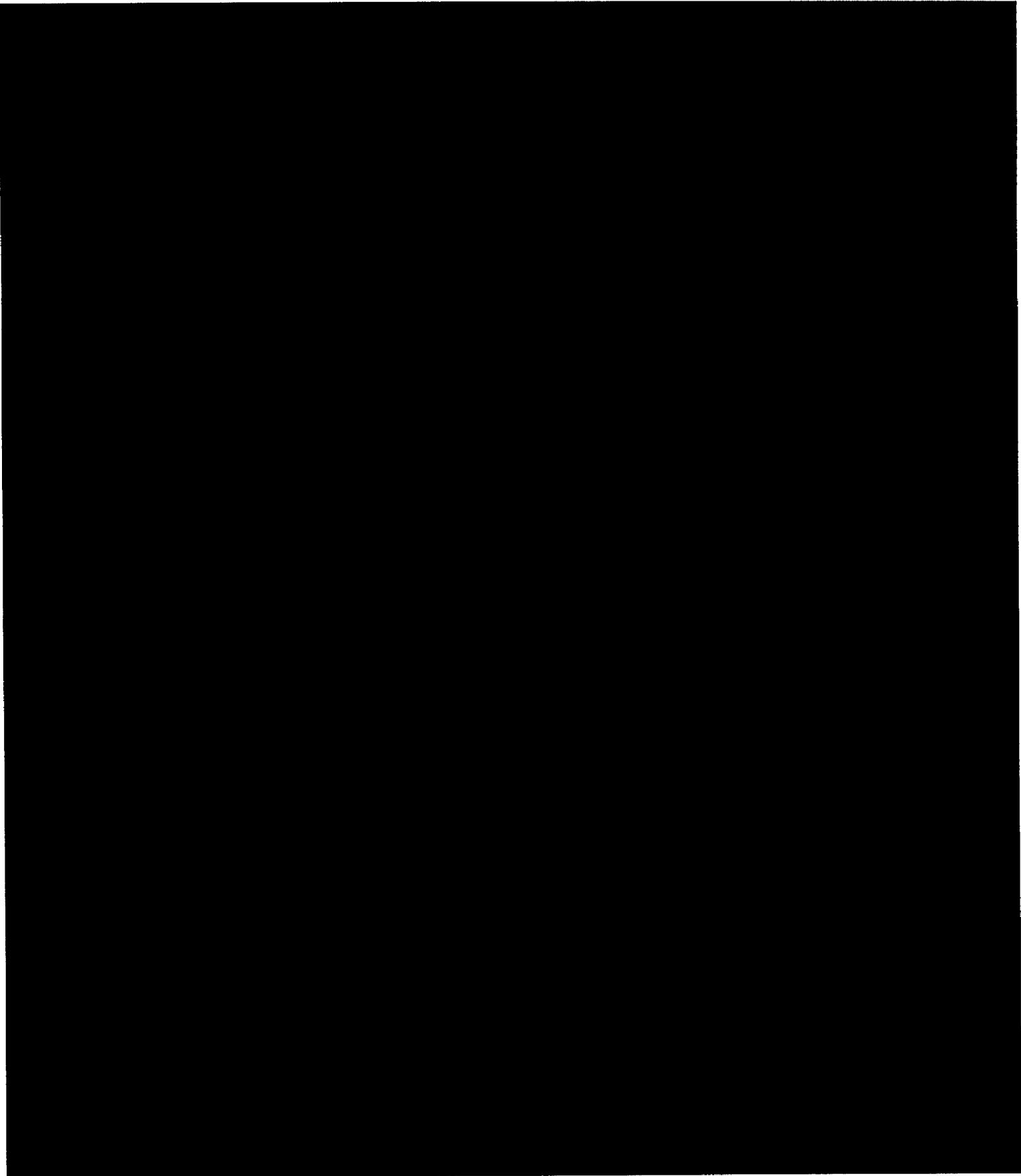


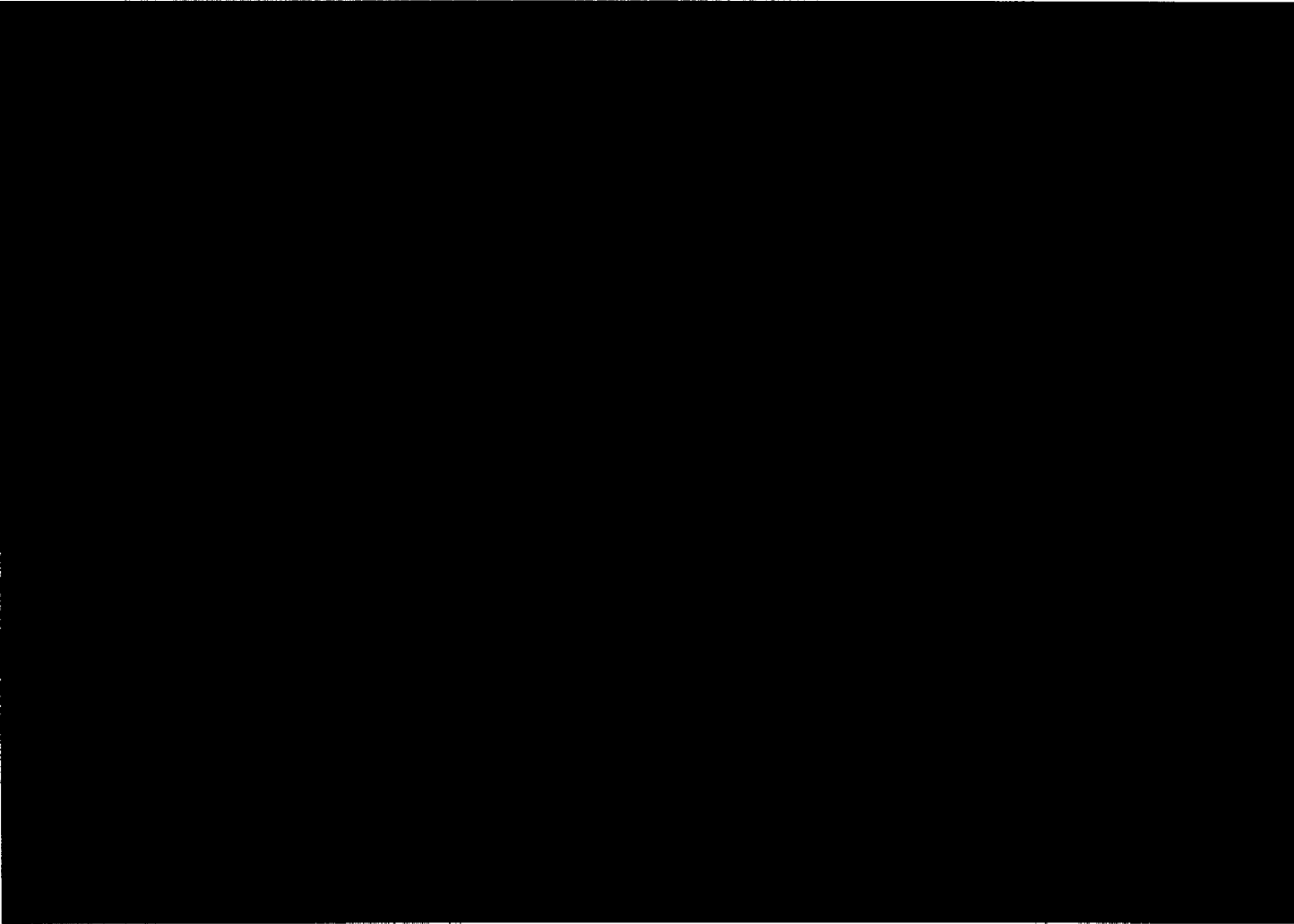
**“Chapter 11 Case” has the meaning set forth in the Recitals.**



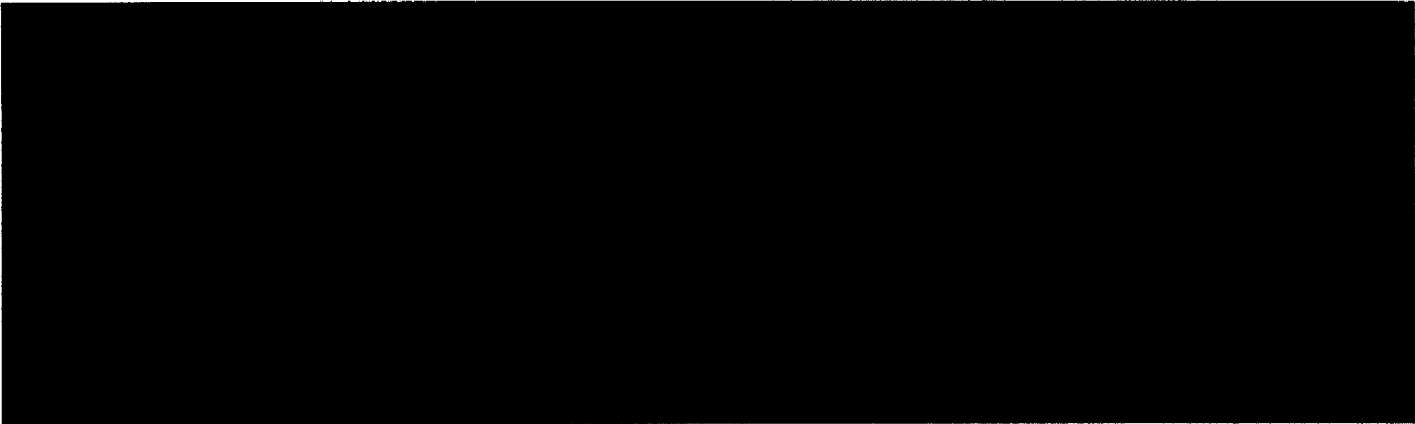
**“Closing” has the meaning set forth in Section 2.01.**

