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Form PTO-1594 (Rev. 10/02) OMB No. 0651-0027 (exp. 6/30/2005) 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):

Collectors' Choice Music Holdings, Inc.

- Individual(s) Association General Partnership Limited Partnership Corporation-State Other Illinois corporation

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: 12/10/2001

2. Name and address of receiving party(ies)

Name: Infinity Resources, Inc.

Internal

Address:

Street Address: 900 N. Rohlwing Road

City: Itasca State: IL Zip: 60143

- Individual(s) citizenship Association General Partnership Limited Partnership Corporation-State 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) 1858053

1860145

Additional number(s) attached Yes No

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

Name: Mark E. Wiemelt, Esq.

Internal Address:

Street Address: 10 S. LaSalle St., Ste. 3500

City: Chicago State: IL Zip: 60603

6. Total number of applications and registrations involved: 2

7. Total fee (37 CFR 3.41) \$ 65.00

- Enclosed Authorized to be charged to deposit account

8. Deposit account number:

DO NOT USE THIS SPACE

9. Signature.

Mark E. Wiemelt

Name of Person Signing

Signature

11/08/2002

Date

Total number of pages including cover sheet, attachments, and document: 30

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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25.00 DP

TRADEMARK REEL: 2618 FRAME: 0844

## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT is made and entered into as of December 10, 2001 (this "Agreement"), by and between Infinity Resources, Inc., an Illinois corporation (the "Buyer"), and Collectors' Choice Music Holdings, Inc., an Illinois corporation (the "Seller"). Certain terms used in this Agreement are defined in Section 9.1.

WHEREAS, the Buyer desires to purchase from the Seller, and the Seller desires to sell to the Buyer, the Business and the Assets and the Buyer is willing to assume, and the Seller desires to assign and delegate to Buyer the Assumed Liabilities, upon the terms and subject to the conditions set forth in this Agreement (the "Transactions").

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

1. Transfer of Assets and Liabilities.

1.1 Transfer of Assets. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, the Seller shall sell, transfer, convey, assign and deliver to the Buyer, and the Buyer shall purchase and acquire from the Seller or one or more of its Affiliates (acting through the Seller), free and clear of any and all Liens, all of the assets and operations of the Seller or one or more of its Affiliates exclusively relating to the Business, of every type and description, real and personal, tangible and intangible, known and unknown, wherever located and whether or not reflected on the books and records of the Seller, as the same shall exist on the Closing Date, other than the Excluded Assets (collectively, the "Assets"), with effect as of the close of business on November 30, 2001 (the "Effective Time"). Without limiting the generality of the foregoing, the Assets shall include, but shall not be limited to, all right, title and interest in and to the following items:

(a) Inventory and Supplies. All inventory, promotional materials and similar items, wherever located, in each case, exclusively relating to the Business, including compact discs, audio cassettes, videotapes, DVDs, letterhead, catalogs, sales literature and all other supplies used exclusively in the Business, the value of which is set forth on the unaudited statement of assets and liabilities of the Business being assumed by the Buyer as of Effective Time prepared and delivered by the Seller to the Buyer at the Closing (the "Closing Statement");

(b) Contracts. To the extent transferable, the Seller's or one or more of its Affiliate's right, title and interest in and to all Contracts of the Seller or one or more of its Affiliates exclusively relating to the Business, including, without limitation, the Contracts listed on Schedule 4.8 hereto (collectively, the "Acquired Contracts");

(c) Prepaid Expenses, etc. All of the Seller's prepaid expenses and rentals exclusively relating to the Business incurred in the ordinary course of business as reflected on the Closing Statement;

(d) Intellectual Property. All of the Seller's or one or more of its Affiliate's patents, trademarks, copyrights, service marks, trade names, trade secrets, software, and proprietary information utilized exclusively in the Business, all applications for or registrations of any of the foregoing, and to the extent transferable, all permits, grants, licenses or other rights running to or from the Seller, relating exclusively to any of the foregoing, including, without limitation, Seller's and one or more of its Affiliate's rights to the "Collectors' Choice Music" name and the items listed on Schedule 4.15 (collectively, the "Intellectual Property Rights");

(e) Goodwill. All of the Seller's goodwill and going concern value exclusively relating to the Business;

(f) Books and Records. All pertinent books and records of the Seller related exclusively to the Business and, with respect to Transferred Employees, those employees personnel records (to the extent permitted by law);

(g) Accounts Receivable. All receivables (excluding intercompany receivables owed to the Seller), including, without limitation, the accounts receivable of Koch Distributors or its Affiliates ("Koch"), (i) as of the Effective Date and included in the receivables on the Closing Statement (the "Koch Receivables") and (ii) the accounts receivable of Koch for the month of November 2001 (the "Koch November Receivables"); and

(h) Other Assets. To the extent transferable, all of the other intangible and tangible assets of the Seller exclusively relating to the Business, including, without limitation, all electronic data, all supplier and vendor information, all customer lists, mailing lists and associated data and customer correspondence, records, files, reports and other documents and data, all business post office boxes and business telephone listings, all research results and other know-how, and all other materials, records, files and data, in whatever form contained.

1.2 Excluded Assets. Notwithstanding any other provision of this Agreement, the Seller shall not sell, assign or transfer to the Buyer, and the Buyer shall not acquire from the Seller, any of the following assets (collectively, the "Excluded Assets"):

(a) This Agreement. All of the rights of the Seller under this Agreement and any documents delivered or received in connection herewith;

(b) Intercompany Receivables. All intercompany receivables payable to the Seller;

(c) Cash and Cash Equivalents and Bank Accounts. All cash, investments and cash equivalents, on hand, in the Seller's or its Affiliates' accounts or in transit relating to the Business, as well as the bank accounts and other depository accounts relating to the Business;

(d) Insurance Policies. All insurance policies of the Seller or its Affiliates or acquired or assumed by the Seller or its Affiliates prior to the Closing Date

pertaining to the Business and all rights of the Seller or its Affiliates of any nature and description under or arising out of such insurance policies;

(e) Corporate Records. All corporate minute books, stock ledgers, Tax Returns, Tax records and other corporate books and records of the Seller or its Affiliates and all books and records of the Seller or its Affiliates not relating to the Business, the Assets or the Assumed Liabilities;

(f) Real Property. Any real property owned, leased or used by Seller or its Affiliates;

(g) Personal Property. All personal property owned, leased or used by Seller or its Affiliates;

(h) Expired Contracts. All of the agreements, Contracts, or arrangements relating to the Business that have terminated or expired prior to the Effective Time in the ordinary course;

(i) Fulfillment Agreement. That certain Fulfillment and Customer Service Services Agreement, dated as of October 2, 2000, between Buyer (f/k/a Critics' Choice Video, Inc.) and Seller (the "Fulfillment Agreement"); and

(j) Tax Assets. Any assets relating to Taxes, including without limitation, any right to any credit or refund of Taxes.

(k) Other Excluded Assets. All: (i) of the rights and assets of the Seller or its Affiliates (x) relating to the liabilities or obligations of the Seller or its Affiliates with respect to the Business and not otherwise assumed by the Buyer pursuant to this Agreement or (y) that are not dedicated exclusively to the Business; (ii) assets not used by the Seller or its Affiliates in connection with the Business; and (iii) any trademarks, service marks, trade names, emblems, logos, insignia and registration marks not used exclusively in the Business, including without limitation those trademarks, service marks, trade names, emblems, logos, insignia and registration marks involving "Playboy," "Spice" or associated logo designs or any compound mark that incorporates "Playboy," "Spice" or associated logo designs.

