

To the Honorable Assistant Secretary and original document(s) or copy(ies) thereof.



marks: Please record the attached

102895849

1. Name of conveying party(ies): PNC Bank, N.A.
[] Individual(s) [] Association
[] General Partnership [] Limited Partnership
[] Corporation
[X] Other - National Association
Additional name(s) of conveying party(ies) attached?
[] Yes or [X] No?

2. Name and address of receiving party(ies):
Name: Lantis Eyewear Corporation
Street Address 461 Fifth Avenue
New York, New York 10017
[] Individual(s) citizenship
[] Association
[] General Partnership
[] Limited Partnership
[X] Corporation - New Jersey
[] Other

3. Nature of conveyance:
[] Assignment of Interest [] Merger
[] Security Agreement [] Change of Name
[X] Release of security interest recorded at Reel/Frame 2597/0359 by way of Bankruptcy Court Order (See attached copy of order, page 10, paragraphs 5 & 6).
Execution Date: August 4, 2004

If assignee is not domiciled in the United States, a domestic Representative designation is attached: [] Yes or [X] No? (Designations must be a separate document from Assignment)
Additional name(s) & address(es) attached? [] Yes or [X] No?

4. Application number(s) or registration number(s): Attorney Docket No.: 16532.031800
A. Trademark Application No.(s): B. Trademark Registration No.
Additional numbers attached? [X] Yes or [] No? See Schedule A

5. Name and address of party to whom correspondence concerning document should be mailed:
Name: Greenberg Traurig, P.A. Attn: Manuel Valcarcel, Esq.
Internal Address:
Street Address: 1221 Brickell Avenue
City: Miami, State: Florida ZIP: 33131

6. Total number of applications and registrations involved: 33
7. Total fee (37 C.F.R. § 3.41).....\$840.00
[X] Enclosed
[X] Authorized any deficiency to be charged to deposit account
8. Deposit account Number: 50-1792
(Attach duplicate copy of this page if paying by deposit account)

DO NOT USE THIS SPACE

9. Statement and Signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.
Manuel R. Valcarcel, Esq. Signature Date: November 30, 2004
Name of Person Signing Signature Date
Total number of pages including cover sheet(s): 275

OMB No. 0651-0011 (exp. 4/94)

Do not detach this portion
Mail documents to be recorded with required cover sheet information:
Mail Stop Assignment Recordation Services
Director of the United States Patent & Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
12/07/2004 DEYRHE 00000018 1449476
burden reporting for this sample cover sheet is estimated to average about 30 minutes per document to be recorded, including time for reviewing the document and gathering the data needed, and completing and reviewing the sample cover sheet. Send comments regarding this burden estimate to the U.S. Patent and Trademark Office, Office of Information Systems, PK2-1000C, Washington, D.C. 20231, and the Office of Management and Budget, Paperwork Reduction Project (0651-0011), Washington, D.C.

Handwritten note: 10-1-01

Handwritten notes: 01, 02, 40.00 DP, 000.00 DP

Schedule A

Mark	Reg. No.	Reg. Date
SOLARGENICS	1449476	07/28/1987
WHAT YOU DON'T SEE CAN HURT YOU	1482191	03/29/1988
SOLARGENICS	1527659	03/07/1989
	1600582	06/12/1990
SOLARVISION	1758076	03/16/1993
FAMILY OPTICS	1900378	06/20/1995
SOLAR ECLIPSE	2109357	10/28/1997
EDITOR'S CHOICE	1877501	02/07/1995
S	2080959	07/22/1997
GO-GO'S	2188237	09/08/1998
GREENSEEKER	2263386	07/20/1999
METROPOLITAN	2108854	10/28/1997
FX	2201103	11/03/1998
ZEOLYTE	2169581	06/30/1998
	2386754	09/19/2000
LENSES FOR DRIVING	2248788	06/01/1999
AMBERTEK	2350634	05/16/2000
V	2292154	11/16/1999
CYBEROPTICS	2466024	07/03/2001
PLAYERS	2358446	06/13/2000
EYE.D	2423797	01/23/2001
PRIVATE ISSUE	2396313	10/17/2000
SAFETY ZONE	2392657	10/10/2000
INTRIGUE	2409292	11/28/2000
CLIQUE	2472007	07/24/2001

Mark	Reg. No.	Reg. Date
• SUCCESS	2432121	02/27/2001
US1	2432122	02/27/2001
BOOKMATES	2654667	11/26/2002
EASY-FLEX	2672509	01/07/2003
COMFORT-SOFT	2759175	09/02/2003
FX KIDS	2580994	06/18/2002
AUTOBAHN	2727629	06/17/2003
UNITED VISION	2739080	07/15/2003

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LANTIS EYEWEAR CORPORATION,

Debtor.

Chapter 11

Case No. 04-13589 (ALG)

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a), 363, 365 AND 1146(c) AND
FED. R. BANKR. P. 2002, 6004 AND 6006 (A) APPROVING SALE OF
SUBSTANTIALLY ALL THE DEBTOR'S ASSETS, FREE AND CLEAR
OF ALL LIENS, CLAIMS AND ENCUMBRANCES TO HIG RECOVERY
FUND II, INC.; (B) AUTHORIZING THE SALE, ASSUMPTION AND
ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; (C) MAKING DETERMINATION OF CURE
AMOUNTS WITH RESPECT TO EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; (D) APPROVING SETTLEMENT AND
COMPROMISES; AND (E) GRANTING RELATED RELIEF**

Upon the motion of Lantis Eyewear Corporation, the above-captioned debtor and debtor-in-possession ("Lantis" or the "Debtor"), dated May 25, 2004 (Docket No. 33) (the "Sale Motion"), seeking entry of an Order, pursuant to sections 105(a), 363, 365 and 1146(c) of title 11 of the United States Code, §§ 101 et seq. (the "Bankruptcy Code") and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (a) approving that certain Amended and Restated Asset Purchase Agreement, dated as of May 25, 2004, as amended and restated as of July 29, 2004, between the Debtor and HIG Recovery Fund II, Inc., ("HIG" or the "Buyer," as applicable), a copy of which is annexed hereto as Exhibit A (the "Purchase Agreement"), (b) authorizing the Debtor to consummate a sale of the Acquired Assets,¹ free and clear of all liens, claims and encumbrances other than the liens created by the Buyer (collectively, "Liens"), with such liens to transfer, affix, and attach to the proceeds of such

¹ Unless otherwise stated, capitalized terms used but not defined herein shall have the meaning given in the Purchase Agreement.



sale, pursuant to the terms and conditions of (i) the Purchase Agreement, (ii) that certain Transition Services Agreement dated as of July 29, 2004, between the Debtor and HIG (as amended, supplemented or otherwise modified, the "Transition Services Agreement"), a copy of which is annexed hereto as Exhibit "B," and (iii) that certain Assignment, Assumption and Release Agreement dated July 20, 2004, between and among the Debtor, HIG, and 777 Sinatra Drive Corp. (as amended, supplemented or otherwise modified, the "Secaucus Assignment Agreement"), a copy of which is annexed hereto as Exhibit "C," all as more fully set forth in the Sale Motion, (c) authorizing the sale, assumption and assignment of certain executory contracts and unexpired leases in accordance with the terms of the Purchase Agreement (collectively, the "Assumed Executory Contracts") in connection with such sale, (d) making determinations of cure amounts with respect to the Assumed Executory Contracts, (e) approving settlement and compromises, and (f) granting related relief; and consideration of the Sale Motion, the relief requested therein, and the responses thereto, being a core proceeding in accordance with 28 U.S.C. § 157(b); and adequate notice of the Sale Motion having been given pursuant to Rule 2002(i) by service upon the United States Trustee, the Statutory Committee of Unsecured Creditors, the Debtor's twenty (20) largest creditors, all persons requesting notice pursuant to Rule 2002, all counterparties to the executory contracts to be assumed and assigned pursuant to the Sale Order as well as by publication in the National edition of The Wall Street Journal and the equity holders having had actual knowledge of the sale; and no further notice is required under the circumstances and the appearances of all interested parties and all responses and objections to the Sale Motion, if any, having been duly noted at the hearing on the Sale Motion held on July 15, 16 and 21, 2004 (the "Sale Hearing"); and upon the record of the Sale Hearing,



the Sale Motion, all responses and objections, and the testimony given at the Sale Hearing; and after due deliberation and sufficient cause appearing therefor, the Court hereby

FINDS AND DETERMINES² THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014.

B. Notice of the Sale Motion, the Auction, and the Sale Hearing has been given in accordance with Bankruptcy Rules 2002(i), 4001 and 6004 and 6006 and this Court's June 10, 2004, Order (A) Authorizing and Scheduling an Auction for the Sale of Substantially all of the Debtor's Assets Free and Clear of all Liens, Claims and Encumbrances; (B) Approving Bidding Procedures that will Govern the Sale; (C) Approving the Form and Manner of Notice of the Sale and (D) Fixing Procedures for Determination of Cure Amounts with Respect to Executory Contracts and Unexpired Leases (Docket No. 72) (the "Bidding Procedures Order") as amended by this Court during the Sale Hearing. Notwithstanding anything to the contrary contained in the Bidding Procedures Order, the foregoing notice was made in accordance with Bankruptcy Rule 2002(i) and was reasonably calculated to provide notice to all creditors of the Debtor, affected parties and to all prospective bidders and constitutes adequate notice of the Sale Motion and the Sale Hearing, and no other or further notice of the Sale Motion, the Sale Hearing or the entry of this Order (the "Sale Order") need be given.

C. A reasonable opportunity has been afforded any interested party to make a higher and better offer for the Acquired Assets.

² Findings of fact shall be construed as, and constitute, conclusions of law and conclusions of law shall be construed as, and constitute, findings of fact when appropriate. FED. R. BANKR. P. 7052. Statements made by the Court from the bench at the hearing shall constitute additional conclusions of law and findings of fact, as appropriate.



D. Exigent circumstances and sound business reasons exist for the Debtor's sale of the Acquired Assets pursuant to the Purchase Agreement. There is a need by the Debtor to consummate the sale as rapidly as possible. Among other things, the Debtor's continuing loss of cash and the need to sell the Debtor's business quickly to preserve employees' jobs and the value of the Debtor's business. Additionally, the Debtor is at risk of losing additional customers and employees if its business is not sold quickly. Entry into the Purchase Agreement and consummation of the transactions contemplated thereby constitute the exercise by the Debtor of sound business judgment and such acts are in the best interests of the Debtor, its estate and creditors.

E. The Purchase Agreement represents the highest and best offer received by the Debtor for the Acquired Assets, and the Buyer was determined by the Debtor to be the Successful Bidder (as defined in the Bidding Procedures Order). The Debtor complied with all provisions of the Bidding Procedures Order.

F. The sale consideration to be realized by the Debtor pursuant to the Purchase Agreement is fair and reasonable.

G. The transactions contemplated by the Purchase Agreement are undertaken by the Debtor and the Buyer at arm's length, without collusion and in good faith within the meaning of the Bankruptcy Code § 363(m), and such parties are entitled to the protections of Bankruptcy Code § 363(m).