**“Closing Date” has the meaning set forth in Section 2.01.**





**“Intellectual Property” means all trademarks, service marks, trade names, logos, computer software, mask work, registered Internet domain names, invention, patent, trade secret, copyright registrations, technology, processes, inventions, proprietary data, formulae, research and development data, computer software programs, know-how (including any registrations or applications for registration of any of the foregoing) or any other similar type of proprietary intellectual property right.**



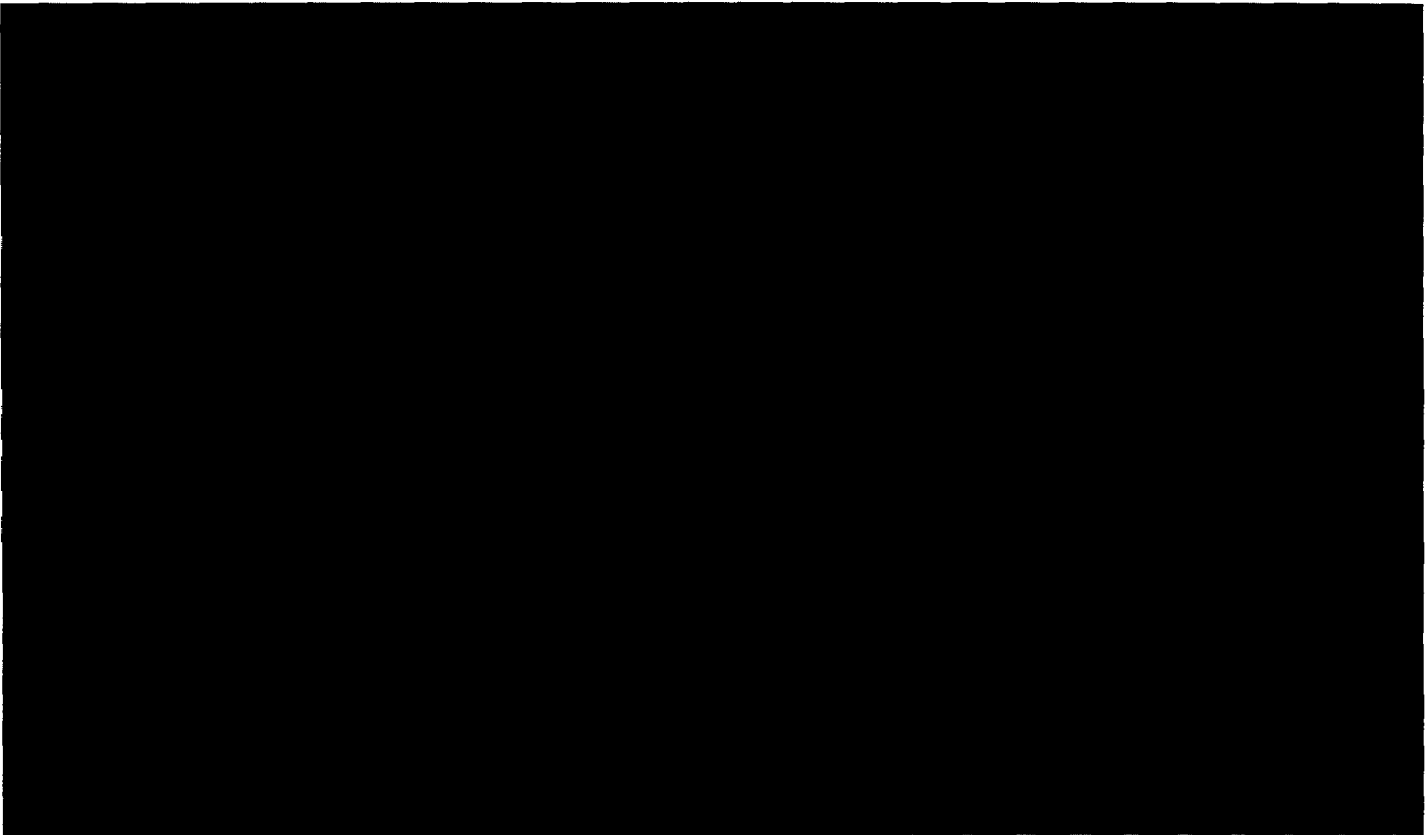


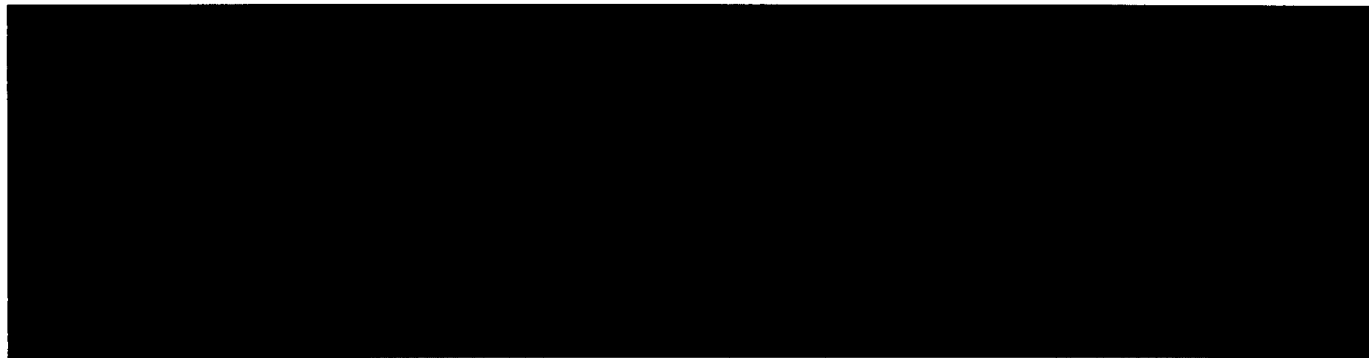
The "Purchaser" has the meaning set forth in the Preamble.



The "Seller" has the meaning set forth in the Preamble.







IN WITNESS WHEREOF, the Seller and the Purchaser have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, as of the date first above written.

**SELLER:**  
**STROUDS, INC. DEBTOR AND**  
**DEBTOR IN POSSESSION:**

By: \_\_\_\_\_

**PURCHASER:**  
**STROUDS ACQUISITION CORPORATION:**

By: \_\_\_\_\_



IN WITNESS WHEREOF, the Seller and the Purchaser have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, as of the date first above written.

**SELLER:  
STROUDS, INC. DEBTOR AND  
DEBTOR IN POSSESSION:**

By: \_\_\_\_\_

**PURCHASER:  
STROUDS ACQUISITION CORPORATION:**

By: Wah Q

IN WITNESS WHEREOF, the Seller and the Purchaser have caused this Agreement to be executed on their behalf by their officers thereunto duly authorized, as of the date first above written.