1.3 Liabilities to be Assumed. Subject to the terms and conditions of this Agreement, in partial consideration of the transfer to the Buyer of the Assets, at the Closing, the Buyer shall assume and thereafter pay, perform, satisfy and discharge all of the following liabilities and obligations of the Seller and its Affiliates existing at the Closing and exclusively relating to the Business (collectively, the "Assumed Liabilities"):

(a) all executory liabilities arising on or after the Effective Time under any and all Acquired Contracts, including without limitation, executory liabilities under any purchase orders sent by the Seller before the Effective Time in connection with merchandise that is received after the Effective Time;

(b) all liabilities arising at or after the Effective Time related to the Assets or the operation of the Business;

Effective Time;

(c) obligations for merchandise returns made at or after the

(d) obligations for back orders and outstanding gift certificates existing at the Effective Time as reflected on the Closing Statement; and

(e) liabilities for and associated with accrued vacations or sick leave for all Persons employed in connection with the Business hired by the Buyer (collectively, the "Transferred Employees").

1.4 Excluded Liabilities. Except to the extent specified in Section 1.3 hereof, the Buyer is not assuming, in connection with the Transactions, any liability or obligation of the Seller whatsoever.

2. Consideration and Payment.

2.1 Consideration and Payment.

## 2.2 Allocation of Purchase Price; Tax Matters.

(a) Within fourteen (14) days after the Closing Date, the Buyer shall prepare and submit to the Seller an allocation of the purchase price among the Assets. The Seller shall have full opportunity to review such allocation for fourteen (14) days after receipt of such allocation from the Buyer. The Seller may dispute any items in the allocation. Unless the Seller delivers notice to Buyer on or prior to the fourteen (14) day after receipt by the Seller of the allocation specifying any dispute with the allocation, the Seller shall be deemed to have accepted and agreed to the allocation. The Seller and the Buyer shall, within ten (10) days following a notice of dispute, attempt to resolve their differences and any resolution by them as to any disputed items shall be final, conclusive and binding on the parties. If at the end of the resolution period there remain any disputed items, then all such remaining disputed items shall be submitted to an independent third party mutually acceptable to both parties for resolution. Such independent party shall resolve any disputed items within twenty (20) days of its appointment and resolution by such independent party shall be conclusive, binding and final on the parties hereto. For purposes of determining the Buyer's basis in the Assets and gain or loss recognized by the Seller with respect to the sale of the Assets to the Buyer, the Buyer and the Seller covenant and agree that the aggregate purchase price shall be allocated by them among the Assets consistent with the allocation, and the parties further agree that they shall file all tax returns and related forms (including, without limitation, Form 8594) in accordance with the final allocation and shall not make any inconsistent written statement or take any inconsistent position in any Tax Returns, in any refund claims, or during the course of any Internal Revenue Service or other tax audit.

(b) All sales, transfer, use and other similar Taxes imposed in connection with the transfer of the Assets, whether such taxes are assessed initially against the Seller or the Buyer, shall be borne and paid by the Buyer; provided, however, that any Taxes assessed as a result of 35 ILCS 120/5j (2000) shall be borne and paid by the Seller.

3. Closing.

3.1 Closing; Closing Date. The Closing of the sale and purchase of the Assets contemplated hereby shall take place at the offices of Huff & Gaines Ltd. at 10:00 a.m., Chicago local time, on the date hereof, or at such other place or such other time or date as the parties may mutually agree in writing. The date upon which the Closing occurs is herein called the "Closing Date." It is the parties intention that upon the Closing, the sale hereunder shall be deemed to be effective as of the Effective Time.

3.2 Closing Deliveries of Seller. At the Closing, the Seller shall deliver to the Buyer:

(a) a bill of sale and assignment agreement duly executed by the Seller, substantially in the form of Exhibit A-1 attached hereto (the "Bill of Sale"), transferring the Assets to the Buyer;

(b) the Assets, by making the Assets available to the Buyer at their present location;

(c) an assumption agreement duly executed by the Seller, substantially in the form of Exhibit A-2 attached hereto (the "Assumption Agreement"), evidencing the assumption by the Buyer of the Assumed Liabilities;

(d) a certificate, in form and substance reasonably satisfactory to the Buyer, dated as of the Closing Date and signed by the Secretary or an Assistant Secretary of the Seller, certifying (i) that the Board of Directors of the Seller has approved the Transactions and (ii) as to the incumbency and specimen signature of each officer of the Seller executing this Agreement, the other Transaction Documents and any other documents delivered in connection herewith on behalf of the Seller;

(e) an opinion of counsel of the Seller, dated the Closing Date, in the form attached hereto as Exhibit B; and

(f) such further instruments of sale, transfer, conveyance, assignment or delivery covering the Assets or any part thereof as the Buyer may reasonably require to assure the full and effective sale, transfer, conveyance, assignment or delivery to it of the Assets.

3.3 Closing Deliveries of Buyer. At the Closing, the Buyer shall deliver to the Seller:

(a) the amount equal to the Net Purchase Price less the Bulk Sales Holdback by wire transfer in immediately available funds to an account designated by Seller;

(b) the Bill of Sale, duly executed by the Buyer;

(c) the Assumption Agreement, duly executed by the Buyer;

(d) a certificate, in form and substance reasonably satisfactory to the Seller, dated as of the Closing Date and signed by the Secretary or an Assistant Secretary of the Buyer, certifying (i) that the Board of Directors of the Buyer has approved the Transactions and (ii) as to the incumbency and specimen signature of each officer of the Buyer executing this Agreement, the other Transaction Documents and any other documents delivered in connection herewith on behalf of the Buyer;

(e) a written list of those employees of Seller or its Affiliates to whom Buyer shall offer employment to be attached hereto as Schedule 6.4;

(f) an opinion of counsel of the Buyer, dated the Closing Date, in the form attached hereto as Exhibit C; and

(g) a Certificate of Resale, duly executed by the Buyer, substantially in the form of the draft attached hereto as Exhibit D.

4. Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer as of the date of this Agreement as follows:

4.1 Corporate Existence and Power. The Seller (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois, (ii) has all requisite corporate power and authority to conduct the Business as it is currently conducted, (iii) is duly qualified as a foreign corporation, licensed and in good standing under the laws of each jurisdiction in which its conduct of the Business requires such qualification, and in which the failure so to qualify or be authorized would reasonably be expected to have a material adverse effect on the Assets taken as a whole or on the results of operations or financial condition of the Business (a "Material Adverse Effect"), and (iv) has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and the other Transaction Documents. No jurisdiction, other than those referred to in clause (iii) above, has claimed, in writing or otherwise, that the Seller is required to qualify as a foreign corporation or other entity therein in connection with the operation of the Business, and the Seller does not file any franchise, income or other tax returns in any other jurisdiction in connection with the operation of the Business or the derivation of income therefrom. The Seller does not own or lease real property in connection with the operation of the Business in any jurisdiction other than its jurisdiction of incorporation or other formation and the jurisdictions referred to in clause (iii) above.

4.2 Equity Investments. The Seller does not own, directly or indirectly, any outstanding voting stock of any other Person, which relates in any manner to the Business.



#### 4.3 Authorization; No Contravention.

(a) Assuming that all consents, approvals, authorizations and other actions described in Section 4.3(b) have been obtained and all filings and notifications described in Section 4.3(b) have been made, and except as may result from any facts or circumstances relating solely to the Buyer, the execution, delivery and performance of this Agreement and the other Transaction Documents by the Seller do not and will not (i) violate or conflict with the Articles of Incorporation or By-laws of the Seller, (ii) conflict with or violate any Law or any order, writ or judgment (collectively, "Orders") applicable to the Seller or the Business in any material respect or (iii) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of any Lien or other encumbrance on any of the Assets pursuant to, any Contract relating to or included in the Assets or to which the Seller is a party or by which any of the Assets is bound, except with respect to (iii) as would not reasonably be expected to have a Material Adverse Effect.