H. The Transition Services Agreement and the Secaucus Assignment Agreement are an integral part of the sale and are fair and reasonable under the circumstances.



I. A sale of the Acquired Assets other than one free and clear of Liens would adversely affect the Debtor's estate and would be of substantially less benefit to the Debtor's estate.

J. The decision to sell, assume and assign each Assumed Executory Contract is based on the reasonable exercise of the Debtor's business judgment and is in the best interests of the Debtor's estate.

K. The Buyer has demonstrated adequate assurance of future performance with respect to each of the Assumed Executory Contracts.

L. The sale of the Acquired Assets is a prerequisite to the Debtor's ability to confirm and consummate a plan of liquidation. The sale contemplated under the Purchase Agreement is a sale in contemplation of and an integral part of such plan.

M. As of the Petition Date, the Debtor was liable to HIG Recovery in the approximate amount of \$99,100,000 including principal, interest, fees and costs (the "HIG Claim"). For purposes of HIG's ability to credit bid pursuant to Bankruptcy Code § 363(k), the HIG Claim is an allowed claim secured by a fully enforceable, non-avoidable, properly perfected security interest in substantially all of the Debtor's assets, including but not limited to the Acquired Assets, not subject to challenge in any respect by the Debtor, the Committee or any other party in interest.

N. The Debtor believes that the estate is and will continue to be administratively solvent.

O. Stuart Chizen will serve as a member of the Debtor's board of directors and the initial wind down officer and HIG has agreed to fund the wind down officer to the extent of \$100,000.



P. The Buyer is entitled to credit bid all or a portion of the HIG Claim at the Auction in accordance with Bankruptcy Code § 363(k).

Q. The Debtor and the Committee believe that the settlements and compromises provided under this Order (the "Settlement") are reasonable and in the best interests of the creditors of the Debtor's estate, the Debtor's estate and all other affected parties.

R. The Debtor, the Debtor's current officers and directors and the Committee have the authority to enter into the Settlement.

S. Pursuant to Rule 9019(a) of the Federal Rules of Bankruptcy Procedure and relevant legal authorities, the Settlement is fair and equitable and is above the lowest point in the range of reasonableness.

T. If the Settlement is not approved, the prospect of complex and protracted litigation exists against certain of the settling parties, the outcome of which is uncertain.

U. The benefits for the Debtor's estate and creditors of the Debtor's estate offered by the Settlement without the expense and delay of further litigation outweigh any potential benefits if the claims asserted in the objection are pursued and advances the orderly, economical and expeditious administration of this case.

V. The Debtor, the Committee, HIG, and the Debtor's current officers and directors all support the Settlement.

W. Competent and experienced counsel for proponents of the Settlement recommend its acceptance.

X. The nature and breadth of the releases to be effected pursuant to the Settlement are fair and reasonable and supported by the consideration to be paid or distributed under the Settlement.



Y. The Settlement is the product of arm's-length, non-collusive bargaining among the settling parties and has been reached in good faith and, when consummated in accordance with this Order and the Settlement, will have been consummated in good faith.

Z. The Equity Give-Up (as defined herein) does not constitute estate property under section 541 of the Bankruptcy Code and shall constitute a non-estate asset.

AA. All objections (including all of the objections of the Committee (the "Committee's Objections")) to the Sale Motion have been resolved to the satisfaction of this Court, the Debtor, the Committee, such objector and the Buyer, or have otherwise been overruled.

For all of the foregoing reasons and after due deliberation, the Court ORDERS, ADJUDGES, AND DECREES THAT:

1. The Sale Motion (as supplemented on the record), the Purchase Agreement, the Transition Services Agreement and the Secaucus Assignment Agreement, and the transactions contemplated thereby are hereby approved. In the event of a conflict between provisions of this Order and the Purchase Agreement, the Transition Services Agreement, the Secaucus Assignment Agreement and the Sale Motion, the provisions of this Order shall govern.

2. Pursuant to Bankruptcy Code § 363(b), the Debtor is authorized and directed to sell the Acquired Assets (including the Assumed Executory Contracts) to the Buyer upon the terms and subject to the conditions set forth in the Purchase Agreement and this Order, with such modifications as may be agreed to by HIG, the Debtor and Committee, which shall be filed with the Court and which are consistent



with this Order and the Purchase Agreement and do not materially adversely affect the Debtor or Debtor's estate.

3. The Buyer is hereby authorized to credit bid the HIG Claim pursuant to Bankruptcy Code § 363(k) in accordance with the Purchase Agreement. The Debtor and the Buyer are hereby authorized to take all actions and execute and deliver all documents, instruments and agreements (including but not limited to general releases of the Buyer) that the Debtor and the Buyer deem necessary or appropriate to implement and effect the transactions contemplated by the Purchase Agreement as such may be amended by the parties thereto with the consent of the Committee (provided that such modifications shall be filed with the Court and are consistent with this Order and the Purchase Agreement and do not materially adversely affect the Debtor or Debtor's estate), including but not limited to bills of sale, assignment documents, deeds and transition service agreements. Notwithstanding anything in the Purchase Agreement to the contrary, except as agreed to by the Buyer, the Debtor and Committee, the Closing Date shall occur no later than August 31, 2004 and the Termination Date (as defined in the Purchase Agreement) shall be September 2, 2004.

4. Pursuant to Bankruptcy Code § 363(f), the sale of the Acquired Assets to the Buyer shall be free and clear of all Liens (other than Liens created by the Buyer or Permitted Encumbrances (as defined in the Purchase Agreement)), with all such Liens to attach to the net proceeds of the Sale in the order of their priority, with the same force, validity and effect which they now have as against such Acquired Assets, subject to any claims or defenses the Debtor may possess, whether known or unknown, including, but not limited to, any of the Debtor's creditors, vendors,



suppliers, employees, executory contract counterparties, lessors, customers or users of goods manufactured or sold by the Debtor, and the Buyer shall not be liable in any way (under any theory of successor liability or otherwise) for any claims that any of the foregoing or any other third party may have against the Debtor by virtue of the purchase and sale provided for herein; provided further that, and except as expressly provided in the Purchase Agreement and this Order, the free and clear delivery of the Acquired Assets shall include, but not be limited to, all asserted or unasserted, known or unknown, employment related claims, payroll taxes, employee contracts, employee seniority accrued while employed with the Debtor and successor liability, with any and all valid and enforceable Liens thereon, including those asserted by any lender of the Debtor, transferred, affixed, and attached to the net proceeds of such sale, with the same validity, priority, force, and effect as such Liens had upon the Acquired Assets immediately prior to the Closing (as defined in the Purchase Agreement); provided, however, that the Acquired Assets are subject solely to the setoff and/or recoupment claims, whether accrued before or after the Petition Date, of Jones Retail Corporation and Jones Investment Co., Inc. (the "Jones Setoff Claims") and as specifically provided in the Purchase Agreement, and no other valid and enforceable setoff and/or recoupment rights of any creditor shall be adversely affected, except to the extent permitted by applicable law.

5. If any person or entity that has filed financing statements, mortgages, mechanic's liens, lis pendens, or other documents or agreements evidencing Claims (as defined in the Purchase Agreement) against or interests in the Debtor or the Acquired Assets that are junior or subject to the Liens of Buyer and shall not have



delivered to the Debtor prior to the Closing Date (as defined in the Purchase Agreement), in proper form for filing and executed by the appropriate parties, after due request therefor, termination statements, instruments of satisfaction, releases of all Claims or interests which the person or entity has with respect to the Debtor or the Acquired Assets or otherwise, then upon the Closing and simultaneously with receipt by the Debtor of the Purchase Price and Additional Cash Payment (as defined in the Purchase Agreement) and with the receipt by counsel for the Committee of the Equity Give-Up: (a) the Debtor is hereby authorized and directed to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Acquired Assets at no cost to the Debtor, and (b) the Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Sale Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all Claims against or interests in the Acquired Assets.

6. Effective as of the Closing, the sale of the Acquired Assets by the Debtor to the Buyer shall constitute a legal, valid, and effective transfer of the Acquired Assets and shall vest the Buyer with all right, title, and interest of the Debtor in and to the Acquired Assets free and clear of all Liens (other than the Jones Setoff Claims) pursuant to Bankruptcy Code § 363(f). Such transfer shall be deemed made by the Debtor "as is" and "where is" without representations or warranties, except as specifically set forth in the Purchase Agreement.

7. The sale of the Acquired Assets to the Buyer pursuant to the Purchase Agreement will constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of all applicable jurisdictions,



including, but not limited to, the laws of the State of New Jersey and the State of New York.

8. The Buyer is hereby found to be a good-faith purchaser pursuant to Bankruptcy Code § 363(m) and hereby is granted all of the protections provided thereunder.

9. The Debtor is authorized and directed to assign and transfer to the Buyer all of the Debtor's rights, title and interest (including common law rights) to all of the Debtor's intangible property to be assigned and transferred to the Buyer under the Purchase Agreement.

10. All objections and responses concerning the Sale Motion are resolved in accordance with the terms of this Sale Order and as set forth in the record of the Sale Hearing and to the extent any such objection or response was not otherwise withdrawn, waived, or settled, they are, and all reservations and rights therein are, overruled and denied except to the extent set forth in this Sale Order.

11. The Buyer has not assumed or otherwise become obligated for any of the Debtor's liabilities other than as expressly set forth in the Purchase Agreement, the Transition Services Agreement and the Secaucus Assignment Agreement, and the Buyer has not purchased any of the Excluded Assets.

12. Subject to full payment of the Cure Amounts as hereinafter set forth, the sale, assumption and assignment to Buyer of each Assumed Executory Contract is approved pursuant to Bankruptcy Code §§ 363(b), (f) and (m) and 365(a) and (f).



