

8/3/04

TRAI



102806677

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

1. Name of conveying party(ies):  
 FASMA, LLC  
 Individual(s)       Association  
 General Partnership       Limited Partnership  
 Limited Liability Company - Delaware  
 Add'l name(s) of conveying party(ies) attached?  Yes  No

3. Nature of conveyance:  
 Assignment       Merger  
 Security Agreement       Change of Name  
 Other: Order Approving Sale of Property of the Estate  
 Execution Date: September 16, 2003

4. Application number(s) or registration number(s):  
 A. Trademark Application No.(s)  
 Additional numbers attached?  Yes  No

2. Name and address of receiving party(ies):  
 Name: pH Beauty Labs, LLC  
 Street Address: 10474 Santa Monica Blvd. #300  
 City: Los Angeles State: CA ZIP: 90025  
 Limited Liability Company - Delaware  
 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

B. Trademark Registration No.(s)  
1,872,177  
 Additional numbers attached?  Yes  No

5. Name and address of party to whom correspondence concerning document should be mailed:  
 Name: Lori N. Boatright  
 Internal Address:  
BLAKELY, SOKOLOFF, TAYLOR & ZAFMAN, LLP  
 Street Address: 12400 Wilshire Boulevard  
Seventh Floor  
 City: Los Angeles State: CA ZIP: 90025

6. Total number of applications and registrations involved: - 1 -

7. Total fee (37 CFR 3.41) ..... \$ 40.00  
 Enclosed  
 Authorized to be charged to deposit account

8. Deposit account number:  
02-2666

DO NOT USE THIS SPACE

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

Lori N. Boatright            7/30/2004  
 Name of Person Signing      Signature      Date

Total number of pages including cover sheet, attachments, and document: - 10 -

08/04/2004 DBYRNE 00000029 1872177

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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

In re:	)	Chapter 11
	)	
Sarah Michaels, Inc., a Delaware Corporation,	)	Case Nos. 03 B 19465
Sarah Michaels, LLC, a Delaware Limited	)	03 B 19468
Liability Corporation, FASMA LLC,	)	03 B 24425
a Delaware Limited Liability Corporation,	)	Jointly Administered
	)	
debtors/debtors-in-possession.	)	Judge Jack B. Schmetterer

**ORDER APPROVING SALE OF PROPERTY OF THE ESTATE**

AT CHICAGO, ILLINOIS, in said District and Division, before the Honorable A. BENJAMIN GOLDGAR, Bankruptcy Judge, this \_\_\_\_\_, day of \_\_\_\_\_, 2003:

THIS MATTER COMING TO BE HEARD upon the Motion of Sarah Michaels, Inc., Sarah Michaels, LLC and Fasma LLC, ("Debtors"), for Authority to Sell Assets Outside of Ordinary Course of Business pursuant to Section 363 of the Bankruptcy Code, this Court having already approved an Order granting authority to sell assets outside of the ordinary course of business pursuant to Section 363 of the Bankruptcy Code, establishing sales procedures and setting a hearing date of sale and approving form of notice on June 19, 2003, proper notice having been provided and a certificate of service to that effect having been filed, this Court having considered the statements and arguments of counsel present at the hearing on the Sale Motion; an auction of the Debtors' assets having taken place, this Court having considered the entire record in this bankruptcy case; the Court also finding that PH Beauty Labs, Inc. ("PH") is a good faith purchaser within the meaning of Section 363(m) of the Bankruptcy Code; this Court finding that the Debtors have satisfied all of the applicable requirements of Section 363 of the Bankruptcy Code; this Court finding that the proposed sale and related relief is in the best interests of the Debtors, creditors and this estate; this Court finding that good business reasons exist to proceed with the proposed sale; and this Court being fully advised in the premises;

NOW, THEREFORE, IT IS HEREBY ORDERED as follows:

- A. Subject to the terms and conditions of this Order, the Sale Motion and the relief requested therein are granted;
- B. The sale of the Debtors' Freeman trade name, inventory and causes of action, pursuant to the terms and conditions described in the Asset Purchase Agreement between PH and the Debtors, attached hereto as Exhibit A (the "Asset Purchase Agreement") for the purchase price of [REDACTED], free and clear of any and all liens, claims and encumbrances of any kind or nature whatsoever is approved ("Sale");