(b) The execution, delivery and performance of this Agreement and the other Transaction Documents by the Seller do not and will not require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Body, except (i) as described in Schedule 4.3 hereto and (ii) as may be necessary as a result of any facts or circumstances relating solely to the Buyer. The Seller is not party to, or bound by, any agreement that is currently in effect, granting rights to any Person, which are inconsistent with the rights to be granted to the Buyer by the Seller in this Agreement or the other Transaction Documents. This Agreement has been and the other Transaction Documents at Closing will have been, duly authorized by all necessary corporate action of the Seller, and duly executed and delivered by the Seller. This Agreement constitutes, and the other Transaction Documents at Closing will constitute, the legal, valid and binding obligations of the Seller (assuming due and valid authorization, execution and delivery thereof by Buyer), enforceable against the Seller in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

4.4 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon any arrangements made by or on behalf of the Seller.

4.5 Compliance with Laws. To the Knowledge of the Seller, the Seller is not in violation of any Orders or any applicable law, statute, treaty, rule, regulation, right, privilege, qualification, license, franchise, code, ordinance or other requirement (collectively, "Laws") of any Governmental Body relating to the Business, and the Seller has not received notice that any such violation relating to the Business is being or may be alleged, except for violations that would not reasonably be expected to have a Material Adverse Effect. The Seller has paid all material Taxes due and payable prior to the Closing for the Business and filed all material returns and reports relating to Taxes required to be filed prior to the Closing with

respect to the Business, in each case for which the Buyer could be held liable or a claim made against the Assets after the Closing.

4.6 Permits. The Seller has all material licenses, permits, exemptions, consents, waivers, authorizations, rights, certificates of occupancy, franchises, orders or approvals of, and has made all required registrations with, any Governmental Body that are required for and material to the conduct of the Business (collectively, "Permits"). All such Permits are listed on Schedule 4.6 hereto and are in full force and effect; no material violations are or have been recorded in respect of any such Permit; and no proceeding is pending or, to the Knowledge of the Seller, threatened to revoke or limit any such Permit.

4.7 Claims and Proceedings. To the Knowledge of Seller, there are no outstanding Orders of any Governmental Body against or involving the Seller relating to the Business. Except as set forth in Schedule 4.7, there are no material actions, suits, claims or legal, administrative or arbitral proceedings or investigations relating to the Business (collectively, "Claims") (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) pending, or, to the Knowledge of the Seller, threatened, against or involving the Seller. Except as set forth in Schedule 4.7, to the Knowledge of the Seller, there is no fact, event, or circumstance that is reasonably likely to give rise to any material Claim. No Order has been issued or, to the Knowledge of Seller threatened to be issued, by any Governmental Body against the Seller purporting to enjoin or restrain the execution, delivery or performance of this Agreement or the other Transaction Documents or the transactions contemplated hereby and thereby.

4.8 Contracts. To the Knowledge of the Seller, Schedule 4.8 lists or describes all Contracts material to the Business existing as of the date hereof (the "Scheduled Contracts"). Complete copies of all Contracts listed on Schedule 4.8 have been delivered to or have been made available for inspection by the Buyer. Except as set forth on Schedule 4.8, (i) the Seller is not and, to the Knowledge of the Seller, no other Person is, in breach of, or default under, any Scheduled Contract in any material respect or (ii) no event or action has occurred or, to the Knowledge of the Seller, is threatened, which, after the giving of notice, the lapse of time or otherwise, would constitute or result in a material breach by the Seller or, to the Knowledge of the Seller, any other Person, under any Scheduled Contract.

4.9 Financial Information. The historical pro forma unaudited preliminary financial information of the Seller for the first 10 months of 2001 (the "Financial Information") relating to the Business as of October 31, 2001 (the "Financial Information Date") previously delivered by Seller to the Buyer was prepared from and in accordance with the books and records of the Business. The Financial Information was prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied and fairly presents in all material respects the financial position of the Business as of the periods therein; provided, that (i) the Financial Information may not be indicative of results that would have occurred if the Business had been a separate stand-alone entity during the periods presented or of the future results of the Business; (ii) certain financial information, footnote disclosure and material adjustments required in financial statements prepared in accordance with GAAP have been omitted or condensed. The Financial Information contains estimates that are not guarantees of future performance. Actual results may differ materially from such estimates.

4.10 Sufficiency and Condition of Assets. All of the material rights, properties and assets required by the Seller in connection with owning and operating the Assets and carrying on and conducting the Business are either (i) included in the Assets; (ii) included in the Excluded Assets; or (iii) provided by Affiliates of Seller and are not included in the Assets.

4.11 Title to Assets. Except as set forth in Schedule 4.11, on the Closing Date the Seller or its Affiliates will have good and marketable title to all the material properties and Assets reflected on the Closing Statement. Except as set forth in Schedule 4.11, at the time of the Closing, the Seller or one of its Affiliates shall have and shall assign, transfer and convey to the Buyer good and marketable title to all such Assets subject to no Liens other than Permitted Liens.

4.12 Restriction on Assets. The Seller is not subject to, or bound by any Order, that could prevent the use of any of the Assets or the distribution and sale of, or the right to distribute or sell, the products distributed and sold by the Seller.

4.13 Inventory. All of the inventories which are reflected on the Closing Statement were purchased or acquired in the ordinary course of the Business and in a manner consistent with the regular inventory practices relating to the Business; in the Closing Statement, all of the inventories which are reflected on the Closing Statement were priced at the lower of cost or market and were (as to classes of items inventoried and methods of accounting and pricing) determined in a manner consistent with prior years; and all inventories which will have been purchased or acquired by the Seller for its Business since the date of the Closing Statement were purchased or acquired in the ordinary course of the Business and in a manner consistent with its regular inventory practices.

4.14 Employees. There is no material labor trouble, dispute, grievance, controversy or strike pending or, to the Knowledge of the Seller, threatened against the Seller relating to the business or operations of the Seller, and the Seller does not know of any occurrence of any events which would give rise to any such labor trouble, dispute, grievance, controversy or strike. The Seller is not a party to or bound by any collective bargaining agreement and, to Seller's Knowledge, no certification question or organization drive exists or has existed within the past twelve (12) months respecting the employees of the Business.

4.15 Intellectual Property. A true and complete list of the material registrations of and applications for Intellectual Property Rights is contained in Schedule 4.15. Except as set forth in Schedule 4.15, no Intellectual Property Right is, or to the Knowledge of Seller, is threatened to be, the subject of any Order which challenges or limits the validity, enforceability, use or ownership of the Intellectual Property Rights which would be reasonably likely to have a Material Adverse Effect. Except as set forth in Schedule 4.15, with respect to each Intellectual Property Right that the Seller possesses under any material license from another person, if any, the license is binding against Seller, and to the Knowledge of Seller the other party thereto, in all material respects, except where failure to so be would not have a Material Adverse Effect; there is no default by Seller, and to the Knowledge of Seller by any other party, under the license; and there are no material pending disputes regarding any material license. Except as set forth in Schedule 4.15, to the Knowledge of the Seller, the ownership and operation by the Seller of the Business, as presently owned and operated, does not infringe upon or violate

in any material respect any intellectual property right of any other Person. Except as set forth in Schedule 4.15, the Seller and its Affiliates are the legal and beneficial owners of all right, title and interest in and to or have adequate rights to use the Intellectual Property Rights, free and clear of any and all mortgages, liens, security interests and charges except as would not be reasonably likely to have a Material Adverse Effect. Except as set forth in Schedule 4.15, the Seller and its Affiliates have not previously assigned, transferred, conveyed or otherwise encumbered any right, title or interest in the Intellectual Property Rights and have not granted to any third party any license to use the Intellectual Property Rights in any manner, or any covenant not to sue for such use other than in the ordinary course of the Business which is not consistent with the rights granted hereunder and except as would not be reasonably likely to have a Material Adverse Effect. Notwithstanding anything to the contrary contained herein, it is hereby expressly acknowledged and agreed that the sale of the Assets shall not include, and the Seller is not selling, transferring, assigning, conveying or delivering to the Buyer, any trademarks, service marks, trade names, emblems, logos, insignia and registration marks involving "Playboy," "Spice," or associated logo designs, or any compound mark that incorporates "Playboy," "Spice," or associated logo designs.