**SELLER:  
STROUDS, INC. DEBTOR AND  
DEBTOR IN POSSESSION:**

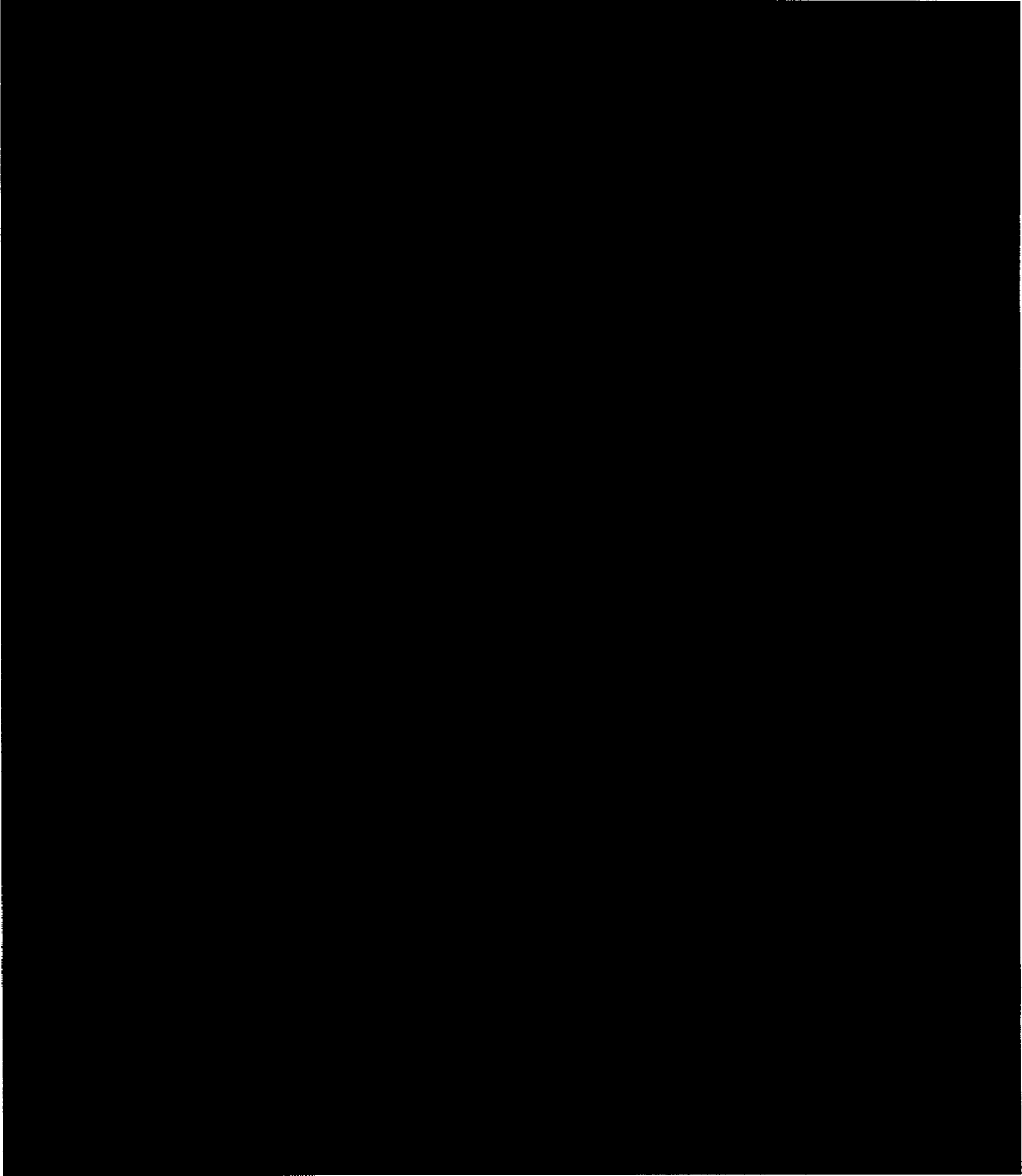
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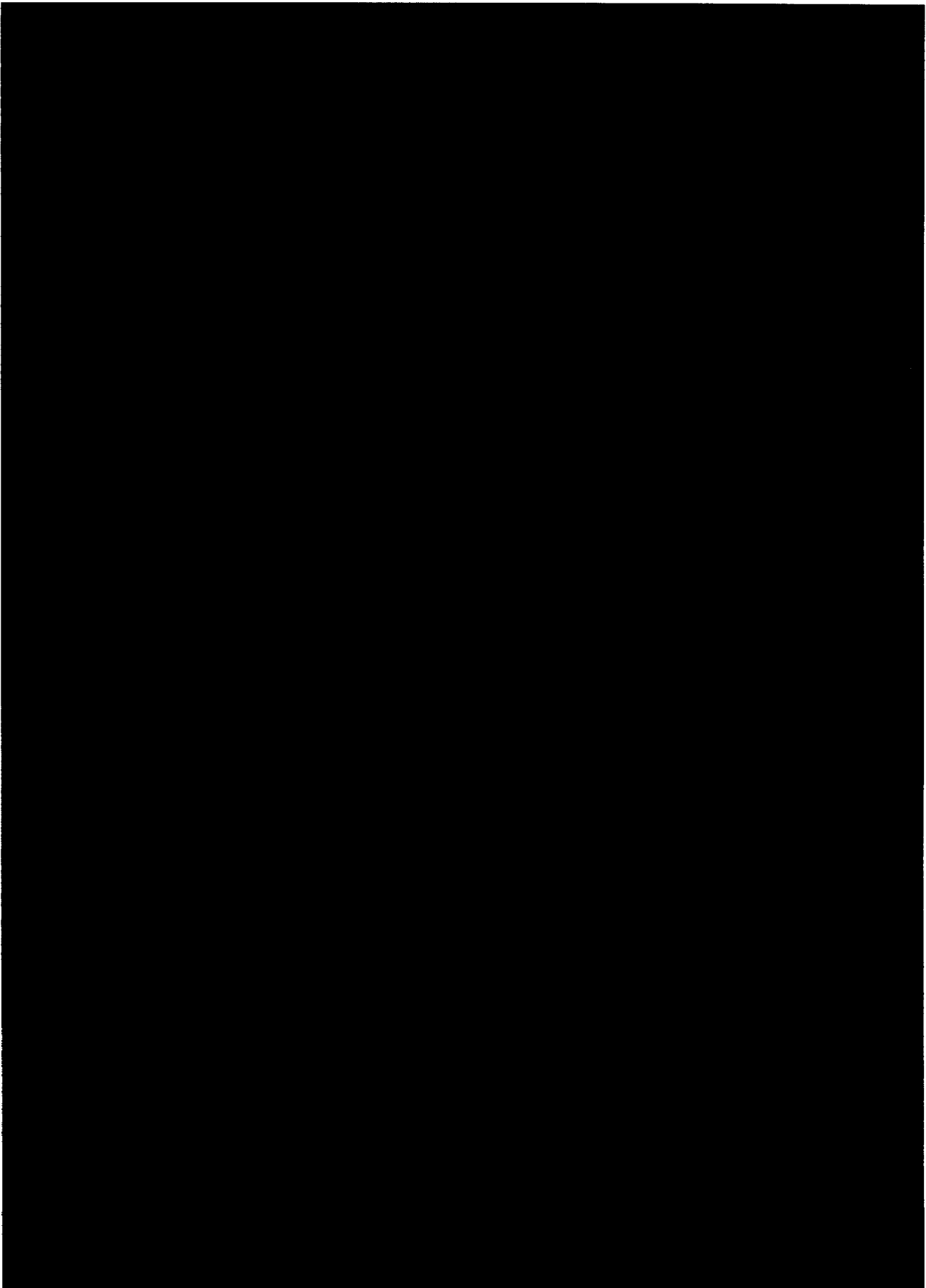
**PURCHASER:  
STROUDS ACQUISITION CORPORATION:**

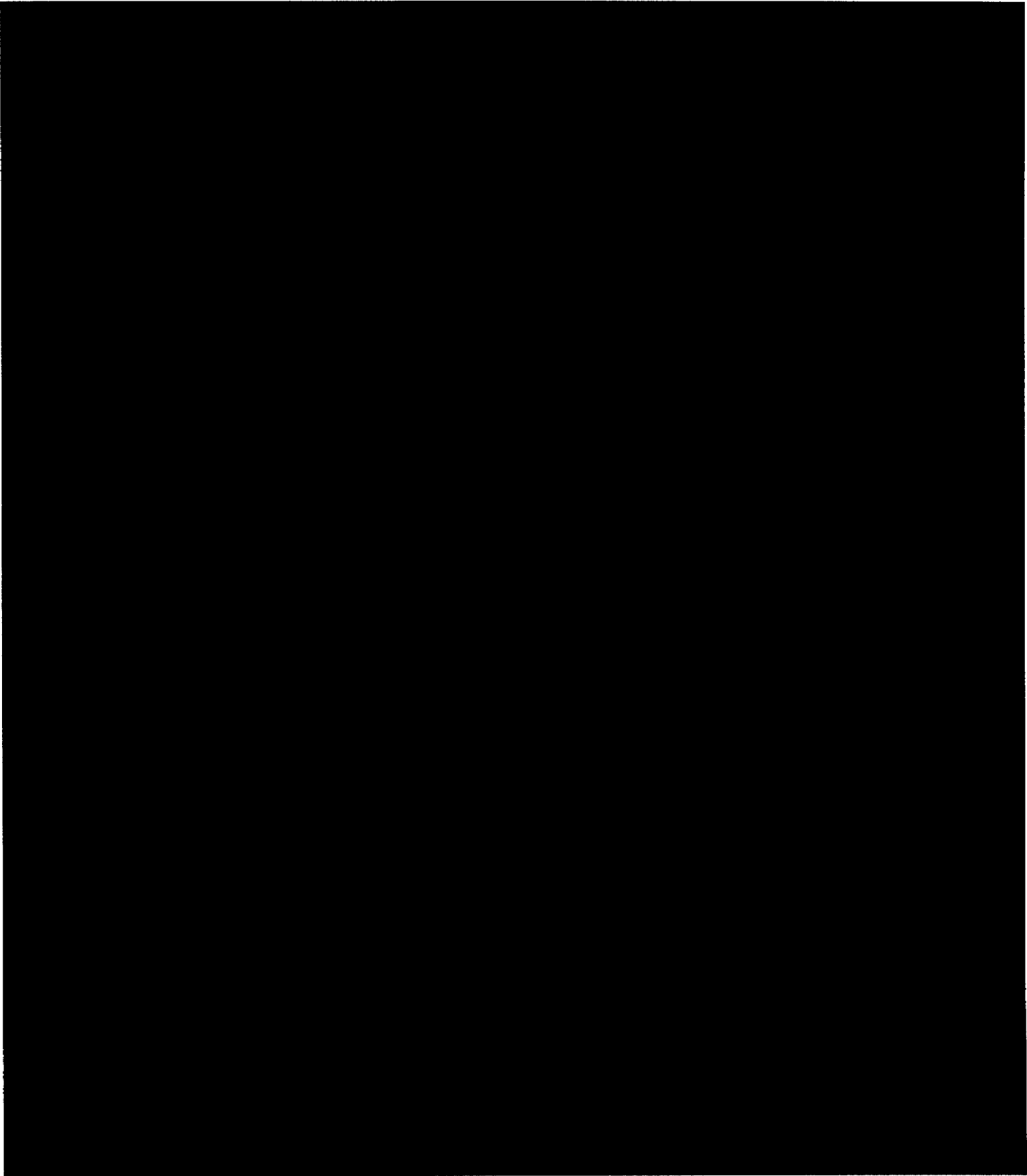
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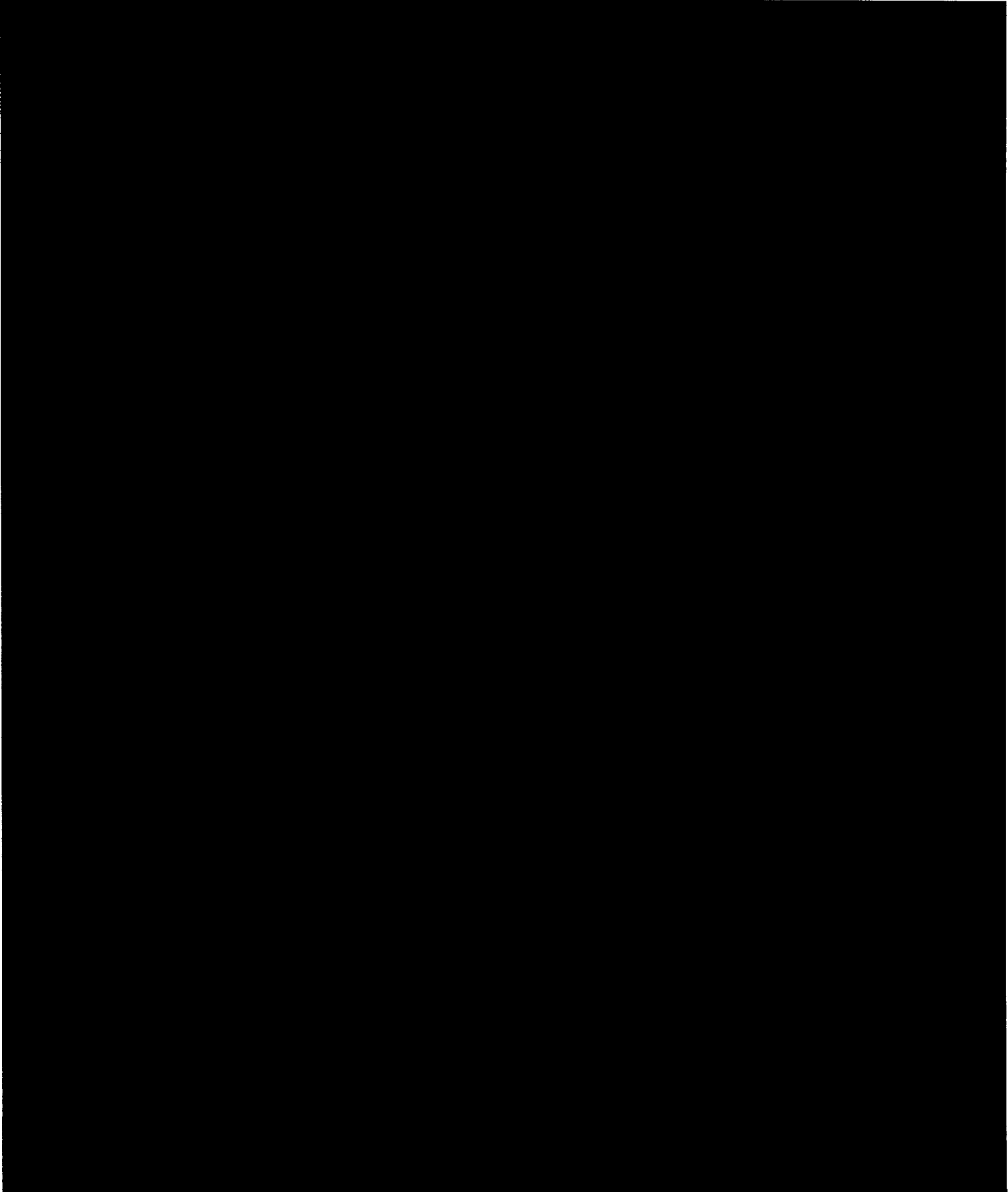
Schedules