- C. Any and all valid liens, claims, and encumbrances against the Sale Assets shall attach to the proceeds of the Sale, including the valid lien of LaSalle Business Credit, Inc. ("LaSalle"), and the proceeds of the Sale shall be, immediately upon closing, remitted to LaSalle pursuant to the Final Order (1) authorizing Debtors as Debtors-in-possession to incur Post-Petition Secured Indebtedness, (2) Granting Security Interests and Superpriority Claims pursuant to 11 U.S.C. Sections 363 and 364, (3) Granting Adequate Protection and (4) Modifying Automatic Stay ("Final Order");;
- D. PH shall close the Sale by completing payment of the purchase price in accordance with the terms and conditions of the Asset Purchase Agreement;
- E. The Debtors are authorized to take any and all actions necessary to consummate the closing of the Sale;
- F. This Court hereby retains jurisdiction over any matters relating to or arising from the Order, including, but not limited to, the implementation, interpretation or enforcement of this Order;
- G. The Court finds that PH has provided sufficient evidence of their good faith and, therefore, pursuant to Section 363(m) of the Bankruptcy Code, PH is a purchaser in good faith, as that term is defined in Section 363(m) of the Bankruptcy Code, and all protections and rights accorded by Section 363(m) of the Bankruptcy Code are hereby granted to the purchasers;
- H. The Debtors are hereby authorized and empowered to take such steps and do such other things as may be necessary to implement and effectuate the terms of this Order, including, but not limited to, consummating the terms of the Asset Purchase Agreement and performing all acts required thereunder; and,
- I. The Debtors shall be explicitly authorized and directed to distribute the Sale proceeds to LaSalle.

DATE:

ENTER: \_\_\_\_\_

BY THE COURT:

**ENTERED**

SEP 16 2003

\_\_\_\_\_  
Bankruptcy Judge

Judge A. Benjamin Goldgar  
United States Bankruptcy Court

**DEBTOR'S COUNSEL**

SCOTT R. CLAR, ESQ.

Attorney NO. 06183741

Crane, Heyman, Simon, Welch & Clar

135 South LaSalle Street

Chicago, Illinois 60603-4297

(312) 641-6777

N:\WPDOC\Sally\FASMA\Ord-sell prop2.wpd

**TRADEMARK**

**REEL: 003021 FRAME: 0359**

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ASSET PURCHASE AGREEMENT

Dated as of September 12, 2003

Among  
PH BEAUTY LABS, LLC.

BUYER

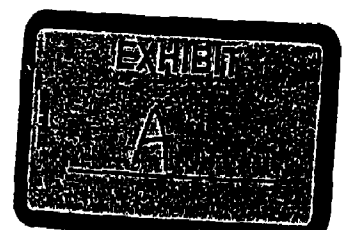
and

FASMA, LLC  
SARAH MICHAELS, INC.  
SARAH MICHAELS, LLC

SELLER

---

CHV26542.1



TRADEMARK  
REEL: 003021 FRAME: 0360

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15 (P)

THIS ASSET PURCHASE AGREEMENT, dated as of September 12, 2003 is by and among PH BEAUTY LABS, LLC, a California limited liability company ("Buyer"), FASMA, LLC, a Delaware limited liability company, SARAH MICHAELS, INC., a Delaware corporation and SARAH MICHAELS, LLC, a Delaware limited liability company (the latter three entities collectively referred to as "Seller" or "Debtor"). Capitalized terms used and not otherwise defined shall have the meanings ascribed to such terms in Section 17 hereof.

WITNESSETH:

WHEREAS, on May 1, 2003, the Debtor filed petitions under Chapter 11 of Title 11, United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court"); and

WHEREAS, Seller has determined that it is in Seller's best interests and Seller's bankruptcy estate's best interests to sell to Buyer, and Buyer wishes to purchase from Seller pursuant to Section 363 of the Bankruptcy Code and subject to higher and better offers in accordance with a bidding and auction process to be approved by the Bankruptcy Court, all of the right, title and interest of Seller in and to the Acquired Assets for such consideration as is herein set forth; and

WHEREAS, the assets and liabilities of the Business are subject to the supervision and control of Seller subject and pursuant to the jurisdiction of the Bankruptcy Court:

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Agreement and the representations, warranties, covenants and agreements contained herein, Buyer, on the one hand, and Seller, on the other hand, hereby represent, warrant, covenant and agree as follows:

Section 1. SALE AND PURCHASE.