4.16 Liabilities. Except as set forth on Schedule 4.16, as of the date of the Closing Statement, to the Knowledge of the Seller, the Seller has no liability of any nature (whether accrued, absolute, contingent or otherwise) of the type which should be reflected in balance sheets (including the notes thereto, if any), prepared from and in accordance with the books and records of the Business by management consistently with prior periods in all material respects, and in accordance with generally accepted accounting principles, which was not fully disclosed, reflected or adequately reserved against in the Financial Information, except for liabilities which have been incurred since the Financial Information Date in the ordinary course of business or would not have a Material Adverse Effect or excluded liabilities described in Section 1.4.

4.17 Conduct of Business. Since the Financial Information Date and except as otherwise permitted under this Agreement;

(a) The Business has been conducted and carried on in the ordinary course;

(b) The Seller has not declared or paid any dividend on, or make any other distribution in cash or property with respect to, its capital stock;

(c) Except for property purchased, sold or otherwise disposed of in the ordinary course of the Business, the Seller has not purchased, sold, leased, mortgaged, pledged or otherwise acquired or disposed of any item of property;

(d) The Seller has not sustained or incurred any material loss or damage which was not insured against on account of fire, flood, accident or other occurrence or calamity which has interfered with or affected, or may interfere with or affect, the operation of its Business in any material respect;

(e) Except for changes in general business conditions, those changes affecting the Seller's industry in particular, changes attributable to the Transactions or changes indirectly resulting from the tragedies of September 11, 2001, there has been no material adverse change in or with respect to the financial condition or operation of the Business, or the Business relations with employees, unions, creditors, suppliers, advertisers, customers, potential customers or others having business relationships with the Business taken as a whole;

(f) No shares of common stock or other equity security have been issued by the Seller and no right, option or warrant to acquire any such equity security has been granted;

(g) The Seller has not disposed of or permitted to lapse any material Intellectual Property Right;

(h) The Seller has not released any obligor from any debt or claim exceeding \$5,000 owed to it;

(i) The Seller has not changed any accounting methods or practices (including, without limitation, any change in depreciation or amortization policies); or

(j) The Seller has not agreed to do any of the items set forth in subparagraphs (b), (c), (f), (g), (h) or (i) above before the Closing.

5. Representation and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows:

5.1 Due Incorporation and Qualification. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has the corporate power and lawful authority to own, lease and operate its assets, properties and business and to carry on its business as now conducted.

5.2 Authority to Execute and Perform Agreements. The Buyer has the requisite corporate power and authority to enter into, execute and deliver this Agreement and each and every other agreement and instrument contemplated hereby to which the Buyer is or will be a party, and to perform fully the Buyer's obligations hereunder and thereunder. This Agreement has been duly executed and delivered by the Buyer, and each and every other agreement and instrument contemplated by this Agreement to which the Buyer is a party will be duly executed and delivered by the Buyer and (assuming due execution and delivery hereof and thereof by the other parties hereto and thereto) this Agreement and each such other agreement and instrument will be valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

5.3 Authorization: No Contravention.

(a) Assuming that all consents, approvals, authorizations and other actions described in Section 5.3(b) have been obtained and all filings and notifications described in Section 5.3(b) have been made, and except as may result from any facts or circumstances relating solely to the Seller, the execution, delivery and performance of this Agreement and the other Transaction Documents by the Buyer do not and will not (i) violate or conflict with the Articles of Incorporation or By-laws (or similar organization documents) of the Buyer, (ii) conflict with or violate any Orders applicable to the Buyer in any material respect or (iii) result in any breach of, or constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any Contract to which the Buyer is a party or by or to which the Buyer may be bound or subject.

(b) The execution, delivery and performance of this Agreement and the other Transaction Documents by the Buyer do not and will not require any consent, approval, authorization or other action by, or filing with or notification to, any Governmental Body, except (i) as described in Schedule 5.3 hereto and (ii) as may be necessary as a result of any facts or circumstances relating solely to the Seller. The Buyer is not party to, or bound by, any agreement that is currently in effect, granting rights to any Person, which are inconsistent with the rights to be granted to the Seller by the Buyer in this Agreement or the other Transaction Documents. This Agreement has been and the other Transaction Documents at Closing will have been duly authorized by all necessary corporate action of the Buyer, and duly executed and delivered by the Buyer. This Agreement constitutes, and the other Transaction Documents at Closing will constitute, the legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity relating to enforceability (regardless of whether considered in a proceeding at law or in equity).

5.4 Financing. Buyer has sufficient immediately available funds in cash or cash equivalents, or has made arrangements to obtain sufficient funds (through existing credit arrangements or otherwise), and will at the Closing have sufficient immediately available funds, in cash, to pay the Gross Purchase Price and to pay any other amounts payable pursuant to this Agreement and to effect the Transactions. Buyer is not insolvent, and will not be rendered insolvent by the Transactions. As used in this Section, (i) insolvent means that sum of the present fair saleable value of the Buyer's assets does not and will not exceed its debts and other probable liabilities, and (ii) debts includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, disputed or undisputed or secured or unsecured.

6. Covenants and Agreements.

6.1 Further Assurances; Consent of Third Parties; Trade Credit.

(a) [Intentionally left blank.]

(b) Nothing in this Agreement shall be construed as an attempt, obligation or agreement to assign any Asset, including any license, certificate, approval,

authorization, agreement, Contract, lease, Permit or other right, which by its terms or by law is nonassignable without the consent of a third party unless and until such consent shall be given ("Nonassignable Assets"). To the extent permitted by applicable law and the terms of the Nonassignable Assets, in the event consents to the assignment thereof cannot be obtained prior to the Closing, the Seller shall continue to be bound by the terms of the such Nonassignable Assets and the Buyer shall pay, perform and discharge fully all of the obligations of the Seller thereunder from and after the Closing Date. The Seller shall exercise or exploit its rights in respect of such Nonassignable Assets only as reasonably directed by the Buyer and at the Buyer's expense. For 90 days after the Closing Date, the Seller shall in connection with any Nonassignable Assets, without consideration therefor, (i) pay, assign and remit to the Buyer promptly all monies, rights and other consideration received in respect of such performance and (ii) to the extent necessary, procure merchandise on Buyer's behalf under any Contract included in the Nonassignable Assets, provided, that, Buyer shall pay to Seller, in advance of Seller's or its Affiliate's releasing a check for payment, all costs associated with Seller's payment of the vendor accounts and shall reimburse Seller for all reasonable and demonstrable out-of-pocket expenses relating to the provision of such service; provided, further, that the maximum amount that Seller shall be obligated to have outstanding to vendors on behalf of Buyer (under clause (ii) above) at any point in time shall be \$300,000 during the period of 90 days after the Closing. Following the expiration of the 90-day period and for as long as any of the Assets are Nonassignable Assets, but in no event after the expiration or termination of the Nonassignable Assets (without extension beyond the current term), the Seller shall continue to provide the services set forth in the preceding sentence for a fee of \$2,000 per month, provided, that the maximum amount that Seller and its Affiliates shall be obligated to have outstanding to vendors on behalf of Buyer (under clause (ii) above) at any point in time after the initial 90-day period shall be \$200,000; provided, further, that the Buyer shall use its commercially reasonable efforts to make arrangements to release the Seller from the obligations hereunder and under the Nonassignable Assets as soon as reasonably practicable after the Closing. If and when any such consents or approvals shall be obtained, then the Seller shall promptly assign its rights and obligations thereunder to the Buyer without payment of consideration and the Buyer shall, without the payment of any consideration therefor, assume such rights and obligations. During the one (1) year period following the Closing, at the reasonable request of Buyer, Seller shall without further consideration, execute and deliver such other instruments and documents of conveyance and transfer as Buyer may reasonably specify so as to evidence such assignment and assumption. Any costs and expenses reasonably incurred by Seller in providing the services described herein shall be reimbursed by Buyer.