13. At Closing or as soon as is practicable thereafter, the Buyer shall fund and/or pay to the counterparties, if any, to the Assumed Executory Contracts cure amounts ("Cure Amounts") in the amounts set forth on the schedule to the Cure Notice attached hereto as Exhibit D; provided, however, that (i) the "Cure Amount" with respect to the License Agreement, dated May 19, 1995, between Jones Investment Co., Inc. and the Debtor (as amended, the "Jones Agreement") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall accrue under the Jones Agreement through the Closing Date, whether arising before or after the Petition Date; (b) interest on any payment made beyond its due date under the Jones Agreement; and (c) Jones' reasonable attorneys' fees and expenses not to exceed \$25,000 (collectively, with the amounts relating to the Jones Agreement set forth in Exhibit D, the "Jones Cure Amount"); (ii) the "Cure Amount" with respect to the Dualstar Contracts (as defined herein) shall include (a) all amounts then accrued under the Dualstar Contracts as of the Closing Date, whether or not such amounts are then payable, (b) interest at the rate of ten percent (10%) *per annum* on any amounts paid or payable to Dualstar after the date required for the payment thereof in accordance with the Dualstar Contracts until the Closing Date, and (c) all reasonable legal fees and expenses not to exceed \$40,000 incurred by Dualstar as a consequence of or in connection with (x) the Debtor's default under the Dualstar Contracts, (y) the chapter 11 case of Debtor, and (z) the Sale Motion (the "Dualstar Cure Amount"); (iii) the "Cure Amount" due to Levi Strauss & Company ("LS&CO") in connection with those agreements between LS&CO and the Debtor (the "LS&CO Agreements") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall



accrue under the LS&CO Agreements through the Closing Date, and (b) reasonable attorneys' fees and expenses not to exceed \$7,500 incurred by LS&CO as a consequence of or in connection with the chapter 11 case of Debtor (the "LS&CO Cure Amount"); and (iv) the "Cure Amount" due to AHG Licensing, Inc. ("AHG") pursuant to that certain License Agreement dated June 23, 2003, with the Debtor (the "AHG Agreement") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall accrue under the AHG Agreement through the Closing Date, and (b) reasonable attorneys' fees and expenses not to exceed \$7,500 incurred by AHG as a consequence of or in connection with the chapter 11 case of Debtor (the "AHG Cure Amount") (the Jones Cure Amount, the Dualstar Cure Amount, the LS&CO Cure Amount and the AHG Cure Amount, together, the "Licensor Cure Amounts") (the Jones Agreement, the Dualstar Contracts, the LS&CO Agreements Cure and the AHG Agreement, together, the "Licensor Agreements"). The "Dualstar Contracts" are defined herein to mean each of those trademark licenses (the "Dualstar Contracts") granted to Debtor by Dualstar Entertainment Group LLC and Dualstar Consumer Products LLC (collectively, "Dualstar") identified on Exhibit E hereto. The Cure Amounts in Exhibit D and the Licensor Cure Amounts shall be deemed the entire cure obligation of the Debtor due and owing pursuant to Bankruptcy Code § 365(b) on the Closing Date. The Buyer shall fund and/or pay the Cure Amounts as provided under the Purchase Agreement and shall have no other liability for any amounts under any Assumed Executory Contract to the extent arising before the Closing Date, except as provided in the Purchase Agreement.



14. The Buyer shall assume the costs, obligations and liabilities of the Debtor arising from and after the Closing Date with respect to each Assumed Executory Contract and shall assume obligations accruing thereunder prior to the Closing only with respect to the Licensor Agreements and to the extent expressly provided for in the Purchase Agreement. Upon assumption and assignment of any Assumed Executory Contract, the Debtor and the Debtor's estate shall be relieved of any liability for breach of such Assumed Executory Contract occurring after such assignment pursuant to Bankruptcy Code § 365(k).

15. The Buyer has provided adequate assurance of its future performance under each Assumed Executory Contract and the proposed assumption and assignment of the Assumed Executory Contracts satisfies the requirements of the Bankruptcy Code including, inter alia, Bankruptcy Code §§ 365(b)(1) and (3) and 365(f) to the extent applicable; provided, however, notwithstanding the foregoing and paragraphs K and 12 hereof, the assumption and assignment of the Dualstar Contracts is approved on the condition that Buyer and Dualstar shall meet and confer with respect to the adequate assurance of future performance which Buyer intends to provide to Dualstar, and either (a) Dualstar expressly consents to such assumption and assignment, or (b) if Dualstar does not so consent, this Court, after an evidentiary hearing, authorizes such assumption and assignment, in which instance, all rights, claims and contentions of the parties are expressly reserved, including, but not limited to, the contention of Dualstar that in accordance with Section 365(c) of the Bankruptcy Code, the Dualstar Contracts are not subject to assumption and assignment.



16. The Assumed Executory Contracts are valid and binding, in full force and effect and, except as provided in this Sale Order, enforceable in accordance with their terms.

17. There shall be no rent accelerations, assignment fees, increases, or any other fees charged to the Buyer as a result of the sale and assignment of the Assumed Executory Contracts.

18. Any provision in any Assumed Executory Contract that purports to declare a breach or default as a result of a change of control in respect of the Debtor is unenforceable and all Assumed Executory Contracts shall remain in full force and effect. No sections or provisions of any Assumed Executory Contract that purports to (i) prohibit, restrict, or condition the Debtor's assignment of the Assumed Executory Contract; (ii) authorize the cancellation, termination or modification of any Assumed Executory Contract based on the filing of a bankruptcy case, the financial condition of the Debtor, or similar circumstances; or (iii) provide for additional payments, penalties, charges, or other financial accommodations in favor of the non-debtor third party to the Assumed Executory Contracts upon the occurrence of the conditions set forth in subsections (i) and (ii) above, shall have any force and effect with respect to the sale and assignment authorized by this Sale Order, and such provisions constitute unenforceable anti-assignment provisions under Bankruptcy Code § 365(f) and/or are otherwise unenforceable under Bankruptcy Code § 365(e).

19. Each Assumed Executory Contract is in full force and effect and, upon Closing in compliance with the terms and conditions of this Order, and except as provided for in the Purchase Agreement, no monetary or non-monetary default will



exist thereunder, or event or occurrence which would constitute a default with the passage of time, giving of notice, or both, with respect to any material term, condition, covenant, payment obligation or other obligations thereunder whether prepetition or postpetition in nature, other than any event of default existing as a result of the filing of this bankruptcy case and monetary cure amounts which shall be cured at the Closing.

20. The Cure Amounts (including, without limitation, the Jones Cure Amount), concerning the Assumed Executory Contracts, shall be in full and complete satisfaction of the Debtor's and Buyer's obligations existing as of the Closing or arising by reason of the Closing, including but not limited to any assignment fee, default, or breach under, or any claim or pecuniary loss, or condition to assignment, existing as of the Closing or such other date as to when such contract is assumed and assigned or arising under or related to Assumed Executory Contracts.

21. The Assumed Executory Contracts, upon sale and assignment to the Buyer, shall be deemed valid and binding, in full force and effect in accordance with their terms, subject to the provisions of this Sale Order and, pursuant to Bankruptcy Code § 365(k), the Debtor shall be relieved from any further liability, except for any cure obligations as herein provided.

22. Pursuant to Bankruptcy Code §§ 363(b), (f) and (m) and 365(a), (b) and (f), the assumption, assignment and sale to the Buyer of the Assumed Executory Contracts by the Debtor shall be effected by this Sale Order, effective as of Closing.

23. Immediately upon entry of this Sale Order, in connection with the New Jersey Facility, the Debtor, together with the Buyer, without cost to the Debtor, may disassemble and move all distribution-related equipment in the New Jersey Facility



which constitute Acquired Assets; provided, however, that until the Closing the Acquired Assets shall remain property of the Debtor and, if the Closing does not occur, the Acquired Assets shall be returned to the Debtor at the Buyer's sole expense.

24. The Assumed Executory Contracts, together with any amendments and modification of such Assumed Executory Contracts, constitute the Assumed Executory Contracts that are being assumed by and assigned to the Buyer by the Debtor.

25. Pursuant to the Purchase Agreement, the Buyer shall reallocate and share proceeds of the sale by paying \$2,000,000 in cash in respect of the Equity Give-Up to be held by counsel to the Committee in a segregated interest-bearing account or invested in treasury bills or other direct obligations of, or obligations guaranteed by, the United States of America, or a money market fund which invests primarily in direct obligations of the U.S. Treasury and securities issued or guaranteed by U.S. agencies or authorities. It is the intent of the parties that the Equity Give-Up will be held by counsel to the Committee in trust for and for the benefit of the Creditor Beneficiaries and that the Equity Give-Up will not be distributed except as provided by further Order of this Court or in a manner set forth in a liquidation trust agreement and/or plan of liquidation approved by this Court. The Equity Give-Up may be adjusted upwards in accordance with the Purchase Agreement. All interest and income received in respect of investments of the Equity Give-Up shall constitute part of the Equity Give-Up. Nothing herein shall prejudice the right of the Committee to argue that the Equity Give-Up was reallocated for the sole benefit of the Creditor Beneficiaries.

26. The term "Creditor Beneficiary" or "Creditor Beneficiaries" shall mean any holder of an allowed and timely filed prepetition non-priority general



unsecured Claim against the Debtor or Debtor's estate other than HIG, the officers and directors of the Debtor and any "insider" of the Debtor (as such term is defined in Bankruptcy Code § 101). The Creditor Beneficiaries shall be entitled to receive a *pro rata* share of the Equity Give-Up. "Pro rata" shall mean with reference to any distribution on account of the Equity Give-Up, the proportion of the allowed claims of such Creditor Beneficiary to the aggregate of all allowed claims of Creditor Beneficiaries plus any reserve for disputed claims or claims not yet allowed to this Chapter 11 case, as determined by the Committee. Up to \$175,000 of the Equity Give-Up may be used by the Committee or its designee to pay fees and expenses of professionals of the Committee or such designee with respect to services performed and related expenses with the maintenance, administration and distribution of the Equity Give-Up and any costs related to the maintenance, administration and distribution of the Equity Give-Up may be paid from the Equity Give-Up.

27. In consideration for the release of claims set forth herein, including, but not limited to, the resolution of the Committee Objection, the Lender and certain of the Individual Releasees have agreed to pay, or cause to be paid, to the Debtor, the sum of \$550,000 to be paid to the Debtor on or before the Closing Date in the manner set forth in the Purchase Agreement (the "Settlement Payment") for use for general corporate purposes including the costs of administering the Chapter 11 case or otherwise distributed as provided under the Bankruptcy Code.

28. As provided in the Purchase Agreement, effective as of the Closing Date, all Claims against the Debtor, the Debtor's estate or property of the Debtor and the Equity Give-Up by the Individual Releasees (as defined in the Purchase Agreement)



are hereby waived and released by such Individual Releasees and all such Claims are hereby disallowed and expunged in their entirety. Such Individual Releasees shall be forever barred from asserting all such claims against the Debtor, the Debtor's estate or property of the Debtor or the Equity Give-Up. Such Individual Releasees hereby release the Debtor and the estate from any and all rights, claims, actions or demands of every kind and nature, in law or equity, or otherwise, and known and unknown.

29. Effective as of 12:01 a.m. on the day after the Closing Date, the Debtor shall be deemed to have rejected the Debtor's prepetition employment and severance agreements with those employees having pre-petition employment contracts with the Debtor (as defined in the Purchase Agreement, the "Waiving Employees"). The employment agreements between Buyer and (i) Laurence J. Moellentine ("Moellentine"), and (ii) Stuart Chizen ("Chizen") are hereby deemed void as of March 8, 2004, and shall give rise to no claim against HIG, the Debtor, the Debtor's estate, property of the Debtor or the Equity Give-Up. Notwithstanding the foregoing, the entry of this Order is without prejudice to the rights of Moellentine and Chizen to enter into new employment agreements with Buyer; provided that such agreements shall become effective only on or after the Closing Date. At Closing, the Waiving Employees shall deliver waivers and releases of any and all claims for rejection damages and any other Claims against the Debtor, the Debtor's estate or Debtor's properties and the Waiving Employees shall be forever barred from asserting such claims against the Debtor, the Debtor's estate, property of the Debtor or the Equity Give-Up. Pursuant to Section 365(a) of the Bankruptcy Code, the rejection of the employment agreements is hereby approved.