(a) Sale and Purchase of the Assets. Subject to the terms and conditions hereinafter set forth, on the Closing Date, Seller will sell, convey, transfer, assign and deliver or cause to be sold, conveyed, transferred, assigned and delivered to Buyer, and Buyer will purchase, acquire and take assignment and delivery of the assets of Seller set forth on Schedule A hereto and all of Seller's right, title and interest therein and thereto, free and clear of any and all Encumbrances of any kind except as specifically set forth herein (all of the assets to be sold, conveyed, transferred, assigned and delivered to Buyer hereunder are included in the term "Acquired Assets" as used herein). Acquired Assets should include any pending litigation against PH Beauty Labs, LLC, Larry J. Freeman, Mark S. Freeman and Jill Freeman Bucksbaum.

(b) Assignment and Assumption of Leases and Contracts. Subject to the terms and conditions hereinafter set forth, on the Closing Date, Seller shall assume and assign to Buyer, and Buyer shall take assignment of and assume all of Seller's right, title and interest in and to the contracts and unexpired leases set forth on Schedule B hereto (all of the right, title and interest of Seller under such contracts and unexpired leases to be assigned to and assumed by Buyer hereunder are included in the term "Acquired Assets" as used herein). Buyer may in its sole discretion (i) modify Schedule B at any time prior to the conclusion of the Sale Hearing and (ii) exclude from Schedule B at any time after the conclusion of the Sale Hearing and prior to the Closing any unexpired leases or contracts previously included in Schedule B. Buyer will not take assignment of nor assume in any way, any of the leases of real and personal property of Seller and the contracts of Seller unless said leases and contracts are set forth on Schedule B hereto. For any contracts or leases assumed by Seller and assigned to Buyer, Buyer shall also pay (or make provisions to pay) at Closing all Cure Amounts associated with such contracts and leases in accordance with the provisions of Section 5(d) hereof, and shall assume all liabilities and

obligations arising or accruing under such leases and contracts at any time on or after the Closing Date. Buyer hereby reserves the right to challenge in the Bankruptcy Court or any other court the amount of any Cure Amount associated with any unexpired lease or contract of Seller.

(c) Excluded Assets. Notwithstanding anything to the contrary in this Agreement, Buyer shall not acquire any interest in any assets of Seller that do not constitute Acquired Assets, including but not limited to the assets of Seller or Seller's bankruptcy estates set forth on Schedule C hereto (collectively, the "Excluded Assets").

(d) Assumption of Liabilities. On the Closing Date, Buyer shall assume and agree to pay, perform, fulfill and discharge only the following liabilities and obligations of Seller and only on the terms and conditions set forth herein:

(i) liabilities and obligations under leases and contracts specifically assumed by Buyer and only to the extent such liabilities and/or obligations arise and/or accrue subsequent to, or otherwise relate to any time period after the Closing Date;

(ii) if Buyer employs any of Seller's employees after the Closing, to which employment Seller expressly consents, all obligations to pay salary and other compensation solely to the extent that the same accrues and becomes payable to such employees after the Closing Date;

(iii) Cure Amounts associated with each of the contracts and unexpired leases which are assumed by Seller and assigned to Buyer.

The amounts set forth in Section 1(d) above are collectively defined as the "Accepted Liabilities." Buyer hereby reserves the right to challenge the amount of any Cure Amount in the Bankruptcy Court or other appropriate court proceeding. Seller expressly reserves the right to seek to reject any contract of which Seller is a party if such contract is not listed on Schedule B or Buyer has elected to exclude said contract from Schedule B. Disclosure of any obligations or liability on any schedule to this Agreement shall not create an Accepted Liability or other liability of Buyer unless such disclosed obligation has been expressly assumed by Buyer as an Accepted Liability.