(c) After the Closing for up to 90 days after the Closing Date, Buyer will use commercially reasonable efforts to promptly obtain adequate trade credit for the Business on substantially similar terms as those historically afforded to Seller. In this regard, Seller will use its good faith efforts to assist Buyer with obtaining such trade credit; provided that the foregoing shall not obligate Seller to provide any guaranty or other form of credit or financial support. To the extent that such trade creditors do not extend Buyer adequate trade credit or extend trade credit on less favorable terms to Buyer than were afforded to Seller, then Seller will, for up to 90 days from the Closing Date, procure such merchandise on Buyer's behalf to assure that product flows to the Business are uninterrupted; provided, however, that Buyer shall pay to Seller, in advance of Seller's or its Affiliate's releasing a check for payment, all costs associated with Seller's payment of the vendor accounts and shall reimburse Seller for all reasonable and

demonstrable out-of-pocket expenses relating to the provision of such service; provided, further, that the maximum amount that Seller shall be obligated to have outstanding to vendors on behalf of Buyer at any point in time shall be \$300,000.

(d) Notwithstanding anything to the contrary contained in paragraph (b) and (c) above, the maximum amount the Seller shall be obligated to have outstanding to vendors on behalf of Buyer under paragraphs (b) and (c) above shall be (i) \$300,000 during the period of 90 days after the Closing and (ii) \$200,000 thereafter.

6.2 Bulk Sales Laws. As soon as practicable after the Closing Date, and in any event within ten (10) days of such date, the Buyer shall file all notices required to be filed under 35 ILCS 120/5j (2000).

6.3 Books and Records.

(a) Each of the Seller and the Buyer agrees that it shall preserve and keep all books and records in respect of the Business in its possession for a period of at least three (3) years from the Closing Date. Subject to any limitations that are required to preserve any applicable privilege or to maintain confidentiality, the Seller shall be given an opportunity, at its cost and expense, to make copies of all or any part of such books and records as the Seller may select.

(b) If, in order properly to prepare documents required to be filed with governmental authorities or its financial statements, it is necessary that either party hereto or any successors be furnished with additional information relating to the Business, the Assets or the Assumed Liabilities, and such information is in the possession of the other party hereto or any of its Affiliates, such party agrees to use its commercially reasonable efforts to furnish such information to such other party, at the cost and expense of the party being furnished such information, but subject to any limitations that are required to preserve any applicable privilege or to maintain confidentiality.

6.4 Employees and Employee Plans.

(a) Transferred Employees. At or prior to the Closing, the Buyer shall offer employment (such employment to be come effective as of the Closing) to those employees of the Seller and its Affiliates whose employment responsibilities primarily relate to the Business who are listed on Schedule 6.4 hereto. All such offers of employment shall be made in accordance with all applicable laws and regulations. Any employment by the Buyer of a Transferred Employee shall commence immediately on the Closing Date.

(b) Welfare Plans.

(i) The Seller shall be responsible for, and shall indemnify and hold the Buyer harmless from and against, all claims of Transferred Employees for worker's compensation, unemployment compensation and other government-mandated benefits, and for weekly indemnity, life, hospital/medical/surgical (except for disability), major medical and dental benefits, for expenses which were incurred prior to the Effective Time and are payable under the terms and conditions of



any existing benefit programs maintained or contributed to by the Seller or its Affiliates in which Transferred Employees or their covered dependents participate prior to the Closing Date provided that claims for such benefits are received by the Seller no later than January 31, 2002; provided further, that either the Seller or its Affiliates shall notify the Transferred Employees as soon as reasonably practicable after the Closing of such January 31, 2002 deadline. The Buyer shall be responsible for, and shall indemnify and hold the Seller harmless from and against, all claims of Transferred Employees or their covered dependents for such expenses which are incurred on or after the Effective Time and which are payable under the terms and conditions of any benefit program adopted, maintained or contributed to by the Buyer in which Transferred Employees participate (the "Buyer Plans").

(ii) Except as otherwise set forth in this Section 6.7(b)(ii), service by Transferred Employees with the Seller or any Affiliate thereof shall be recognized under the Buyer Plans for all purposes, including but not limited to participation, coverage and level of benefits, as applicable. Notwithstanding the preceding sentence, the Buyer shall not be required to recognize Transferred Employees' service with the Seller for purposes of determining any rights to severance. The Buyer shall waive or cause its insurance carriers to waive all limitations as to pre-existing conditions, if any, with respect to participation and coverage requirements applicable to Transferred Employees under the Buyer Plans, to the extent such conditions are currently covered under the Seller's or its Affiliate's plans.

(c) Vacation and Sick Leave. The Buyer shall recognize service by each Transferred Employee with the Seller or any Affiliate thereof for purposes of determining entitlement to vacation or sick days following the Effective Time under the applicable vacation or sick leave policy of the Buyer; and Buyer shall assume liability for all accrued and unused vacation and sick leave time for Transferred Employees.

(d) Retirement Plans. The Buyer will cause the Buyer's 401(k) Plan to expressly provide that any Transferred Employees who were participants in the Playboy Enterprises, Inc. Employees Investment Savings Plan immediately prior to the Closing Date will, as soon as practicable subject to the applicable waiting periods under the Buyer's 401(k) Plan, become participants in Buyer's 401(k) Plan as of the Closing Date.

(e) Non-Transferred Business Employee: COBRA. The Seller shall retain or assume responsibility for and shall indemnify and hold the Buyer harmless from and against any loss as a result of any liability incurred by the Buyer or a Buyer Affiliate (i) with respect to any employee or former employee of the Seller or any Affiliates other than a Transferred Employee, and (ii) under any group health plan maintained by the Seller or any Affiliate, including but not limited to, federal and state income tax liability, by reason of the Seller's or its Affiliate's failure, through any act or omission on or after the Closing Date, to comply with the requirements of Section 4980B of the Code. Notwithstanding the above, the Buyer shall indemnify and hold Seller and its Affiliates harmless from and against any loss as a result of any liability incurred by the Seller or an Affiliate thereof based on a claim by a Transferred Employee that the consummation of the transactions contemplated herein result in a

"qualifying event" (as defined in Section 4980B(f)(3) of the Code) with respect to such Transferred Employee.

6.5 Name Change. As soon as reasonably practicable following the Closing, the Seller agrees to change its corporate name from "Collectors' Choice Music Holdings, Inc." to some other dissimilar corporate name.

6.6 Confidentiality. Except as may be required by Law or the rules of a stock exchange, required by a professional advisor or employee in the course of business or as otherwise permitted or expressly contemplated herein, no party or its Affiliates, employees, agents and representatives will disclose to any Person this Agreement, the subject matter or terms hereof or any confidential information or other proprietary knowledge concerning the business or affairs of any other party which it may have acquired from such party in the course of pursuing the Transactions without the prior consent of the other party; provided, that any information that is otherwise publicly available, without breach of this provision, or has been obtained from a third party, will not be deemed confidential information. The parties agree that, except to the extent required by Law, after the Closing, no publicity release or announcement concerning this Agreement or the Transactions shall be made without the prior written consent thereof by the Seller and the Buyer, not to be unreasonably withheld or delayed.