30. Effective as of the Closing Date, the Tax Indemnification Agreement dated March 15, 2004, between the Buyer and Murray Pottruck, Daniel Bernstein, Paul Gricus, Stuart Chizen and Laurence Moellentine, shall remain in full force and effect but, to the extent that any tax obligation covered by the Tax Indemnification Agreement is asserted and allowed against the Debtor and that such liability is in an amount sufficient to cause a diminution of the Equity Give-Up, Buyer shall immediately pay the allowed amount of such tax obligation to or for the benefit of the Debtor and the Debtor's bankruptcy estate and not to the parties indemnified pursuant to the Tax Indemnification Agreement. But, in no event, shall Buyer's obligation to the Debtor and the parties indemnified pursuant to the Tax Indemnification Agreement exceed \$100,000 in the aggregate.

31. At any time after the Closing Date, without further order from the Court, the Debtor may abandon or reject any of its presently existing executory contracts or leases which are not (a) assumed by Buyer, (b) continued and included on the schedule to the Transition Services Agreement or (c) assigned to the Buyer pursuant to the Secaucus Assignment Agreement (the "Excluded Contracts"), by obtaining the Committee's consent and serving upon (i) the non-Debtor party to such Excluded Contract, (ii) HIG and (iii) Buyer, a notice by overnight express mail to such parties' last known address available to the Debtor (and its counsel, if known) that such Excluded Contract shall be deemed rejected and/or abandoned as of five (5) business days following the service of such notice, absent a written objection. Such notice shall also provide for (a) a ten (10) day period within which such non-Debtor party may file an objection to such rejection, (b) the return by the Debtor of any such personal



property or possession of such leasehold to the landlord, or (c) the personal property or leasehold may be abandoned. Claims arising out of the rejection of a lease or contract under this paragraph must be filed with this Court on or before thirty (30) days after the effective date of the rejection. This Order is without prejudice to the Debtor's right to file a subsequent motion to assume and assign any Excluded Contracts or seek other or different relief regarding such lease or contract.

32. The Debtor and the Committee shall promptly file a joint plan of liquidation and disclosure statement consistent with the terms of this Order and the Purchase Agreement. The Debtor's time within which to file a plan and solicit acceptances of such plan pursuant to section 1121(d) of the Bankruptcy Code is hereby modified to allow the Committee to share the exclusive periods and be permitted to file a separate or joint plan of liquidation with the Debtor.

33. This Order constitutes a compromise settlement of disputed claims among the Debtor, the Debtor's officers and directors, the Buyer, and the Committee and shall not be deemed or construed to be an admission of liability by either party at any time for any purpose. The parties warrant that they own and have not assigned, sold, transferred or otherwise disposed of any claim or any interest in any claim against the other released in this Order.

34. Pursuant to the Purchase Agreement, the Buyer has the right to credit a portion of the HIG Claim (not to exceed \$20,000,000) against the Purchase Price (except with respect to the Equity Give-Up) for the Acquired Assets pursuant to Section 363(k) of the Bankruptcy Code.



35. In accordance with the Purchase Agreement, at Closing, all Claims arising under the Credit Agreement or otherwise, whether arising under contract, at law or in equity, including, but not limited to, the Replacement Liens, Superiority Claims, Diminution Claims and Post-Petition Advances and the remaining unsecured deficiency portion of the HIG Claim, without duplication, (but not including claims arising under the Purchase Agreement, or other documents or instruments executed in connection with the Closing, if any), shall be replaced with the Subordinated Note (in form and substance reasonably acceptable to the Debtor and the Committee), as provided in the Purchase Agreement, which shall be deemed an unsecured claim against the Debtor subordinate and junior to the rights and claims of any other creditor or claimant of the Debtor or Debtor's estate. On the Closing Date, the liens and security interests securing the HIG Claim shall be deemed terminated and extinguished. HIG, HIG Capital Management, Inc., HIG Capital LLC, and their officers, directors, executives and advisors, hereby waive and release any right or entitlement to recover or receive any distribution from the Equity Give-Up or any distribution or dividend with respect to this proceeding including, but not limited to, the Excluded Assets, Additional Cash Payment or Avoidance Actions.

36. In consideration of the Buyer's payment of the Purchase Price, effective as of the Closing Date:

(i) each of the General Releasees are hereby released from all claims (as defined in Bankruptcy Code § 101(5)) that the Debtor, its affiliates, the Committee, on behalf of itself and the estate of the Debtor, or any party claiming through any of the foregoing, may have against the General Releasees, regardless of whether such claim accrued before or after the Petition Date through the Closing Date, except that the Buyer's obligations and agreements, including its obligation to make payments and fund, pursuant to the Cash Collateral Stipulation and pursuant to the



Purchase Agreement, this Order, the Transition Services Agreement, and the Secaucus Assignment Agreement, shall not be released; provided, however, nothing in this paragraph releases Buyer's obligations or agreements under this Order, the Purchase Agreement, the Transition Services Agreement, or the Secaucus Assignment Agreement;

(ii) each of the Individual Releasees (other than Individual Releasees that have not delivered an Estate Release) shall be fully released with respect to all Claims and defenses that the Debtor, the Committee) and its members (solely in their role and capacity as members of the Committee, any party in interest or any party claiming through any of the foregoing may have against them through the Closing Date (other than claims against Buyer arising under the Purchase Agreement); and

(iii) each of HIG, HIG Capital Management Inc., HIG Capital LLC, and PNC Bank, N.A., the Individual Releasees and, as provided under the Purchase Agreement, the Waiving Employees, hereby releases and waives all Claims against the Debtor, the Debtor's estate, property of the Debtor, and the Committee, its members (solely in their role and capacity as members of the Committee) and the Equity Give-Up.

37. The Debtor, HIG, HIG Capital Management Inc., HIG Capital LLC, and PNC Bank, N.A., Individual Releasees, hereby agree that each of them shall not consent to, support, participate in or otherwise take or omit to take any action inconsistent with or in derogation of this Order and the Purchase Agreement.

38. This Court shall retain jurisdiction to interpret and enforce the provisions of the Purchase Agreement, the Bidding Procedures Order and this Sale Order in all respects, including, but not limited to, any claims of entities that seek to enforce Excluded Obligations against the Buyer or the Acquired Assets, and further to hear and determine any and all disputes between the Debtor and/or the Buyer, as the case may be, and any non-debtor party to, among other things, any Assumed Executory Contracts concerning, inter alia, the Debtor's sale, assumption and assignment thereof to the Buyer under the Purchase Agreement; provided, however, that in the event the Court abstains from exercising or declines to exercise such jurisdiction or is without



jurisdiction with respect to the Purchase Agreement, Bidding Procedures Order, or this Sale Order, such abstention, refusal, or lack of jurisdiction shall have no effect upon, and shall not control, prohibit, or limit the exercise of jurisdiction of any other court having competent jurisdiction with respect to any such matter.

39. The provisions of this Sale Order are non-severable and mutually dependent.

40. This Sale Order shall inure to the benefit of and shall be binding on the Buyer, the Debtor and affected parties, and their respective successors and assigns, including, but not limited to, any chapter 11 or chapter 7 trustee that may be appointed in the Debtor's case and shall be binding upon any trustee, party, entity or fiduciary that may be appointed in connection with this case or any other or further cases involving the Debtor, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

41. Pursuant to Bankruptcy Code § 1146(c), the transactions contemplated by the Purchase Agreement, including, but not limited to, the transfer of the Acquired Assets to the Buyer, recordation of evidence thereof, the granting mortgages and security interests in the Acquired Assets by the Buyer, and the recordation of evidence thereof by the Buyer or grantee of such mortgages and security interests are determined to be under or in contemplation of a plan to be confirmed under Bankruptcy Code § 1129 in that the net proceeds of the sale of the Acquired Assets are essential and required to fund a chapter 11 plan for the Debtor, and therefore, are exempt from any transfer, stamp or similar tax or any so-called "bulk-sale" law in all necessary jurisdictions arising as a result of or in connection with the Debtor's sale and transfer of the Acquired Assets to the Buyer.



42. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement and this Sale Order.

43. The requirement under Southern District of New York Local Bankruptcy Rule 9013-1(b) to file a memorandum of law in support of the Sale Motion is waived.

44. This Sale Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing, and the automatic stay of orders (i) authorizing the sale, use, or lease of property of the estate, as set forth in Bankruptcy Rule 6004(g) and (ii) authorizing the assumption and assignment of an executory contract or unexpired lease, as set forth in Bankruptcy Rule 6006(d), shall not apply to this Sale Order.



45. All entities who are presently, or on the Closing Date may be, in the possession of some or all of the Acquired Assets are hereby directed to surrender possession of the Acquired Assets to the Buyer on the Closing Date.

SO ORDERED in the Southern District of New York, this 4th day of August 2004.

/s/ Allan L. Gropper

ALLAN L. GROPPER, U.S.B.J.

I hereby attest and certify on 11/16/2004
that this document is a full, true and correct
copy of the original filed on the court's
electronic case filing system.

Clerk, US Bankruptcy Court, SDNY

By: Francis Ferguson Deputy Clerk



EXHIBIT LIST

Exhibit A	Purchase Agreement
Exhibit B	Transition Services Agreement
Exhibit C	Secaucus Assignment Agreement
Exhibit D	Cure Notice with Schedule of Cure Amounts
Exhibit E	Dualstar Contracts

SCHEDULES

Schedule 1	Officer's Waived Claims
Schedule 2	Rejected Employment Agreements



EXHIBIT E

- (i) Renewal and Third Amendatory Agreement (dated March 1, 2004) of Premium Vendor Engagement Agreement dated September 18, 2000 (for the term January 1, 2004 through December 31, 2005 in the United States only);
- (ii) Renewal Agreement (dated August 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in Canada only);
- (iii) Renewal Agreement (dated August 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in the United States only);
- (iv) Renewal Agreement (dated October 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in Canada only);
- (v) Second Amendment (dated as of November 15, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term November 15, 2003 through September 30, 2004 in the United States only for prescription quality (RX) sunglasses).



ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT

This Assignment, Assumption and Release Agreement (this "**Agreement**"), dated July 20, 2004, is among HIG Recovery Fund II, Inc., a Delaware corporation, ("**HIG**" or "**Tenant**" as applicable), Lanis Eyewear Corporation, a Florida corporation (the "**Debtor**"), and 777 Sinatra Drive Corp. (the "**Landlord**"), a New Jersey corporation. Reference is made to that certain Lease between the Landlord and the Debtor dated June 14, 2000 (the "**Lease**") for the Premises (as defined in the Lease) occupied by the Debtor at 755 Secaucus Road in Secaucus, New Jersey.

The Debtor is a debtor operating under the protection of chapter 11 of Title 11 of the U.S. Code (the "**Bankruptcy Code**") in a case styled as *In re Lanis Eyewear Corporation Case No. 04-13389 (ALC)* in the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"). The Debtor has agreed to sell substantially all of its assets to HIG (the "**Sale**").