Schedule 1.01(a)(vii)



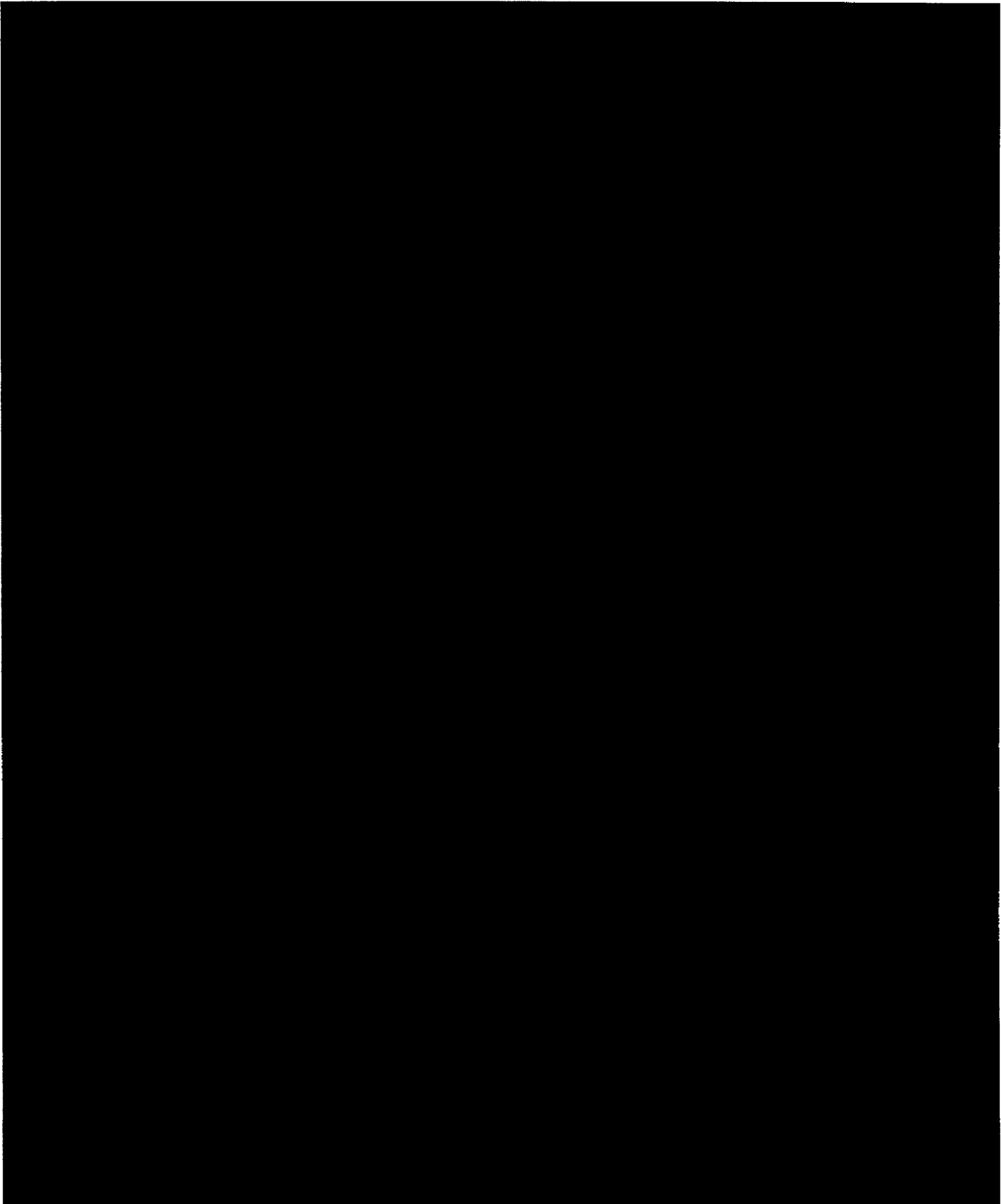


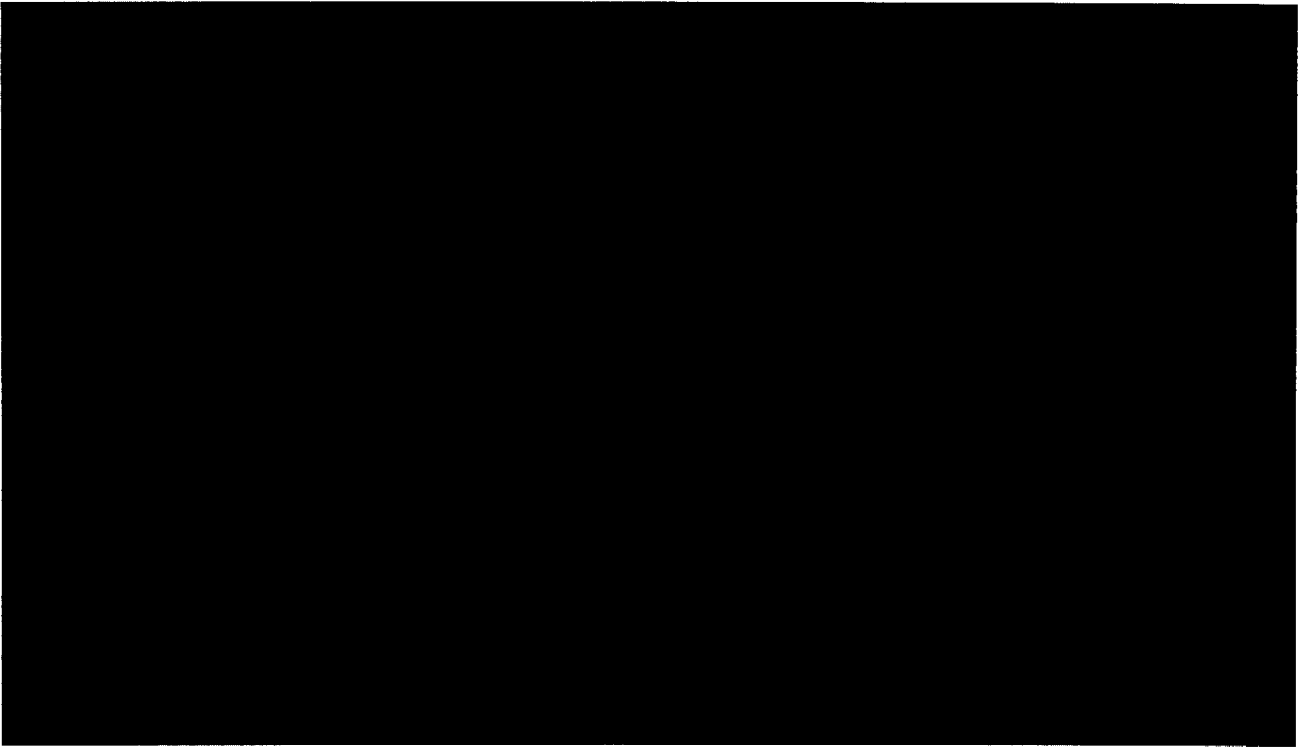