(e) Purchase Price and Payment. The purchase price to be paid by Buyer to or for the benefit of Seller in accordance with the order of the Bankruptcy Court on the Closing Date for the Acquired Assets being purchased hereunder shall be \$ \_\_\_\_\_ (the "Purchase Price"), and Buyer shall remit at Closing directly to the Lender \$ \_\_\_\_\_ as partial payment of the Indebtedness as defined in and in accordance with and subject to the provisions of the DIP Financing Order. Buyer has deposited with Seller's counsel the sum of \_\_\_\_\_ in the form of a certified check or wire transfer of immediately available federal funds to be held in escrow by Seller's counsel in accordance with the provisions hereof (the "Deposit"). If (i) a "higher" or "better" offer to purchase the Acquired Assets or a substantial portion thereof is approved by the Bankruptcy Court and a closing occurs thereunder, and (ii) as of the Auction Time, this Agreement is in full force and effect or has been terminated pursuant to Section 10 (except to the extent such termination is based on any uncured breach by Buyer of any representations, warranties or covenants hereunder or any other wrongful conduct by Buyer), the Deposit shall be promptly refunded to Buyer following such closing.

(f) Purchase Price Adjustment. At least three (3) days prior to the Closing Date, Seller shall prepare and deliver to Buyer a schedule prepared in good faith based on the reasonable estimates of Seller, which shall set forth in reasonable detail a projection of the Inventory of Seller as of the Closing Date (the "Inventory Estimate"). If the Inventory Estimate is less than the Inventory



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed the day and year first above written.

PH Beauty Labs, LLC

By: [Signature]  
Name: LARRY J FREEMAN  
Title: \_\_\_\_\_

FASMA, LLC

By: [Signature]  
Name: \_\_\_\_\_  
Title: ATTORNEY for Debtors

SARAH MICHAELS, INC.

By: [Signature]  
Name: \_\_\_\_\_  
Title: ATTORNEY for Debtors

SARAH MICHAELS, LLC

By: [Signature]  
Name: \_\_\_\_\_  
Title: ATTORNEY for Debtors

47	FREEMAN (WORD)	PUER		12/15/1998	44319	12/19/1998
	FREEMAN (WORD)	ROMA	52775	11/26/1998	37308	11/26/1998
48	FREEMAN (WORD)	RUSS	99704499	3/30/1999		
49	FREEMAN (WORD)	SAFR				
50	FREEMAN (WORD)	SWED	9808478	11/13/1998	348448	9/7/2001
51	FREEMAN (WORD)	TAIW	79-13909	4/3/1990	539551	11/1/1991
52	FREEMAN (WORD)	TAIW	79-13910	4/3/1990	528259	7/16/1991
53	FREEMAN (WORD)	THAI	203612	6/21/1990	148043	6/21/1990
54	FREEMAN (WORD)	TURK	6/16/1995		161423	6/16/1995
55	FREEMAN AND NEW DESIGN	JAPA	1/21/1998		4249870	3/12/1999
56	FREEMAN AND NEW DESIGN	MACE	Z20000036	1/21/2000		
57	FREEMAN AND NEW DESIGN	VIET	42454	7/15/1999	37573	6/20/2001
58	FREEMAN BEAUTIFUL SKIN	USA	74478120	1/10/1994	1872177	1/10/1995
59						
60	FRESH IDEA	USA	76207461	2/9/2001		
61	FU-FU FOAM	USA	76259400	5/21/2001		
62	GET SHEERIOUS	USA	76179402	12/13/2000		
63	GET UP AND GLOW	USA	76157112	4/3/2001		
64	GLISTEN CLEARLY	USA	76179326	12/13/2000		
65	GLISTEN TO THIS	USA	76182208	12/18/2000		
66	GLOW BARE	USA	76209653	2/14/2001		
67	GLOW GET IT	USA	76150301	10/20/2000		
68	GLOWING PLACES	USA	76150319	10/20/2000		
69	GOTTA GLOW	USA	76223607	3/13/2001		
70	IN THE THICK OF IT	USA	76151113	10/23/2000		
71	JUST DANDY	USA	78071492	6/28/2001		
72	MIGHTY FINE SHINE	USA	76150439	10/20/2000		
73	MORNING SHEER	USA	76179403	12/13/2000		