This Agreement sets forth the terms and conditions of a definitive assumption by, and assignment to, HIG of the Lease, subject to the following terms and conditions, and appropriate documentation in accordance with the terms of the Lease:

A. Debtor hereby assigns, conveys, sells, delivers and sets-over to HIG, all of Debtor's rights, title and interest in and to the Lease subject to the terms and conditions of this Agreement. The Landlord hereby acknowledges such assignment and assumption by HIG and agrees that HIG is a "Permitted Transferee" (as such term is defined in the Lease)

B. Notwithstanding anything to the contrary in the Lease, the Landlord and Debtor hereby agree that effective as of the closing of the Sale and Bankruptcy Court approval of this Agreement (the "**Closing Date**"):

1. HIG, as a Permitted Transferee, shall hereby become the Tenant under the Lease; and assumes all of the obligations of the tenant under the Lease from and after the Closing Date and
2. the Debtor and the Debtor's estate shall be released from all liabilities and obligations, whether past, present or future, under the Lease, except with respect to third party claims asserted against Debtor and/or Landlord arising out of or in any way related to Debtor's use, occupancy or lease of the Premises prior to the Closing Date; and
3. the Landlord shall hereby be released from all liabilities and obligations, whether past, present or future (other than claims for contribution, indemnification, or defense), with respect to Debtor and Debtor's use, occupancy and lease of the Premises; and
4. HIG agrees to accept the Premises in an "as is" condition and further agrees not to make any claims against Landlord or the Debtor, now or in the future, regarding the condition of the Premises.



C. Provided that the Debtor satisfies all Rent Obligations (as such term is defined in the Lease) through the Closing Date, the Landlord further agrees that it will not assert any claim whatsoever against the Debtor, its estate or any of its creditors (as it relates to the Debtor's use, occupancy or lease of the Premises), except with respect to claims not released hereunder for defense and/or indemnification related to third party claims referenced in Section B.2 above, if any.

D. The Landlord and the Debtor each hereby represent that, as of the date hereof, to the best of each party's knowledge, no third party claims arising out of the Lease or Debtor's use, occupancy or Lease of the Premises exist.

E. Prior to or on the Closing Date, the parties hereto agree to amend the Lease to provide that Tenant and Landlord shall mutually agree to terminate the Lease on March 31, 2005, if by December 31, 2004, HIG has not entered into a valid and binding assignment and assumption agreement (in a form satisfactory to Landlord) (the "HIG A&A") with a third party acceptable to Landlord to assume all obligations and liabilities of the Tenant under the Lease (an "Assignee") or, if by March 31, 2005, Landlord has not caused HIG to enter into a valid and binding assignment and assumption agreement (the "Landlord A&A") with an Assignee (pursuant to the terms as set forth herein below). HIG, at its own expense, hereby agrees to promptly retain a real estate broker (the "Broker") reasonably acceptable to the Landlord to identify potential Assignees. HIG shall be responsible for any and all costs or commissions associated with the retention of and or services rendered by the Broker. The Landlord shall not unreasonably withhold its approval of any Assignee procured by HIG and/or its real estate broker. Upon the identification of a mutually acceptable Assignee, the Landlord and HIG shall execute an appropriate assignment and assumption agreement with such Assignee on or prior to March 31, 2005. HIG shall promptly notify the Landlord of all prospective tenants who express a bona fide interest in the Lease or the Premises and for which a written letter of intent or term sheet has been prepared. HIG shall deliver copies of any such term sheets or letters of intent to Landlord. During the period between the execution of this Agreement and March 31, 2005, Landlord may enter into negotiations with prospective tenants for the Premises and enter into a binding agreement to lease the Premises to any such prospective tenant; provided, that (i) Landlord must give HIG reasonable notice of such negotiations, and (ii) Landlord may not enter into any binding agreement with such prospective tenant without HIG's prior written consent prior to January 1, 2005. Landlord shall have the right to enter into any binding agreement with a prospective tenant, in its sole and absolute discretion, without notice to HIG or HIG's prior written consent at any time on or after January 1, 2005.

F. Any Assignee which has entered into the assignment and assumption agreement as described in paragraph E above must replace or otherwise support any letters of credit currently provided by HIG or its affiliates (the "HIG L/Cs") in respect of the Lease on terms acceptable to Landlord; provided that if (i) no HIG A&A is executed prior to or on December 31, 2004, and (ii) as of March 31, 2005, Landlord has not executed a Landlord A&A or executed a binding lease agreement for the Premises with a third party, then HIG hereby agrees that the Landlord may draw on the HIG L/Cs in their entirety and HIG waives all claims, right, title and interest in and to the HIG L/Cs, and the amounts advanced there under. Notwithstanding the preceding sentence, to the extent a HIG A&A is executed, or to the extent a Landlord A&A is executed, or to the extent Landlord executes a "new" lease agreement with a third party with



respect to the Premises on or before March 31, 2005, HIG and Landlord agree that Landlord shall be entitled to be made whole for any damages it sustains as a result of any such agreement by drawing upon the HIG L/Cs. Such damages shall include, but not be limited to, brokerage commissions, tenant construction work or allowances, rent abatements, a differential between the aggregate Rent payable during the remaining term of the Lease and the aggregate rent payable under any successor lease agreement or a differential between the Security Deposit under the Lease and any security deposit posted under any successor lease agreement. The parties agree that HIG shall amend the expiration date and draw provisions of the HIG L/Cs within seven (7) days of the Closing Date to be consistent with the terms of this Agreement and in form as depicted on Exhibit A attached hereto. Should HIG fail to amend the HIG L/Cs within seven (7) days of the Closing Date, the parties agree that such failure will constitute a Default under the terms of the Lease and Landlord shall be entitled to draw upon the HIG L/Cs in their entirety. Upon the drawing down by the Landlord of the HIG L/Cs for any of the reasons stated above in this paragraph, the Landlord shall be deemed to have waived any claims against HIG in respect of the Lease, and HIG shall have no further obligations or liabilities in connection with the Lease except for third party claims and any and all damages to the Premises caused by Tenant's gross negligence or willful misconduct.

G. HIG shall indemnify, defend, protect and hold harmless the Debtor and any partners, shareholders, officers, directors, employees, principals, agents and contractors, directly or indirectly, of the Debtor from and against any all losses, liabilities, damages, fines, suits, demands, costs and expenses of any kind or nature (including reasonable attorneys' fees and disbursements) incurred by the Debtor under or in any way related, directly or indirectly, to the Lease or this Agreement, including without limitation, the items described in Section B.2. hereof.

H. HIG hereby agrees that, upon reasonable telephonic notice to HIG, the Premises (as defined in the Lease) may be inspected by any potential Assignee or by Landlord at any time prior to March 31, 2005.

I. This Agreement shall be binding on the parties hereto upon the entry by the Bankruptcy Court of an appropriate order approving the Sale and this Agreement.

J. The validity of this Agreement, its construction, interpretation and enforcement, shall be determined under and according to the laws of the State of New Jersey without any reference to principles of conflicts of law. Each of the parties hereto hereby agrees that the Bankruptcy Court shall have exclusive jurisdiction to hear and determine any claims or disputes among the parties hereto pertaining directly or indirectly to this Agreement or to any matter arising therefrom. Each of the parties hereto hereby waives any objection which any of them may have to the venue of any action commenced in the Bankruptcy Court.

K. The parties may sign any number of copies of this Agreement. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.



Jul 22 04 01:17p

H.I.G. CAPITAL LLC

(415) 439-5525

p. 5

07/22/2004 14:05 2125617560

H.I.G. CAPITAL LLC STEVE CLARKE

(415) 439-5525

PAGE 05

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HARTZ MOUNTAIN IND

P. 6

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H. I. G. CAPITAL LLC

(415) 439-5525

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H. I. G. CAPITAL LLC STEVE CLARKE

(415) 439-5525

07/22/2004 10:54 FAX 201 348 4388

HARTZ MOUNTAIN IND

P. 6

PAGE 06

P. 1

0008

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the date first above written.

LANTIS EYEWEAR CORPORATION

By: 

EVP, COO

HIG RECOVERY FUND INC.

By: 

777 SINATRA DRIVE CORP.

By: 

EVP. Administration
Lawrence Clark



EXHIBIT A page 1 of 4

SUNTRUST

IRREVOCABLE LETTER OF CREDIT FB43159 PAGE 1

LETTER OF CREDIT NUMBER: FB43159
ISSUANCE DATE: MAY 07, 2004

APPLICANT:
H.I.G. CAPITAL, LLC
1001 BRICKELL BAY DRIVE,
27TH FLOOR
MIAMI, FL 33131

BENEFICIARY:
777 SINATRA DRIVE CORPORATION
C/O HARTZ MOUNTAIN INDUSTRIES, INC.
400 PLAZA DRIVE
SECAUCUS, NJ 07094

FOR USD 1,256,250.00
(ONE MILLION TWO HUNDRED FIFTY SIX THOUSAND TWO HUNDRED FIFTY
00/100 U.S. DOLLARS)

DATE OF EXPIRATION: ~~DECEMBER 31, 2004~~ April 30, 2005
PLACE OF EXPIRATION: AT OUR COUNTERS

WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT NO. FB43159
IN YOUR FAVOR FOR ACCOUNT OF THE ABOVE-REFERENCED APPLICANT
AVAILABLE BY YOUR DRAFTS DRAWN ON US PAYABLE AT SIGHT FOR ANY
SUM OF MONEY NOT TO EXCEED A TOTAL OF THE AMOUNT REFERENCED
ABOVE WHEN ACCOMPANIED BY THIS LETTER OF CREDIT AND THE
FOLLOWING DOCUMENT:

BENEFICIARY'S DATED CERTIFICATE PURPORTEDLY SIGNED BY ONE OF ITS
OFFICIALS STATING: " THE DRAWER HEREUNDER IS ENTITLED TO DRAW
UPON THIS LETTER OF CREDIT PURSUANT TO THAT CERTAIN LEASE
AGREEMENT, DATED JUNE 14, 2000, BY AND BETWEEN 777 SINATRA DRIVE
CORPORATION, AS LANDLORD, AND LANTIS EYEWEAR CORPORATION AS
TENANT (THE "LEASE")" or

The Drawer hereunder
is entitled to draw
upon this letter
of credit pursuant
to that certain
Assignment
Agreement, dated
July 2004,
by and among
777 Sinatra Drive
Corporation, Lantis
Eyewear Corporation
and HIG Recovery
Fund II, Inc.
and Release

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE
DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR
FROM THE EXPIRATION DATE HEREOF, OR ANY FUTURE EXPIRATION DATE,
UNLESS SIXTY (60) DAYS PRIOR TO ANY EXPIRATION DATE WE SEND
NOTICE TO YOU BY REGISTERED MAIL OR OVERNIGHT COURIER THAT WE
ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH

CONTINUED ON NEXT PAGE



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Jul 22 04 01:17p

H.I.G. CAPITAL LLC

(415) 439-5525

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07/22/2004 14:05

2125617560

STEVE CLARKE

PAGE 08

07/22/2004 10:54 FAX 201 348 4358

HARTZ MOUNTAIN IND

003

EXHIBIT A page 2 of 4

SUNTRUST

IRREVOCABLE LETTER OF CREDIT F849159 PAGE 2
ADDITIONAL PERIOD.