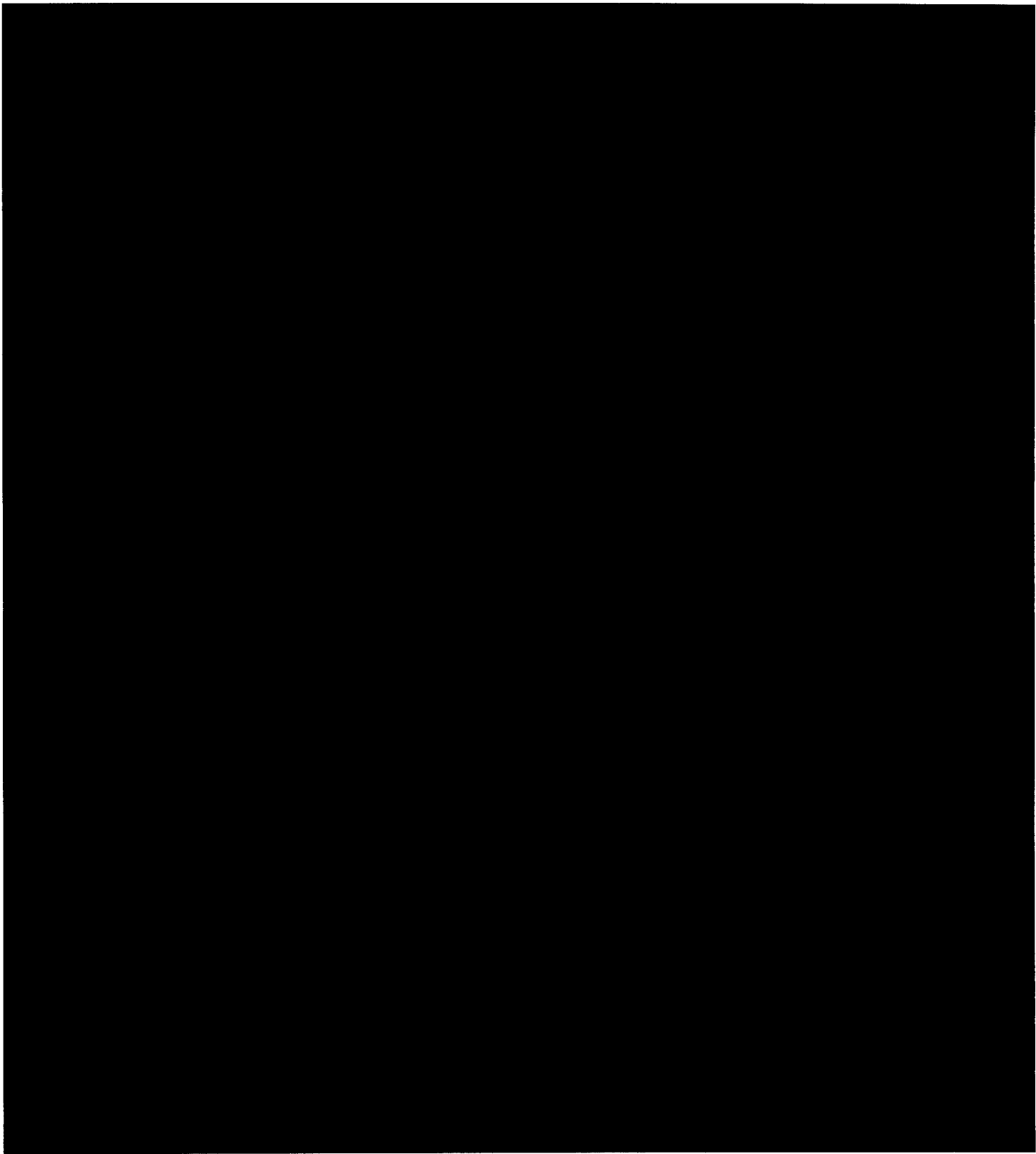




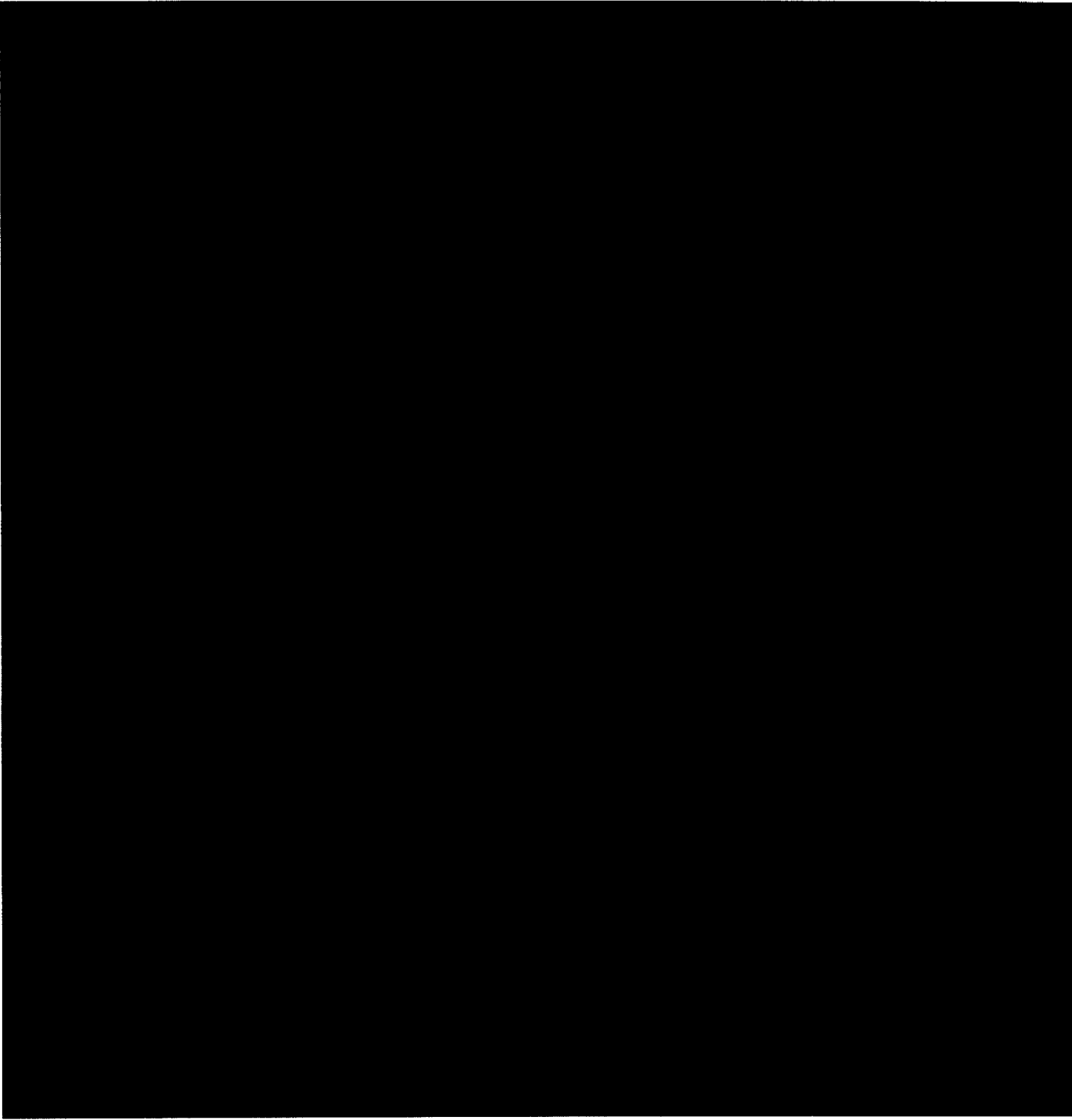


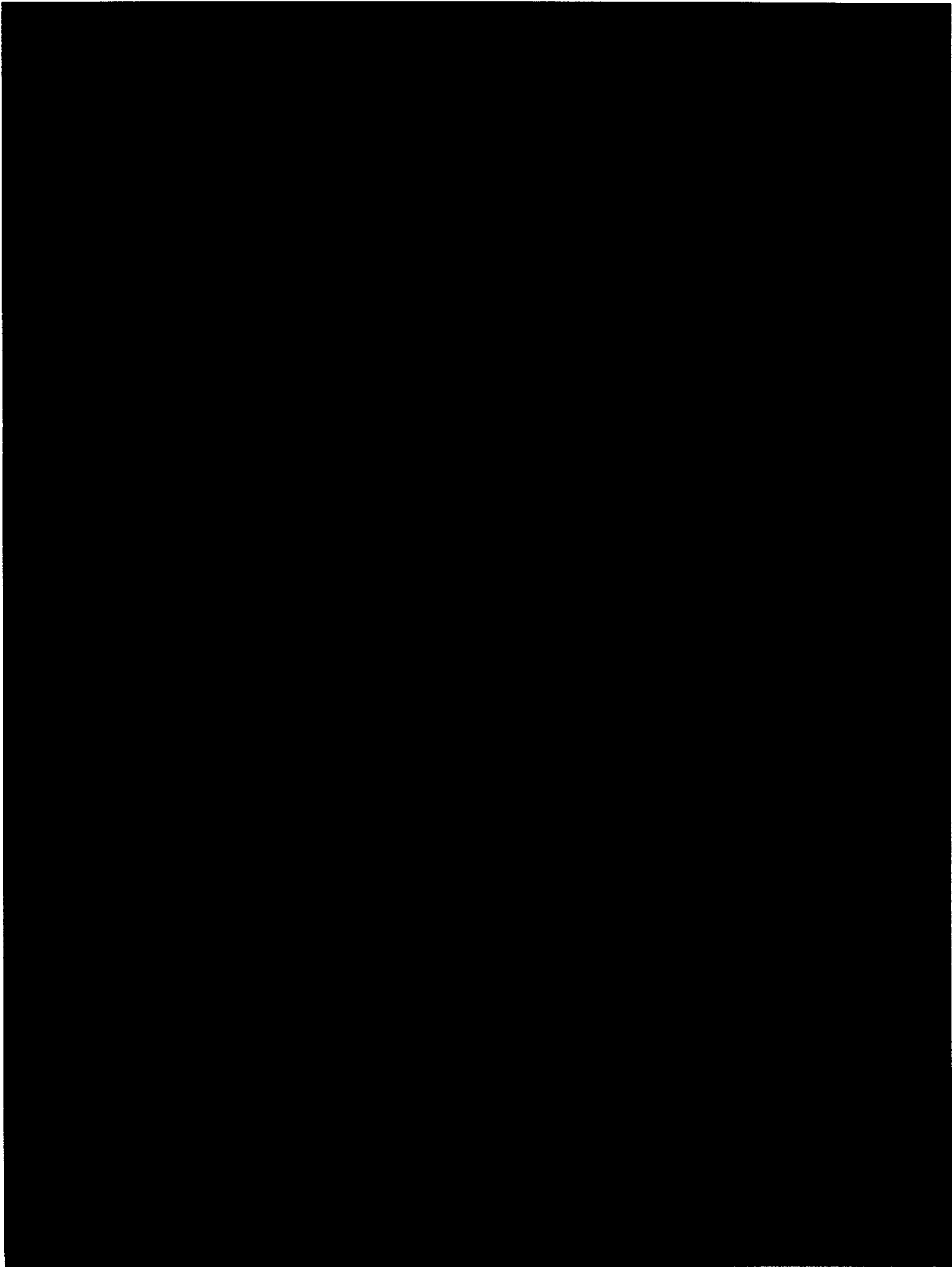