6.7 Office Space and Equipment. As long as such space is available to the Seller or one or more of its Affiliates, Seller or one or more of its Affiliates shall without additional out-of-pocket cost to Seller or one or more of its Affiliates make available to Buyer office space, furniture, a computer and related building and desktop support services for Mr. Gordon Anderson at one of Seller or its Affiliates' California offices from the Closing Date through February 28, 2002 at no charge to Buyer. Likewise, as long as such space is available to the Buyer or one or more of its Affiliates, Buyer or one or more of its Affiliates shall without additional out-of-pocket cost to Buyer or one or more of its Affiliates make available to Seller office space, furniture, a computer and related building and desktop support services for one employee of the Seller at Buyer's or its Affiliates' Itasca, Illinois offices from the Closing Date through February 28, 2002 at no charge to Seller.

6.8 Computers and Software. At no charge to Buyer, to the extent contractually permitted, Seller will make available the personal computers (the "Computers") and the software, which includes only off-the-shelf software and no proprietary software of Playboy Enterprises, Inc. or any of its Affiliates or software used in a business of the Seller or one or more of its Affiliates other than the Business (the "Software"), currently used by the employees of the Business who are hired by Buyer and that are based in Buyer's offices, from the Closing Date until such time that the lease for the Computers or the license for the Software expires or is terminated. Upon the expiration or termination of such lease or license, the Buyers shall promptly return the Computers or the Software, as applicable, to the Seller, and the Seller shall have no obligation to provide replacements. The Seller shall not be obligated to repair, service or replace the Computers or the Software. Buyer shall use commercially reasonable efforts to maintain the Computers in good working order and to comply with all applicable obligations of the Seller under the lease for the Computers or the license for the Software. Buyer shall be liable for and shall indemnify and hold harmless the Seller and its Affiliates against any liability for any damage to the Computers or damage to equipment caused by the Computers, for

breach or alleged breach of the Computer leases or for breach or alleged breach of the licenses for, or other misuse of, the Software.

6.9 Further Assurances; Assistance. During the one (1) year period following the Closing, at the reasonable request of Buyer, Seller shall without further consideration, execute and deliver such other instruments and documents of conveyance and transfer as Buyer may reasonably specify so as to complete the conveyance and transfer of the Assets to Buyer. Any costs and expenses reasonably incurred by Seller in providing the services described herein shall be reimbursed by Buyer. Following Closing, the Buyer and the Seller shall cooperate in good faith to facilitate an orderly transition of the purchase of the Assets and the operation of the Business.

6.10 Termination of Existing Agreements between the Buyer and the Seller. As of the Closing, the Fulfillment Agreement shall be terminated in its entirety, provided that, any amounts payable by the Seller to the Buyer under such agreement that accrued prior to the Effective Time shall be paid by the Seller to the Buyer in accordance with the terms of the Fulfillment Agreement. In addition, all of Buyer's rights and the Seller's obligations under Section 6.9 of that certain Asset Purchase Agreement, dated October 2, 2000 (the "CCV Agreement"), between the Buyer and the Seller shall be irrevocably waived and terminated, respectively, and such provisions shall be null and void. For purposes of clarification, no amounts shall be payable by the Seller to the Buyer pursuant to Section 6.9 of the CCV Agreement as a result of the Transactions or at any time on or after the Closing Date.

6.11 Non-Compete. Seller agrees that, for a period of two years from the Closing Date, Neither Seller nor one or more of its Affiliates shall, engage in any business in the Territory (as hereinafter defined) that directly competes with the Business as it is conducted on the date hereof; provided however, that the provisions of this Section 6.11 shall not prohibit or restrict in any manner whatsoever (i) the ownership by the Seller or one or more of its Affiliates of any interest in any entity whose equity interests are publicly traded even if such entity competes with the Business, (ii) the Seller or one or more of its Affiliates from engaging in any business that the Seller or any of its Affiliates engages in as of the date hereof other than the Business, (iii) the Seller or one or more of its Affiliates from providing links on any websites owned or operated by them to websites owned or operated by any entity that competes with the Business or (iv) the Seller or one or more of its Affiliates from entering into agreements or arrangements for the licensing of one or more of its trademarks with an entity that competes with the Business. As used herein, "Territory" shall mean the United States of America. No actions of the Seller or its Affiliates in complying with their obligations under Section 6.1 of this Agreement shall be construed as a violation of this provision.

6.12 Koch Receivables. The Buyer, at its option, may purchase insurance to insure the collection of the Koch Receivables. The parties agree that any insurance premium related to insuring the Koch Receivables shall be borne 50% by the Seller and 50% by the Buyer; provided, however, that the maximum amount that the Seller shall be obligated to pay for such premium pursuant to this Section 6.12 shall be \$10,000. The Buyer acknowledges that it is planning to purchase such insurance due to the possibility that the Koch Receivables may not be collected, and notwithstanding anything else in this agreement to the contrary, the proceeds from such insurance, if any, and whether or not the Buyer elects to purchase such

insurance, shall be the Buyer's sole remedy with respect to the Seller in the event the Koch Receivables are not collected.

7. Survival of Representations and Warranties. All of the representations and warranties made herein shall survive the execution and delivery of this Agreement until eighteen (18) months after the Closing Date, and no claim or demand for indemnification pursuant to Article 8 or otherwise shall be made after such date, except for those claims or demands for indemnification pursuant to Article 8, of which the Buyer or the Seller has notified the Seller or the Buyer in writing prior to such date in accordance with the terms of this Agreement.

8. Indemnification

8.1 Obligation of the Seller to Indemnify. Subject to the limitations contained in Article 7 and Article 8, the Seller agrees to indemnify, defend and hold harmless the Buyer (and its directors, officers, employees, Affiliates, successors and assigns) from and against all losses, liabilities, damages, deficiencies, demands, claims, actions, judgments or causes of action, assessments, costs or expenses (including, without limitation, interest, penalties and reasonable out-of-pocket fees, expenses and disbursements of attorneys, experts, and consultants, including reasonable costs of investigation, incurred by the indemnified party in any action or proceeding between the indemnified party and any third party) (collectively, "Losses") based upon, or arising out of (a) any inaccuracy or misrepresentation in or any breach of any representation, warranty, covenant or agreement of the Seller contained in this Agreement or in any of the Transaction Documents or (b) the Excluded Liabilities or (c) a breach of the covenants of Seller contained in Sections 2.2(b), 6.1, 6.4, 6.11 or 6.12 (solely with respect to Seller's obligation to pay its portion of the insurance premium, if any) hereto; provided, however, that with respect to clause (a) no indemnification for Buyer's Loss shall be required unless and until (i) such Losses exceed \$50,000, in which case the Seller shall be liable for such Losses in the aggregate in excess of \$50,000 and (ii) to the extent that the aggregate amounts paid by the Seller hereunder exceed \$500,000.

8.2 Obligation of the Buyer to Indemnify. The Buyer shall indemnify, defend and hold harmless the Seller from and against any Losses based upon, arising out of or otherwise in respect of (a) any inaccuracy or misrepresentation in or any breach of any representation, warranty, covenant or agreement of the Buyer contained in this Agreement or in the Transactional Documents or in any other Document delivered by the Buyer pursuant to this Agreement or (b) any Assumed Liability or (c) the operation of the Business on or after the Closing Date unless it arose from a condition in existence prior to the Effective Time or (d) a breach of the covenants of Buyer contained in Sections 2.2(b), 6.1, 6.4 and 6.8 hereto; provided, however, that with respect to clause (a), no indemnification for Seller's Loss shall be required unless and until (i) such Losses exceed \$50,000, in which case the Buyer shall be liable for such Losses in the aggregate in excess of \$50,000 and (ii) to the extent that the aggregate amounts paid by the Buyer hereunder exceed \$500,000.