ALL DRAFTS MUST REFERENCE THE NUMBER AND ISSUE DATE OF THIS CREDIT.

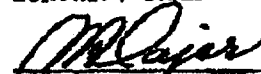
THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 500.

WE HEREBY AGREE WITH YOU THAT ALL DRAFTS DRAWN IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED UPON PRESENTATION AND DELIVERY OF THE DOCUMENTS SPECIFIED ABOVE TO THE BELOW ADDRESS ON OR BEFORE DECEMBER 31, 2004.

SUNTRUST BANK INTERNATIONAL DIVISION
8600 N.W. 36TH STREET
5TH FLOOR
MIAMI, FLORIDA 33146

SINCERELY,

SUNTRUST BANK



AUTHORIZED SIGNATURE

307

MARLEN LAZET
ASST. VICE PRESIDENT
LETTERS OF CREDIT DEPT.



EXHIBIT A page 3 of A

SUNTRUST

Lantis.

MAY 14, 2004

AMENDMENT TO IRREVOCABLE LETTER OF CREDIT F843159 PAGE 1

BENEFICIARY:
777 SINATRA DRIVE CORPORATION
C/O HARTZ MOUNTAIN INDUSTRIES, INC.
400 PLAZA DRIVE
SECAUCUS, NJ 07094

APPLICANT:
~~XXXXXXXXXXXXXXXXXXXX~~
1001 BRICKELL BAY DRIVE,
27TH FLOOR
MIAMI, FL 33131

OUR LETTER OF CREDIT NUMBER F843159 DATED MAY 07, 2004
IS HEREBY AMENDED AS FOLLOWS:

AMENDMENT NUMBER 001

THIS LETTER IS NOW TRANSFERABLE.

**THIS LETTER OF CREDIT IS TRANSFERABLE. WE SHALL NOT RECOGNIZE ANY TRANSFER OF THE CREDIT UNTIL AN EXECUTED TRANSFER IN A FORM SATISFACTORY TO US IS FILED WITH US, NOTICE THEREOF IS ENDORSED HEREIN BY US, AND OUR CUSTOMARY CHARGES ARE PAID. FORMS FOR FILING TRANSFER INSTRUCTIONS WITH US ARE ATTACHED.

*PARTIAL DRAWINGS ARE PERMITTED.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.
THIS AMENDMENT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 500, OR REVISION CURRENTLY IN EFFECT.



AUTHORIZED SIGNATURE
SUNTRUST BANK
307

DATE: 5/14/04
BY: [Signature]
TITLE: [Signature]

104001 0000



JUL 22 04 01:18p

07/22/2004 14:05
JUL 22 04 10:54

H.I.G. CAPITAL LLC

2125617560

(415) 439-5525

07/22/2004 10:54 FAX 201 348 4368

STEVE CLARKE

HARTZ MOUNTAIN INT

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SunTrust

EXHIBIT A page 4 of 4

S. FLORIDA

FULL TRANSFER APPLICATION

TO BE USED WHEN THE LETTER OF CREDIT IS TRANSFERRED IN ITS ENTIRETY. THIS COMPLETED FORM WITH YOUR SIGNATURE VERIFIED BY YOUR BANK, THE TRANSFER FEE AND THE ORIGINAL LETTER OF CREDIT MUST BE PRESENTED AT THE TIME THE TRANSFER IS REQUESTED.

To: SunTrust Int'l Services
LETTER OF CREDIT
INTERNATIONAL DIVISION
8600 N.W. 36th St.
Miami, FL 33168

Date: _____

Re: Letter of Credit No. _____ Issued _____ Advice No.: _____
(if applicable)

The undersigned Beneficiary hereby irrevocably transfers all rights of the undersigned Beneficiary to draw under the above Letter of Credit in its entirety to the transferee designated below:

Name of transferee: _____ Address: _____

Advising Bank: _____
Address: _____

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The original of such Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it direct to the transferee via courier or teletransmission with your customary notice of transfer.

We remit transfer fee of USD _____ (1/4% of transfer amount or minimum \$250.00)

You are authorized to debit our SunTrust Acct. No. _____ for fee amount, or
Our check for fee amount is enclosed. In addition thereto we agree to pay to you on demand any expenses that may be incurred in connection with this transfer (telecommunications, postage, etc.).

Very truly yours, :

The signatory with title as stated conforms with that on file with us and is authorized for the execution of such instruments.

(Beneficiary's Name)

By _____
Authorized Signature

(Bank Name)

By _____
Authorized Signature (Bank)



AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

by and between

LANTIS EYEWEAR CORPORATION

and

HIG RECOVERY FUND II, INC.

May 25, 2004, as amended and restated on July 29, 2004



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AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

THIS AMENDED AND RESTATED ASSET PURCHASE AGREEMENT (this "Agreement") is entered into as of May 25, 2004, as amended and restated on July 29, 2004, by and between HIG Recovery Fund II, Inc., a Delaware corporation ("Buyer"), and Lantis Eyewear Corporation, a New Jersey corporation (the "Seller"). The Buyer and the Seller are referred to collectively herein as the "Parties."

WITNESSETH

WHEREAS, the Seller has filed a voluntary petition (the "Petition") for reorganization relief pursuant to Chapter 11 of Title 11 of the United States Code, 11 U.S.C. Section 101 *et seq.*, as amended (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

WHEREAS, after the Petition Date, pursuant to Section 363 of the Bankruptcy Code, the Seller intends to sell all of its right, title and interest in and to substantially all of its property and assets, real, personal or mixed, tangible and intangible, of every kind and description, wherever located, in whole or in part used or useful in the operation of Seller's business(es) (collectively, or in part, the "Assets") free and clear of all Liens, except as expressly provided herein;

WHEREAS, Seller has marketed the assets for sale both before and after the Petition Date (the "Marketing Program");

WHEREAS, Buyer is the Secured Lender under the Credit Agreement and holds a first priority properly perfected security interest in substantially all of the Assets;

WHEREAS, Lender agreed to act as the "stalking horse" for sale of the Assets in accordance with Section 363 of the Bankruptcy Code pursuant to the terms of this Agreement; and

WHEREAS, an official committee of unsecured creditors (the "Committee") of Seller was appointed on June 3, 2004.

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

1. Definitions.

The following terms, as used herein, have the following meanings:

"Accounts Receivable" means accounts receivable, notes receivable and other rights of payment relating to the Seller's business(es) or the operation of the Seller's business(es).

"Additional Cash Payment" means \$550,000, which is in consideration of all of the covenants contained in this Agreement, including but not limited to the General Releases,



Individual Releases and Waiving Employee Releases, which includes amounts paid or caused to be paid by the Individual Releasees.

“Acquired Assets” means all of the Assets, other than the Excluded Assets, including, without limitation, all of the Seller’s (a) Cash, (b) Owned Real Property, (c) Tangible Personal Property, (d) Inventories, (e) intangible rights and property, including the Acquired Intellectual Property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions, (f) the Assumed Executory Contracts and all Other Contracts (except Other Contracts designated by Buyer as Excluded Assets), (g) claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment (excluding the Claims specified in the Excluded Assets definition), (h) Accounts Receivable, (i) franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from any Governmental Entity and all pending applications therefor or renewals thereof, in each case to the extent transferable to Buyer, (j) books, records, ledgers, files, documents, correspondence, customer and other lists, customer account information, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials, (k) rights in and with respect to the Seller Plans (excluding the Seller Plans specified in the Excluded Assets definition), (l) insurance benefits, including rights and proceeds, arising from or relating to the Acquired Assets or the Assumed Obligations prior to the Closing Date, (m) machinery, equipment and office furniture used or useful in Seller’s business(es), (n) Avoidance Actions against (i) Individual Releasees, (ii) the Lender and PNC, and (iii) all counterparties to Assumed Executory Contracts, and (o) corporate and fictitious names of the Seller, in each case, free and clear of Liens, Claims, interests or encumbrances (except for Permitted Encumbrances). Notwithstanding anything to the contrary set forth in this paragraph, the Acquired Assets shall not include any Avoidance Actions against any Individual Releasee that does not deliver to the Seller an Estate Release at Closing.

“Affiliates” has the meaning set forth in Rule 405 of the Securities Act of 1933.

“Agreement” has the meaning set forth in the preface above.

“Alternate Transaction” means the sale in a single transaction or multiple transactions regardless of whether structured as an asset sale, stock sale or merger, in which a substantial portion of the Assets are sold to one or more Persons other than Buyer. For purposes hereof, a “substantial portion” of the Assets means Assets from which the Seller generated at least 30% of its revenues during the fiscal year ended July 31, 2003.

“Assets” has the meaning set forth in the recitals above.

“Assignment Date” means, with respect to any Assumed Executory Contract, the date of sale and assignment to Buyer of such Assumed Executory Contract.

“Assumed Executory Contract” means, subject to Section 2(i), any Executory Contract, except those Executory Contracts identified on Schedule A.



“Assumed Obligations” means (a) all trade or business accounts payable and accrued expenses that have been incurred by the Seller in the Ordinary Course of Business since the Petition Date and that remain or are not yet due and payable as of the Closing as set forth in Schedule E (it being understood that Buyer may amend this Schedule E at or prior to the Closing Date to reflect such trade and business accounts payable and accrued expenses as of the Closing which schedule shall be reasonably acceptable to the Seller and Committee), which shall not exceed \$5,000,000 in the aggregate, (b) with respect to each Assumed Executory Contract, all obligations arising after the Assignment Date under such Assumed Executory Contract, (c) all returns, chargebacks and other customer allowances consistent with Seller’s past practice, (d) all accrued vacation and sick-day compensation and severance obligations of the Seller accruing prior to the Closing and incurred by the Seller in the Ordinary Course of Business for any employee of the Seller who accepts employment with the Buyer or its Affiliates, (e) all purchase money debt and obligations on Acquired Assets, but only to the extent such purchase money debt is properly perfected and senior to the debt owing under the Credit Agreement and, (f) unpaid expenses under the Budget, Wind Down Budget and Allowed Professional Fees (each as defined in the Cash Collateral Stipulation).

“Auction” means the auction to be conducted by the Seller in accordance with the Bidding Procedures.

“Avoidance Action” has the meaning set forth in the definition of Excluded Assets.

“Bankruptcy Case” means the case filed under Chapter 11 of the Bankruptcy Code for the Seller.

“Bankruptcy Code” has the meaning set forth in the recitals above.

“Bankruptcy Court” has the meaning set forth in the recitals above.

“Bidding Procedures” means those bidding procedures attached as Exhibit B hereto.

“Bidding Procedures Motion” has the meaning set forth in the Bidding Procedures.

“Bidding Procedures Order” means an Order of the Bankruptcy Court, attached hereto as Exhibit C.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of the United States or the State of New York.