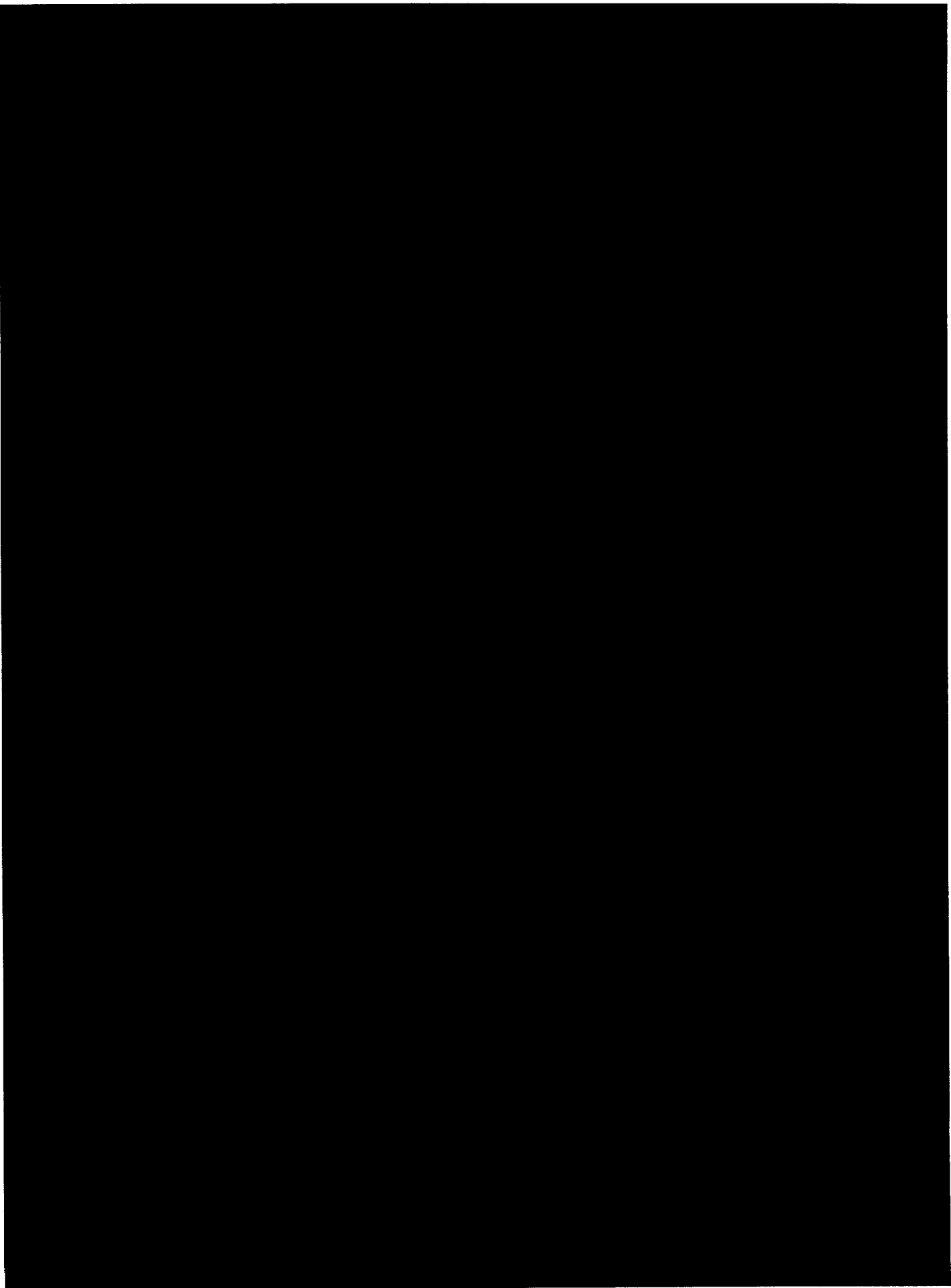
Schedule 2.02

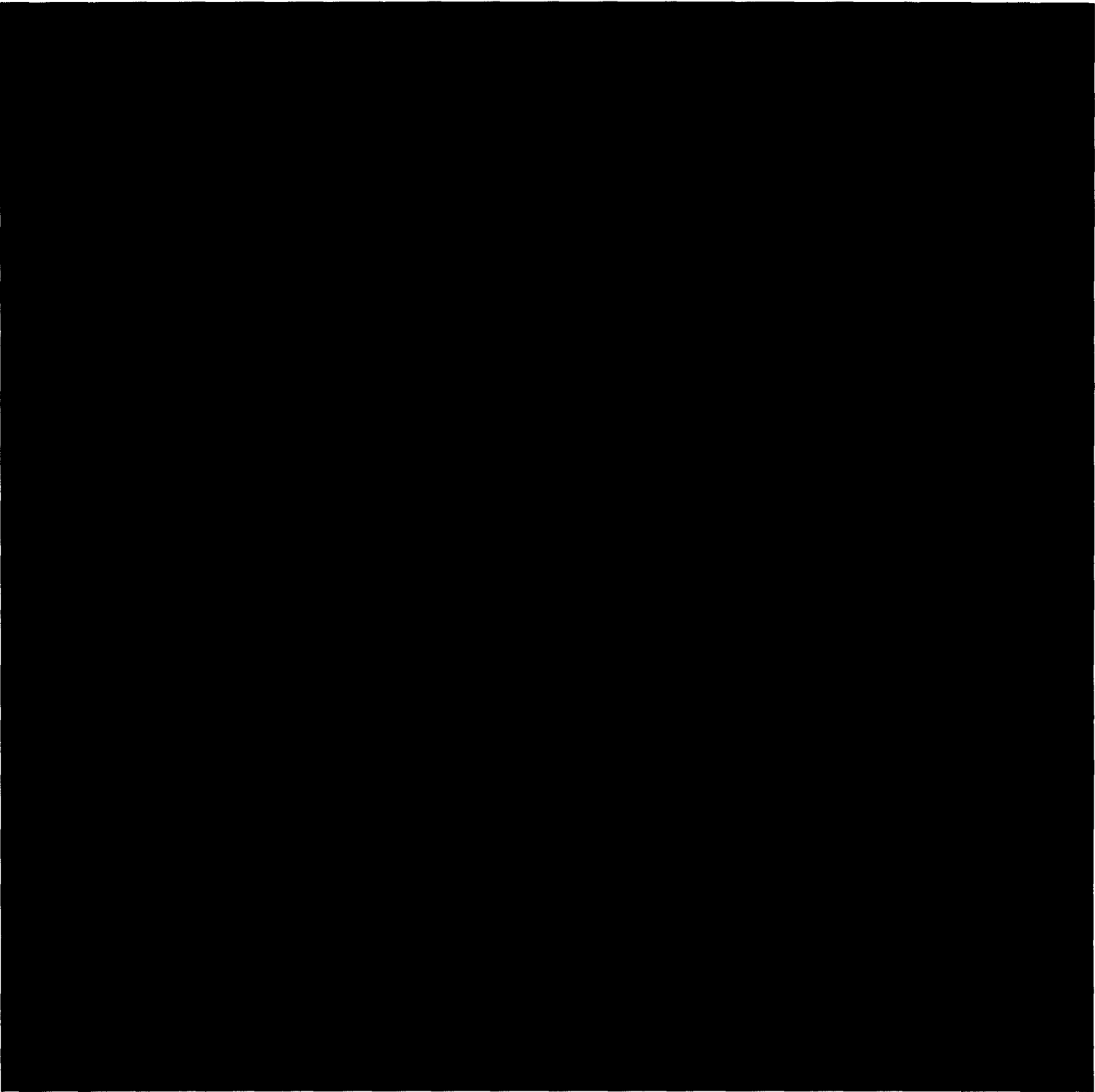


Schedule 3.04(a)