8.3 Notice and Opportunity to Defend.

(a) Notice of Asserted Liability. The party making a claim under this Article 8 is referred to as the "Indemnitee," and the party against whom such claims are asserted under this Article 8 is referred to as the "Indemnifying Party." All claims by any Indemnitee under this Article 8 shall be asserted and resolved as follows: Promptly after receipt by an Indemnitee of notice of any demand, claim or circumstance which, with the lapse of time, would or might give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that may result in a Loss, the Indemnitee shall give notice thereof (the "Claims Notice") to the Indemnifying Party. The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary and to the extent feasible) of the Loss that has been or may be suffered by the Indemnitee. No failure or delay by the Indemnitee in the performance of the foregoing shall reduce or otherwise affect the obligation of any Indemnifying Party to indemnify and hold the Indemnitee harmless, except to the extent that such failure or delay shall have adversely affected the Indemnifying Party's ability to defend against, settle or satisfy any liability, damage, loss, claim or demand for which the Indemnitee is entitled to indemnification hereunder.

(b) Opportunity to Defend. The Indemnifying Party may elect to compromise or defend, at its own expense and by its own counsel, any Asserted Liability. If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within thirty (30) days (or sooner, if the nature of the Asserted Liability so requires) of the date of the Claims Notice notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate, at the request of the Indemnifying Party and at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to defend or compromise such Asserted Liability, fails to notify the Indemnitee of its election as herein provided, contests its obligation to indemnify under this Agreement or does not defend or compromise such Asserted Liability in good faith, the Indemnitee shall have the right, at the Indemnifying Party's expense and with the Indemnifying Party's consent which shall not be unreasonably withheld or delayed, to pay, defend or compromise such Asserted Liability. The Indemnitee's defense of or its participation in the defense of any such Asserted Liability shall not in any way diminish or lessen the obligations of the Indemnifying Party under the agreements of indemnification set forth in this Article 8. The Indemnifying Party may settle or compromise any claim; provided, however, that if the settlement or compromise results in any material Liability to the Indemnitee, the consent of the Indemnitee shall be required for such settlement or compromise, which consent shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to defend any claim, the Indemnitee shall make available to the Indemnifying Party any books, records or other documents within its control that are necessary or appropriate for such defense.

8.4 Satisfaction of Obligations. Except for Asserted Liabilities being defended in good faith, the Indemnifying Party shall satisfy its obligations hereunder by payment in cash within thirty (30) days after the Date of the Claims Notice. The Indemnifying Party shall reimburse the Indemnitee within ten (10) days in cash for any amounts spent by the Indemnitee to satisfy a Loss incurred by the Indemnitee in connection with defending or settlement of the claim or Asserted Liability to the extent permitted by law. Any tax benefit derived by the Indemnitee from any loss or expense shall be deducted from the amount owed to the Indemnitee.

In addition, any proceeds from insurance shall also be deducted from the amount owed to the Indemnitee.

8.5 Date of Notice of Claim. The term "Date of the Claims Notice" as used in this Article shall mean the date of such personal delivery or delivery by courier or electronic facsimile, if the Claims Notice is personally delivered or via a reputable air courier service (such as Federal Express) with receipt confirmed, or sent by electronic facsimile (with receipt confirmed).

8.6 Limitations on Indemnification. Notwithstanding any other provision of this Article 8, the Seller shall have no liability under any provision of this Agreement for any liabilities and damages to the extent that such liabilities and damages related to actions taken or not taken by the Buyer or its Affiliates after the Closing Date. The Buyer shall take all reasonable steps to mitigate all such liabilities and damages upon and after becoming aware of any event which could reasonably be expected to give rise to such liabilities and damages. Notwithstanding any other provision of this Agreement, in no event whatsoever shall either party hereto be entitled to make a claim against the other party for lost profits, use, production or contract or other consequential, incidental, indirect, special or punitive damages or for any financial or economic loss whatever and howsoever caused.

8.7 Sole Remedy. The indemnification remedies provided in this Article 8 shall constitute the sole and exclusive remedies available to the parties hereto for breach of this Agreement or breach of any representation, warranty or covenant contained herein.

9. Miscellaneous.

9.1 Definitions.

(a) Certain Definitions. As used in this Agreement, the following terms have the following meanings:

"Affiliate" means any Person who is an "affiliate" as defined in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder.

"Business" means the direct marketing, promotion and sale of music products and music label licensing and wholesale operations in each case through print catalog or the internet under the names "Collectors' Choice Music" and "ccmmusic.com" and the Collectors' Choice Music label-licensing and wholesale operations.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Illinois are authorized or required by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended.

**"Contracts"** means, as to any Person, any provision of any agreement, undertaking, contract, indenture, mortgage, lease, deed of trust or other involvement to which such Person is a party or by which it or any of its property is bound.

**"Governmental Body"** means any foreign or domestic, federal, territorial, state or local government authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department, board, bureau or branch or official of any of the foregoing.

**"Knowledge"** means actual knowledge without independent investigation.

**"Lien"** means any lien, pledge, mortgage, security interest, claim, easement, license, charge, option, right of first refusal, easement, servitude, transfer restriction, encumbrance or any other restriction or limitation whatsoever.

**"Permitted Liens"** means any Lien that would not have a material adverse effect on the use or possession of such property.

**"Person"** means any individual, corporation, partnership, firm, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

**"Taxes"** mean all federal, state, county, local, foreign and other taxes of any kind whatsoever including, without limitation, income, profits, premium, estimated, excise, sales, use, occupancy, gross receipts, franchise, ad valorem, severance, capital levy, production, transfer, license, stamp, environmental, withholding, employment, unemployment compensation, payroll related and property taxes, import duties and other governmental charges and assessments), whether or not measured in whole or in part by net income, and including deficiencies, interest, additions to tax or interest, and penalties with respect thereto, and including expenses associated with contesting any proposed adjustment related to any of the foregoing.

**"Tax Return"** means any report, return, document, declaration or other information or filing with respect to Taxes required to be supplied to any Governmental Body responsible for the imposition or collection of Taxes or to any jurisdiction (foreign or domestic).