“Buyer” has the meaning set forth in the preface above.

“Cash” means cash, cash equivalents (including marketable securities, short term investments, uncollected checks, bank accounts, certificates of deposit and treasury bills) and reserves calculated, in each case, in accordance with GAAP applied on a basis consistent with the preparation of the Balance Sheet.



“**Cash Collateral**” means all revenues, cash, receipts and proceeds from the sale of Seller’s assets and the operation of Seller’s business.

“**Cash Collateral Stipulation**” means the stipulation attached hereto as Exhibit E, which provides for, *inter alia*, (i) the Seller’s use of Cash Collateral pursuant to Section 363 of the Bankruptcy Code and (ii) debtor-in-possession financing pursuant to Section 364 of the Bankruptcy Code.

“**Claim**” has the meaning set forth in Section 101(5) of the Bankruptcy Code.

“**Closing**” has the meaning set forth in Section 2(g) below.

“**Closing Date**” has the meaning set forth in Section 2(g) below.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Committee**” means the Official Committee of Unsecured Creditors for the Seller.

“**Confidential Information**” means any information concerning the business(es), assets and affairs of the Seller and, after the Closing Date, any information related to the Acquired Assets and/or Assumed Obligations that in each case is not already generally available to the public.

“**Confidentiality Agreement**” means an executed confidentiality agreement in the form and substance of the agreement, dated November 6, 2003, executed by Houlihan Lokey Howard & Zukin Capital and the Secured Lender in the form of Exhibit A hereto.

“**Credit Agreement**” means the Third Amended and Restated Loan and Security Agreement, dated October 27, 1999, as amended, by and between the Seller and Buyer, as successor to PNC, and any promissory notes, letter agreements, loan agreements, forbearance agreements, security agreements, mortgages, pledge agreements, collateral assignments, and other agreements, instruments, certificates and documents entered into in connection therewith.

“**Cure Amount**” means, with respect to each Assumed Executory Contract, the amount required to be paid pursuant to Section 365(b) of the Bankruptcy Code as a condition to assuming such Assumed Executory Contract.

“**Deposit**” means Buyer’s \$1,875,000 good faith deposit which is in the form of a credit of such amount against the total indebtedness owed to the Secured Lender under the Credit Agreement.

“**Disclosure Schedule**” has the meaning set forth in Section 3 below.

“**Employee Benefit Plan**” means any “employee benefit plan” (as such term is defined in ERISA Section 3(3)).

“**Environmental Claim**” means any written notice, claim, demand or other similar communication (collectively, a “claim”) to a Person alleging or asserting that Person’s liability for investigatory costs, cleanup costs, governmental response costs, damages to natural resources



or other property, personal injuries, fines or penalties arising out of, based on, or resulting from: (i) the presence, or Release into the environment, of any Hazardous Substance at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation, or alleged violation, of any Environmental Law; including, in each case, without limitation, any claim by any Governmental Entity for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and any claim by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence of Hazardous Substances or arising from the violation of any Environmental Law.

“Environmental Condition” means (i) a Release or threat of Release at or from a Site; (ii) any condition or activity at a Site which is not in compliance with applicable Environmental Laws in effect at the time the condition was created or activity conducted; (iii) any condition at a Site or conduct of the Seller’s operations which would form or has formed the basis of an Environmental Claim.

“Environmental Laws” means all applicable current foreign, domestic, federal, state or local statutes, statutory instruments, common law, by-laws, regulations, rules, ordinances or codes, binding orders of all Governmental Entities, and all applicable binding judicial, administrative, and regulatory decrees and judgments, in each case as in effect as of the Closing Date (in each case, where compliance with the terms of which is a legal obligation in the relevant jurisdiction) pertaining to Releases of a Hazardous Substance, protection of the environment or occupational health and safety, including, without limitation, the following federal statutes and their corresponding state and local analogs: the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act (including the Superfund Amendments and Reauthorization Act), the Clean Air Act, the Water Pollution Control Act, the Safe Drinking Water Act, the Toxic Substances Control Act, the Occupational Safety and Health Act, the Department of Transportation Hazardous Materials Transportation Act, and the Lead Control and Contamination Act.

“Environmental Matters” means all liabilities and obligations arising from or related to Environmental Laws, Environmental Conditions or Environmental Claims.

“Environmental Permits” has the meaning set forth in Section 3(p) below.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means any trade or business, whether or not incorporated, under common control with the Seller within the meaning of Section 414(b), (c), (m) or (o) of the Code.

“Equity Give-Up” has the meaning set forth in Section 2(e) below.

“Estate Release” means a general release to be provided and delivered to Seller and Seller’s estate releasing all Claims against Seller or Seller’s bankruptcy estate.

“Excluded Assets” means (a) the Seller’s corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign



qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates, and other documents relating to the organization, maintenance, and existence of the Seller, (b) any avoidance claims or causes of action arising under the Bankruptcy Code or applicable state law, including, without limitation, all rights and avoidance claims of the Seller arising under Sections 544 through 549, inclusive, of the Bankruptcy Code belonging to the Seller or the estate, whether direct, derivative or otherwise or the proceeds thereof, including, but not limited to, the Additional Cash Payment (each an “**Avoidance Action**” and collectively the “**Avoidance Actions**”), (except for Avoidance Actions against any counterparties to Assumed Executory Contracts) (c) any Other Contracts designated by Buyer, (d) any equity option or other equity incentive plans, equity compensation plans and equity purchase plans, (e) any Executory Contract other than any Assumed Executory Contract, (f) unused retainers of the Seller’s and Seller’s affiliates’ professionals, (g) local, state and federal tax refunds and foreign tax, duty or tariff refunds, (h) utility or other security deposits (other than those relating to Assumed Executory Contracts and the New Jersey Facility) and (h) any Asset set forth in Schedule F (it being understood that Buyer may amend this Schedule F at any time and from time to time prior to the Closing).

“**Excluded Obligations**” means all liabilities and obligations of the Seller other than the Assumed Obligations.

“**Executory Contract**” means any unexpired lease or executory contract (as those terms are used in Section 365 of the Bankruptcy Code) to which Seller is a party.

“**Existing Name**” has the meaning set forth in Section 6(e) below.

“**Expense Reimbursement**” means the reimbursement of all of Buyer’s reasonable out-of-pocket costs and expenses, including reasonable fees and expenses of legal and other professionals, paid or incurred by Buyer commencing after March 15, 2004 and ending on the date of payment of such costs and expenses to the extent of \$500,000.

“**FDA**” means the U.S. Food and Drug Administration.

“**FDCA**” means the regulations promulgated by the FDA.

“**Final Cash Collateral Order**” has the meaning set forth in Section 6(a)(iv) below.

“**Final Order**” means an Order, ruling, judgment, the operation or effect of a judgment, or other decree issued and entered by the Bankruptcy Court which has not been reversed, vacated, stayed, modified or amended and as to which (i) the time to appeal or petition for review, rehearing, certiorari, reargument or retrial has expired and as to which no appeal or petition for review, rehearing, certiorari, reargument or retrial is pending, or (ii) any appeal or petition for review, rehearing, certiorari, reargument or retrial has been finally decided or dismissed and no further appeal or petition for review, rehearing, certiorari, reargument or retrial can be taken or granted.

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



“General Release” means the general release to be provided and delivered by the Seller to the General Releasees releasing all Claims against each General Releasee.

“General Releasees” means Buyer, the Secured Lender, PNC, and each of their respective affiliates, officers, directors, employees and advisors.

“Governmental Entity” means any federal, state, municipal or local court, legislature, governmental or quasi-governmental agency, commission or regulatory authority or instrumentality.

“Guaranteed Professional Fees” means all unpaid fees and expenses of Riker Danzig, Arent Fox PLLC, Mahoney Cohen and Martin Chow, Esq. to the extent incurred on or after the Petition Date and on or before the Closing Date and finally allowed by the Bankruptcy Court pursuant to Section 330 and 331 of the Bankruptcy Code and Monthly Compensation Order entered in this case, but not including fees or expenses of Arent Fox PLLC, Mahoney Cohen or Martin Chow, Esq. incurred on or after July 22, 2004 and on or before the Closing Date to the extent such fees and expenses exceed \$75,000 in the aggregate.

“Hazardous Substances” means any (i) substance that currently is defined as a “hazardous waste,” “hazardous substance,” “hazardous material,” toxic material, pollutant or contaminant under any Environmental Law, including, without limitation, radionuclides, radioactive substances and polychlorinated biphenyls; (ii) petroleum, including crude oil or any fraction thereof, petroleum products, and petroleum byproducts; or (iii) asbestos.

“HIG Entities” means HIG Recovery Fund II, Inc., HIG Capital Management, Inc. and HIG Capital LLC.

“HIG Entities’ Release” means the release(s) to be provided and delivered by the HIG Entities to the Seller releasing all Claims against Seller or Seller’s bankruptcy estate other than solely Buyer’s Claims pursuant to the Subordinate Note, this Agreement and all documents and instruments executed in connection with the Closing.

“Individual Releasees” means, to the extent such person delivers an Estate Release, Stuart Chizen, Laurence J. Moellentine, Ann Chizen, Lonny Chizen, Erica Chizen, Erin Chizen, Elana Goldberg, Trust f/b/o Lawrence P. Moellentine, Trust f/b/o Jeffrey A. Moellentine, Trust f/b/o Michelle M. Wilson, Trust f/b/o Laura E. Moellentine, Trust f/b/o Edward M. Delamarter, and Trust f/b/o Emily Morley Moellentine, Morley Moellentine, and Lawrence P. Moellentine.

“Individual Releases” means the releases to be delivered by the Seller to the Individual Releasees releasing all Claims against the Individual Releasees.

“Intellectual Property” means all patents, patent applications, patent licenses, trade names (including, without limitation, the corporate names of the Seller), trademarks, copyrights, service marks, trademark registrations and applications, service mark registrations and applications, copyright registrations and applications, commercial and technical trade secrets, licenses, registered and unregistered designs, drawings, blueprints, specifications, technology, computer and electronic data processing programs and software (other than “shrink wrap” or “off the shelf” software), databases, confidential information, proprietary rights, and all other rights in



and to or interests in the same, web sites and the content thereon, internet domain names, internet addresses and URLs and other internet related assets, slogans, trade dress and trade names, inventions, methods, technology, practices and processes.

“Interim Cash Collateral Order” has the meaning set forth in Section 6(a)(iv) below.

“Inventories” means all inventories, wherever located, including all finished goods, work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by the Seller in the production of finished goods.

“Knowledge” means the actual knowledge of Laurence J. Moellentine, Stuart R. Chizen, and Murray Pottruck, with respect to the matter in question, after such person has made reasonable inquiry into the matter in question.

“Leased Real Property” means, as set forth in Schedule B attached hereto, all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property which is used in the Seller’s business.

“Legal Requirement” means any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, code, regulation, statute or treaty.