Schedule 3.06(a)

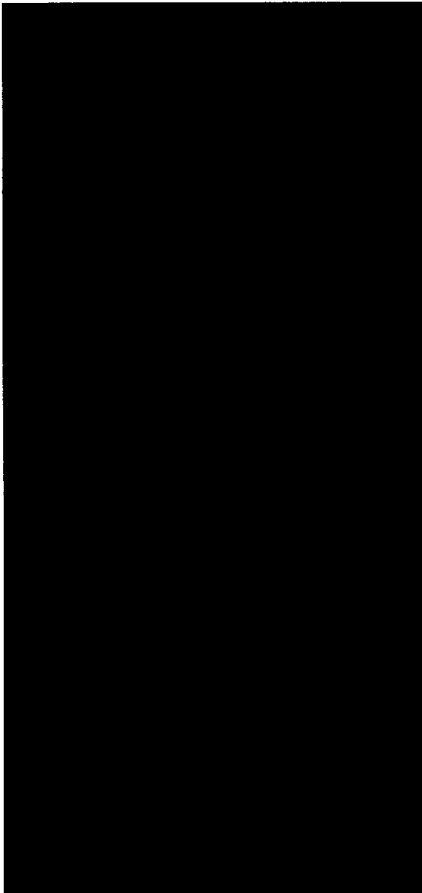
Intellectual Property of Seller

**Patents and Trademarks**

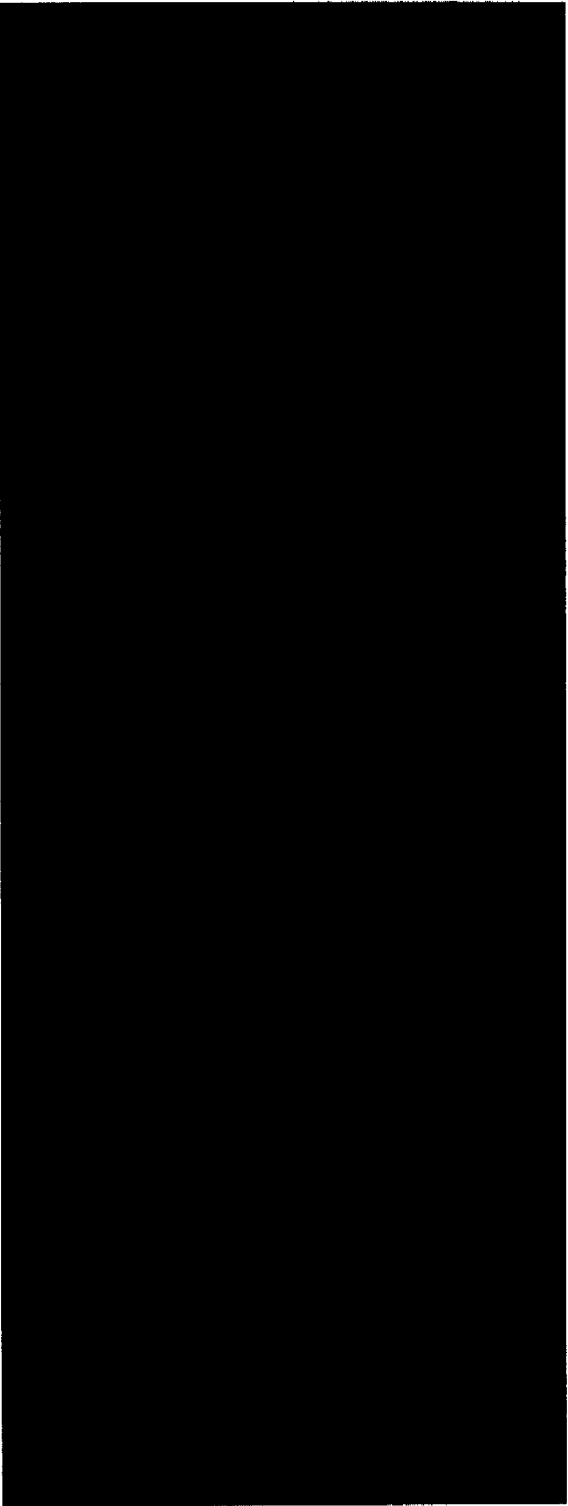
Case No.	Owner	Abbreviated Title	Filing Date	Serial No.	Patent/Reg.	Issue Date
S001-3001	Strouds	Strouds The Linen	3/10/94	74/500054	2003415	9/24/96
S001-3002	Strouds	Strouds/42	4/15/94	74/513201	2036339	2/11/97
S001-3013	Strouds	Palette/24	2/27/95	74/638657	2186141	9/1/98
S001-3016	Strouds	Strouds Linen Outlet	12/9/94	74/609262	2002249	9/24/96
S001-3017A	Strouds	Essentials/20	10/22/98	75/575169		*
S001-3018A	Strouds	Essentials/21	10/22/98	75/575171		
S001-3019	Strouds	Essentials/24	3/2/95	74/641245	2178791	8/4/98
S001-3019A	Strouds	Essentials/24	10/22/98	75/575170		
S001-3020A	Strouds	Essentials/27	10/22/98	75/575168		
S001-3029	Strouds	Strouds Home Compass	8/26/96	75/155891	2,200,220	10/27/98
S001-3036	Strouds	The Linen Experts/35	10/31/97	75/382767	2,252,827	6/15/99
S001-3038	Strouds	The Joyce Stroud	7/16/98	75/519733		
S001-3040	Strouds	Strouds/With Oval	6/22/00	76/077,720		

\* This was abandoned March 2001, and the petition to revive is in process.