**"Transaction Documents"** means, collectively, this Agreement, the Bill of Sale and the Assumption Agreement.

(b) **Other Defined Terms.** The following terms shall have the meanings ascribed in such terms in the Sections set forth below:

<u>Term</u>	<u>Section</u>
Acquired Contracts Agreement	1.1(b) Preamble
Asserted Liabilities	8.3(a)
Assets	1.1
Assumed Liabilities	1.3

Assumption Agreement	3.2(c)
Bill of Sale	3.2(a)
Bulk Sales Holdback	2.1(b)
Buyer	Preamble
Buyer Plans	6.4(b)(i)
CCV Agreement	6.10
Claims	4.7
Claims Notice	8.3(a)
Closing	2.1(a)
Closing Statement	1.1(a)
Closing Date	3
Computers	6.8
Date of Claims Notice	8.5
Deferred Payment	2.1(c)
Department	2.1(b)
Effective Time	1.1
Excluded Assets	1.2
Financial Information	4.9
Financial Information Date	4.9
Fulfillment Agreement	1.2(i)
Indemnifying Party	8.3(a)
Indemnitees	8.3(a)
Intellectual Property Rights	1.1(d)
Koch	1.1(g)
Koch Receivables	1.1(g)
Koch November Receivables	1.1(g)
Laws	4.5
Losses	8.1
Material Adverse Effect	4.1
Net Purchase Price	2.1(b)
Orders	4.3(a)
Permits	4.6
Purchase Price	2.1(b)
Scheduled Contracts	4.8
Seller	Preamble
Software	6.8
Trade Payables	2.1(b)
Transactions	Recitals
Transferred Employees	1.3(e)

9.2 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given upon confirmation of receipt of a facsimile transmission, confirmed delivery by a commercial overnight courier service or when delivered by hand, addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

- (a) if to the Buyer, to



Infinity Resources, Inc.  
900 North Rohlwing Road  
Itasca, Illinois 60143  
Attention: Dennis E. Abboud  
Facsimile: (630) 775-3340

with a copy to

Huff & Gaines Ltd.  
10 South La Salle Street, Suite 3500  
Chicago, Illinois 60603-1002  
Attention: John J. Gaines III, Esq.  
Facsimile: (312) 606-0027

and

(b) if to the Seller, to

Collectors' Choice Music Holdings, Inc.  
c/o Playboy Enterprises, Inc.  
680 North Lake Shore Drive  
Chicago, Illinois 60611  
Attention: Howard Shapiro, Esq.  
Facsimile: (312) 266-2042

with a copy to

Skadden, Arps, Slate, Meagher & Flom (Illinois)  
333 West Wacker Drive  
Chicago, Illinois 60606  
Attention: Rodd M. Schreiber, Esq.  
Facsimile: (312) 407-0411

Any party may by notice given in accordance with this Section to the other parties designate another address or Person for receipt of notices hereunder.

9.3 Entire Agreement. This Agreement (including the Exhibits and Schedules) and any collateral agreements executed in connection with the consummation of the Transactions contain the entire agreement among the parties with respect to the transactions contemplated hereby and supersede all prior agreements, written or oral, with respect thereto.

9.4 Waivers and Amendments; Non-Contractual Remedies. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the Buyer and the Seller or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the

part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

9.5 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and legal representatives. This Agreement is not assignable except by operation of law, except that the Seller may assign its rights hereunder to any of its Affiliates or to any successor to all or substantially all of its business or assets.

9.6 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto. The parties hereto confirm that any facsimile copy of another party's executed counterpart of this Agreement (or the signature page thereof) shall be deemed to be an executed original thereof.

9.7 Exhibits and Schedules. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein. All references herein to Sections, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

9.8 Owners or Affiliates of the Seller. Except as set forth in Section 9.14 of this Agreement, in the event of (i) an assignment by the Seller to an Affiliate or owner by operation of law (i.e., as a result of a merger or consolidation) or (ii) a sale of all or substantially all of the assets of the Seller to an Affiliate or owner of the Seller, the Buyer acknowledges and agrees that the obligations and liabilities of the Seller arising out of or relating to this Agreement or the Transactions, whether known or unknown, actual, fixed, contingent or otherwise, shall not be binding upon, enforceable against or extend to the owners or Affiliates of the Seller and that their sole recourse is to the assets of the Seller and not to the assets of the owners or Affiliates of the Seller.

9.9 Headings. The headings in this Agreement are for reference only, and shall not affect the interpretation of this Agreement.

9.10 Expenses. Each party hereto shall bear its own costs and expenses in connection with this Agreement and the Transactions.

9.11 Interpretation. Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, the feminine or neuter gender shall include the masculine, the feminine and the neuter.

9.12 Certain Acknowledgments. Each of the parties hereto acknowledge that it has been represented by legal counsel of its own choice throughout all negotiations and preparation and review of this Agreement and the Transactions, and that it has executed this Agreement voluntarily. Each of the parties hereto acknowledge that it is

sophisticated in transactions of the type contemplated by this Agreement and the Transactions and each party wishes to create a relationship based on the terms set forth in this Agreement.

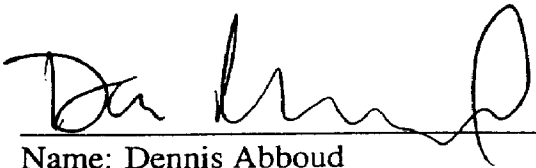
9.13 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the parties hereto directs that such court interpret and apply the remainder of this Agreement in the manner that it determines most closely effectuates their intent in entering into this Agreement, and in doing so particularly take into account the relative importance of the term, provision, covenant or restriction being held invalid, void or unenforceable.

9.14 Guarantee. Playboy Enterprises, Inc. hereby guarantees the obligations of the Seller under Section 8.1 of this Agreement.


9.15 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Illinois applicable to agreements made and to be performed entirely within such State.

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement on the date first above written.

**INFINITY RESOURCES, INC.**

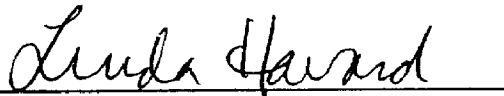
By:   
Name: Dennis Abboud  
Title: CEO

**COLLECTORS' CHOICE MUSIC HOLDINGS, INC.**

By:   
Name: Linda Havard  
Title: President

**Solely in connection with Section 9.14 of this Agreement, agreed and accepted by:**

**PLAYBOY ENTERPRISES, INC.**

By:   
Name: Linda Havard  
Title: Chief Financial Officer

**Schedule 4.15  
Intellectual Property**

1. The recordation form filed with the United States Patent and Trademark Office evidencing the transfer of title to each of the registered marks set forth in Schedule 4.15 from Playboy Enterprises International, Inc., a Delaware corporation and the immediate parent of the Company ("PEII") to the Company had a clerical error in that Playboy Enterprises International, Inc., an Illinois corporation, was listed incorrectly as the assignor when Playboy Enterprises International, Inc., a Delaware corporation ("PEII") should have been listed as the assignor. There is not now, and has not ever been, an Illinois corporation named "Playboy Enterprises International, Inc." PEII was assigned all right, title and interest in and to each of the registered marks set forth in Schedule 4.15 from Critics' Choice Video, Inc., an Illinois corporation and predecessor-in-interest to the Seller ("CCV") pursuant to an Assignment Agreement, dated September 8, 2000, by and between CCV and PEII.

**Patents, Trademarks, Tradenames, Service Marks and Brand Name Registrations**

2. Pending Application for "THE BIG BOOK OF MUSIC," Application Number 75/610909, application date December 23, 1998
3. Registered Mark "CC MUSIC", Registration Number 2262088, registration date July 20, 1999
4. Registered Mark "COLLECTORS' CHOICE," Registration Number 1860145, registration date October 25, 1994
5. Registered Mark "COLLECTORS' CHOICE MUSIC," Registration Number 1858053, registration date October 11, 1994
6. Registered Mark "ORDER IT TODAY, HEAR IT TOMORROW," Registration Number 2172451, registration date July 14, 1998

**Domain Names**

7. CCMUSIC.COM - owned by Collector's Choice Music Holdings, Inc., expires on February 3, 2003.
8. COLLECTMUSIC.COM - owned by Collector's Choice Music Holdings, Inc., expires on November 28, 2002.
9. COLLECTORSCHOICECATALOG.COM - owned by Collector's Choice Music Holdings, Inc., expires on April 5, 2002.

10. COLLECTORSCHOICEMUSIC.COM - owned by Collector's Music Holdings, Inc., expires on April 5, 2002.
11. COLLECTORSCHOICEMUSIC.NET - owned by Collector's Music Holdings, Inc., expires on April 5, 2002.
12. COLLEGEDEPOTMUSIC.COM - owned by Collector's Music Holdings, Inc., expires on July 27, 2003.