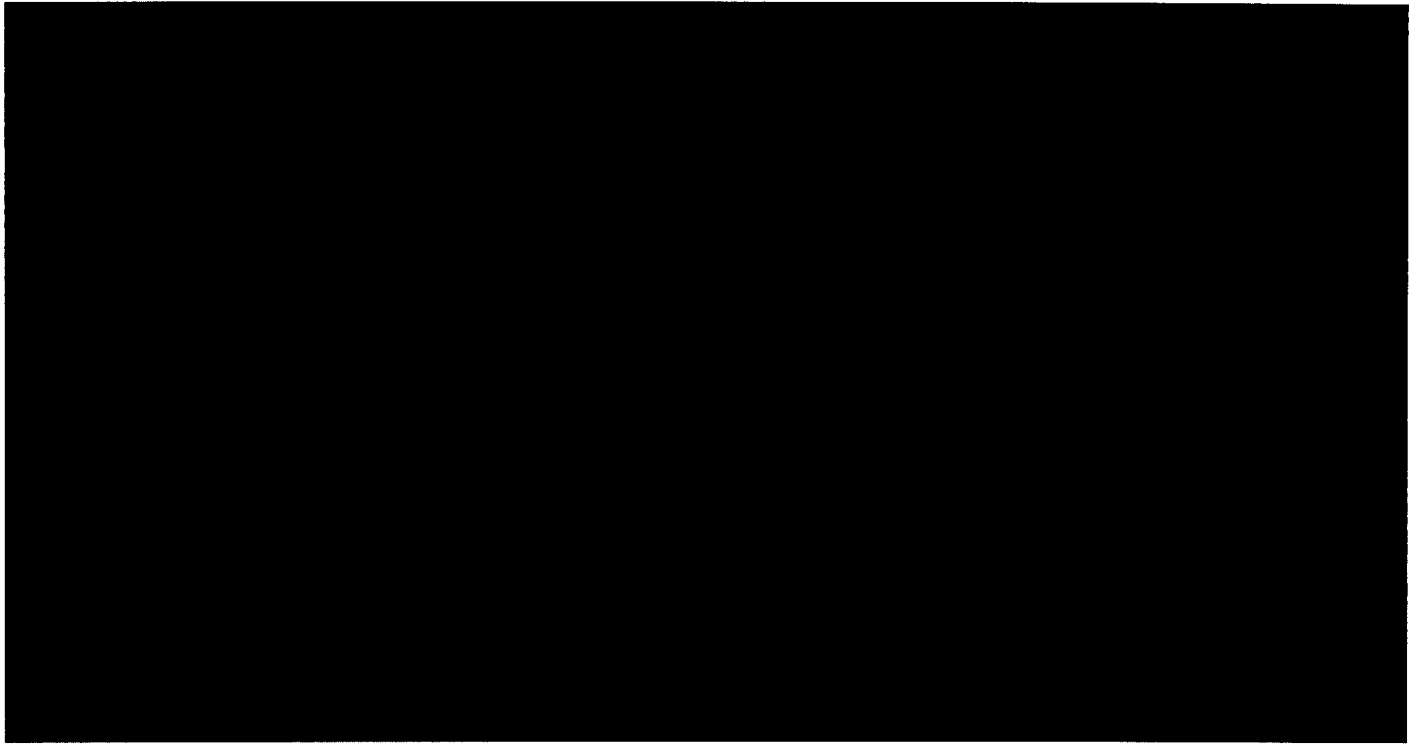
**Registered Domain Names**

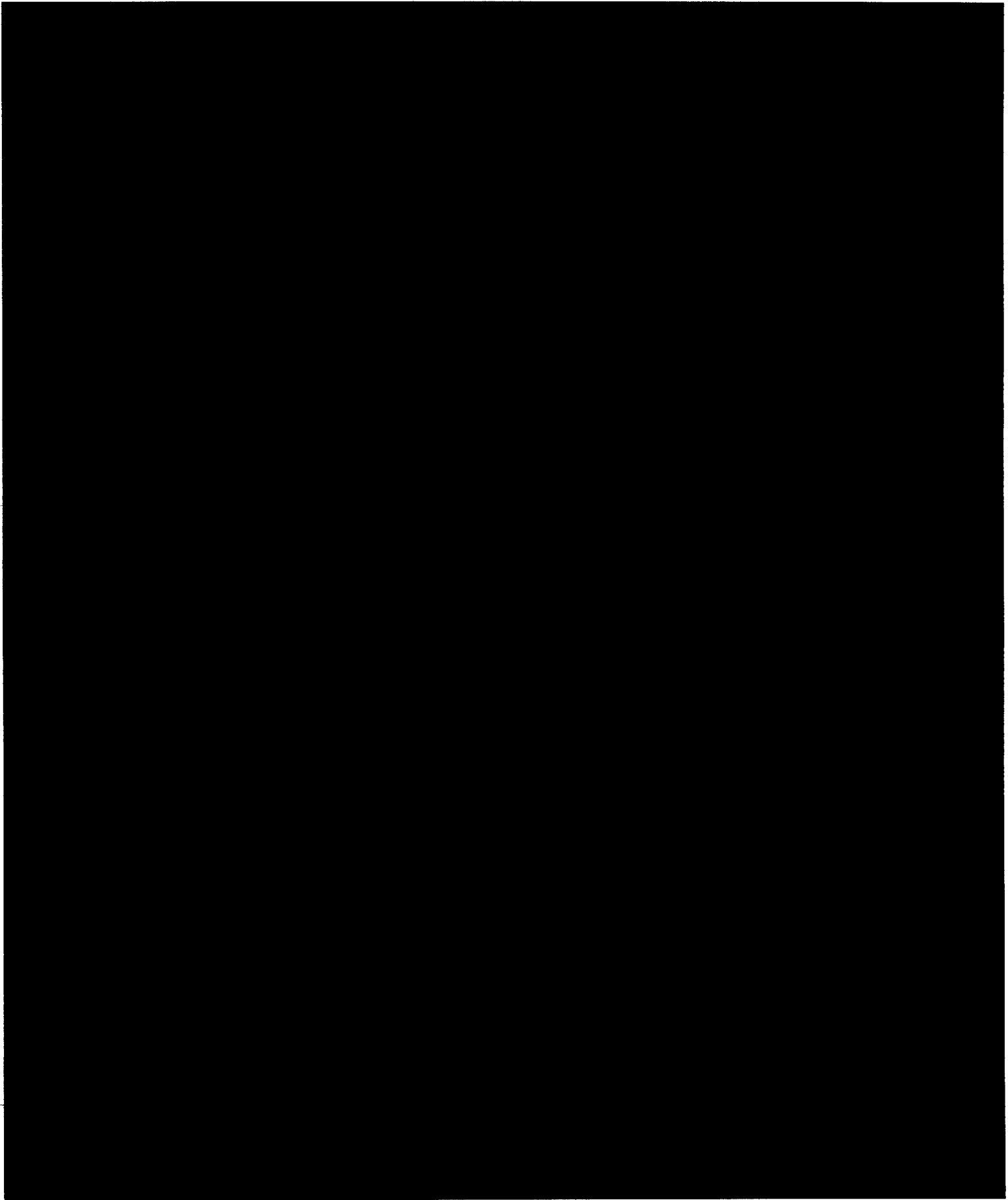




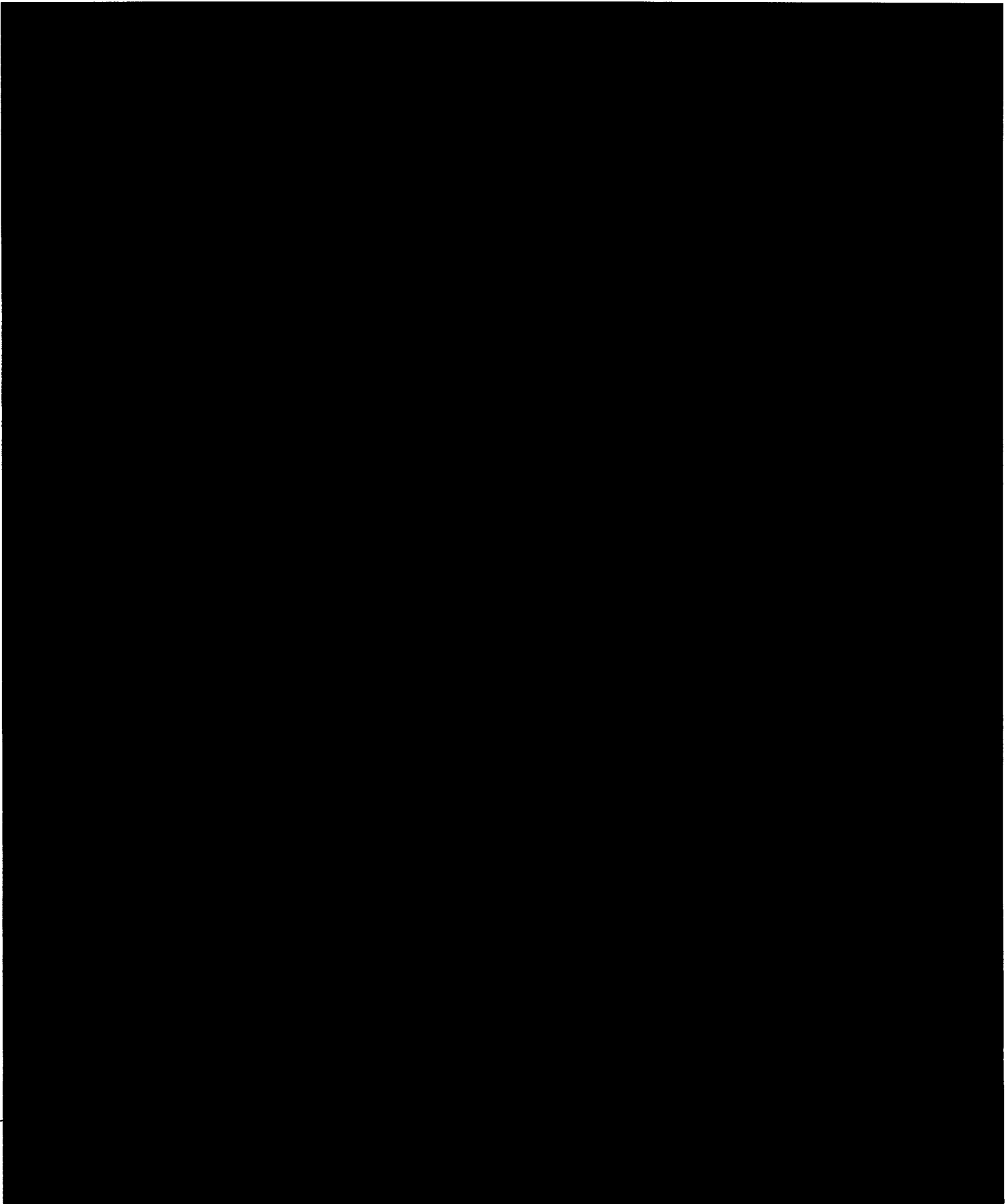


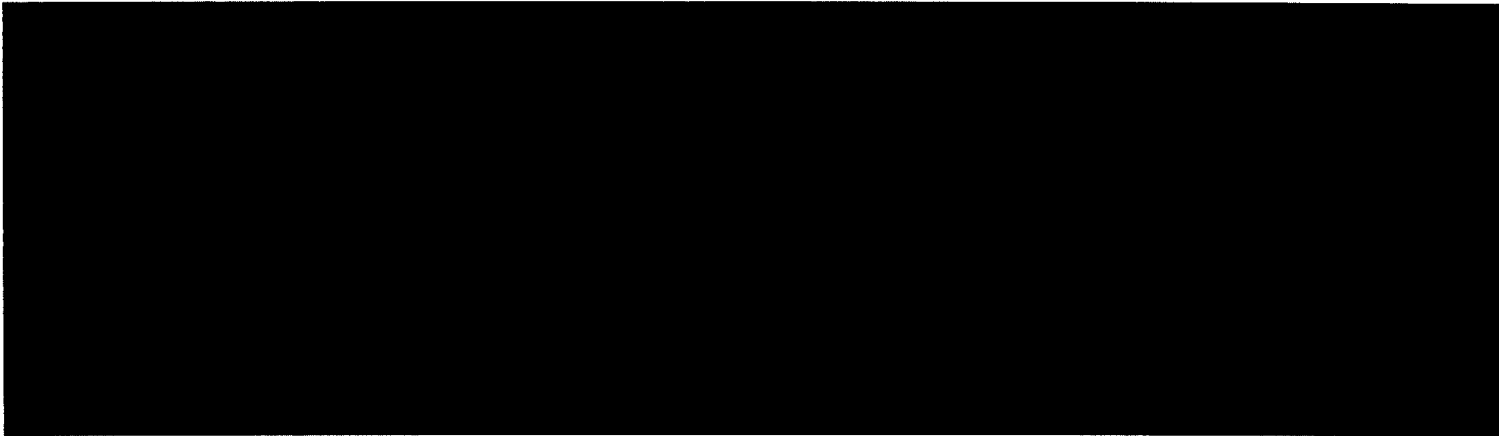
Schedule 3.06(b)











Schedule 4.06



Schedule 5.05(a)