“Liens” means any Claim, lien (as defined in Section 101(37) of the Bankruptcy Code), condition, pledge, option, charge, hypothecation, easement, security interest, right-of-way, encroachment, mortgage, deed of trust, covenant, restriction, reservation, agreement of record, restriction on use or voting (in the case of any security interest) or other encumbrance, other than Assumed Obligations.

“Material Adverse Effect” means a state of facts, event, change or effect, that results in a material adverse effect on the results of operations, cash flows, assets or properties of the Seller taken as a whole, other than the filing of the Bankruptcy Case.

“Multiemployer Plan” has the meaning set forth in ERISA Section 3(37).

“New Jersey Facility” means the Seller’s warehouse facility located at 755 Secaucus Road, Secaucus, New Jersey.

“New Name” has the meaning set forth in Section 6(e) below.

“Order” means any order, injunction, judgment, decree, ruling, writ, assessment or arbitration award.

“Ordinary Course of Business” means the ordinary course of business of the Seller consistent with Seller’s past custom and practice (including with respect to scope, magnitude, quantity and frequency) since August 1, 2002.

“Other Contracts” means, collectively, all contracts, agreements, commitments, arrangements, instruments, guaranties, bids and proposals to which the Seller is a party and relating to the Seller’s business as of the Closing Date, all unfilled orders outstanding as of the Closing Date for the purchase of goods or services by the Seller relating to the Seller’s business



and all unfilled orders outstanding as of the Closing Date for the sale of goods or services by the Seller in connection with the Seller's business; provided, however, that Other Contracts shall not include (i) Excluded Assets or Excluded Obligations, (ii) agreements relating to the provision of professional or other services to the Seller in connection with the Bankruptcy Cases or (iii) Executory Contracts.

"Owned Real Property" means, as set forth in Schedule C attached hereto, all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto, owned by the Seller and used in the business of the Seller.

"Parties" has the meaning set forth in the preface above.

"Permitted Encumbrance" means: (a) Liens for Taxes that are not yet due or delinquent, (b) mechanics' and landlord liens arising in the Ordinary Course of Business, to the extent that the underlying liability is an Assumed Obligation, (c) zoning, building codes and other land use laws, regulations, ordinances and other rules regulating the use or occupancy of the Owned Real Property or the activities conducted thereon which are imposed by any Governmental Entity having jurisdiction over such real property that (i) are not violated by the current use or occupancy of the Owned Real Property or the operation of the business, or (ii) do not materially impair the use or occupancy of such Owned Real Property or the operation of the business thereon, (d) easements, covenants, conditions, restrictions and other matters affecting title to the Owned Real Property and other encumbrances which do not materially impair the use or occupancy of such Owned Real Property or the operation of the business thereon, (e) as to any Leased Real Property, with respect to which a Seller is lessee, any Lien encumbering, attaching to or otherwise affecting solely the interest of the lessor thereunder and not the interest of the lessee thereunder, and (f) fully enforceable properly perfected purchase money security interests in Acquired Assets to the extent senior in priority to Lender's security interests under applicable non-bankruptcy law.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a Governmental Entity (or any department, agency, or political subdivision thereof).

"Petition Date" means the date on which the Petition was filed.

"Petition" has the meaning set forth in the recitals above.

"PNC" means PNC Bank, N.A.

"Potential Bidder" has the meaning set forth in the Bidding Procedures.

"Proceeding" means any action (other than the Bankruptcy Cases), arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, judicial, public or private) commenced, brought, conducted, or heard by or before, or otherwise involving any Governmental Entity or arbitrator.

"Purchase Price" has the meaning set forth in Section 2(c) below.



“Qualified Bid” shall have the meaning set forth in the Bidding Procedures.

“Qualified Bidder” means a Potential Bidder, whose most current financial statements or other supplied evidence reasonably demonstrate the financial capability to consummate a Sale Transaction that the Seller determines after consultation with the Secured Lender and the Committee, is likely to consummate a Sale Transaction, if selected as the Successful Bidder, after taking into account all relevant legal, regulatory, and business considerations, including the bid’s impact on all of the estate’s constituencies, that would result in greater value being received for the benefit of the Seller’s creditors than under this Agreement. Buyer is a Qualified Bidder.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing of a Hazardous Substance into the environment.

“Required Notice Parties” has the meaning set forth in Section 6(a)(vi).

“Sale Order” means an Order of the Bankruptcy Court, attached hereto as Exhibit D, approving this Agreement and all of the terms and conditions hereof, and approving and authorizing the Seller to consummate the transactions contemplated hereby, including the transfers of the Acquired Assets to Buyer.

“Sale Transaction” means a sale of the Acquired Assets pursuant to either (i) this Agreement or (ii) a Successful Bid approved by the Bankruptcy Court.

“Secaucus Assignment Agreement” means that certain Assignment, Assumption and Release Agreement dated July 20, 2004, between and among the Seller, Buyer, and 777 Sinatra Drive Corp. (as amended, supplemented or otherwise modified), a copy of which is attached hereto as Exhibit F.

“Secured Lender” means HIG Recovery Fund II, Inc. or its assignee, in its capacity as the lender under the Credit Agreement.

“Seller Plans” means all Employee Benefit Plans and all other employee arrangements and commitments, whether or not employee benefit plans (including without limitation, sick leave, vacation pay, severance pay, salary continuation for disability, consulting or other compensation arrangements, retirement plans, deferred compensation plans, bonus plans, incentive compensation plans, equity option or other equity incentive plans, equity compensation plans, employee equity purchase plans, medical, dental and vision plans, life insurance and educational assistance programs) sponsored or maintained by the Seller or an ERISA Affiliate, or to which the Seller or an ERISA Affiliate contributes or is required to contribute, or to which the Seller or an ERISA Affiliate is a party for the benefit of any employee or former employee of the Seller or to which the Seller, or any ERISA Affiliate has any liability, contingent or otherwise, in relation to any employee or former employee of the Seller.

“Seller” has the meaning set forth in the preface above, and, after the Petition Date, shall include Seller in its capacity as debtor-in-possession.



"Site" or **"Sites"** means any Leased Real Property, any Owned Real Property and any real property currently owned, operated, leased or used in connection with the conduct of the Seller's business(es).

"Subordinated Note" shall mean that unsecured note to be made by Seller which (i) shall have a principal amount equal to the difference between (a) the principal amount owing to Buyer under the Credit Agreement and (b) the amount of Buyer's credit bid under this Agreement, (ii) shall mature on the eighth anniversary of the Closing Date, (iii) shall be subordinate and junior to in all respects to all other allowed Claims that exist against the Seller or the Seller's bankruptcy estate, (iv) shall not be assignable, and (v) shall be reasonably satisfactory to the Seller, the Buyer and the Committee.

"Subsidiary" means any entity with respect to which a specified Person (or a Subsidiary thereof) owns or has the power to vote 50% or more of the equity interests in such entity having general voting power to participate in the election of the governing body of such entity.

"Successful Bid" means the highest or best Qualified Bid.

"Successful Bidder" means the maker of the Successful Bid.

"Tangible Personal Property" means all machinery, equipment, product displays (including displays provided to customers), inventories of raw materials and supplies, furniture, office equipment, computer hardware, trucks, tractors, trailers and other vehicles, tools, jigs, dyes and other items of tangible personal property (other than Inventories) of every kind owned or leased by the Seller (wherever located and whether or not carried on the Seller's books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

"Tax Return" means any report, return, document, declaration or other information or filing required to be supplied to any Taxing Authority or jurisdiction (foreign or domestic) with respect to Taxes.

"Taxes" means any federal, state, county, local, foreign and other income, profits, gains, net worth, sales and use, ad valorem, gross receipts, business and occupation, license, estimated, stamp, custom duties, occupation, property (real or personal), environmental, windfall profit, vehicle or other title or registration, franchise, capital stock, license, excise, value added, payroll, employees, income withholding, social security, unemployment tax, alternative, add-on minimum or other tax, fee, assessment, levy, tariff, charge or duty, penalty, addition to tax and interest on the foregoing, and any transfer taxes imposed, assessed or collected by or under the authority of any Governmental Entity or payable under any tax sharing agreement.

"Taxing Authority" means any Governmental Entity responsible for the imposition or collection of any Taxes.

"Termination Date" means two (2) Business Days after the Closing Date.



“**Transition Services Agreement**” means that certain transition services agreement dated July 29, 2004, but effective as of the Closing Date between the Seller and Buyer attached hereto as Exhibit G, relating to the provision of certain services and equipment by the Seller to Buyer.

“**Waiving Employees**” means Laurence J. Moellentine, Stuart Chizen, Bruce Bartley, Scott Sennett, Sylvio Duguay and Emile Lemay.

“**Waiving Employee Releases**” means, to the extent such person delivers an Estate Release, the releases to be delivered by the Seller to the Waiving Employees releasing all Claims against the Waiving Employee.

Unless otherwise expressly specified in this Agreement, any reference in this Agreement to a statute shall be to such statute, as amended from time to time, and to the rules and regulations promulgated thereunder.

Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Acquired Intellectual Property	3(n)(i)
Assumption Documents	2(h)
Balance Sheet.....	3(e)
Books and Records	6(h)
Conveyance Documents.....	2(h)
COBRA	6(o)
Existing Confidentiality Agreement ..	5(m)
IRS	2(j)
New Jersey Landlord	2(i)(iv)
New Jersey Lease.....	6(l)
NPL.....	3(p)
Transition Period.....	6(h)
WARN Act	5(l)

2. **Basic Transaction.**

(a) **Purchase and Sale of Assets.**

On and subject to the terms and conditions of this Agreement, Buyer agrees to purchase from the Seller, and the Seller agrees to sell, transfer, convey, and deliver to the Buyer, free and clear of all Liens other than Permitted Encumbrances, all of the Acquired Assets at the Closing for the consideration specified below in this Section 2.

(b) **Assumption of Obligations.**

On and subject to the terms and conditions of this Agreement, Buyer agrees to assume and become responsible for all of the Assumed Obligations at the Closing. Except as provided in paragraphs 5(l), 5(n), 6(n) and 6(o), the Buyer will not assume or have any



responsibility, whatsoever, with respect to any Excluded Obligations or any other obligation or liability of the Seller not expressly included within the definition of Assumed Obligations.

(c) Purchase Price.

As payment for the Acquired Assets, the Buyer agrees to pay to the Seller, in the manner set forth in this Section 2(c), an amount equal to (i) the assumption of Assumed Obligations set forth in Schedule E, (ii) cash in an amount sufficient to cover the Cure Amount with respect to each Assumed Executory Contract, and (iii) a credit bid against secured indebtedness owing under the Credit Agreement in an amount not to exceed \$18,750,000 minus the Deposit shall be credited to the account of the Seller and the credit represented by the Deposit shall become effective (subject to Buyer's right to increase the credit bid at the Auction) (collectively, the "**Purchase Price**").

(d) Additional Cash Payment.

Upon the Closing, (i) \$350,000 of Additional Cash Payment shall be paid by or caused to be paid by the Individual Releasees to the Seller in immediately available funds by wire transfer to any account(s) designated in writing by the Seller and unencumbered by any lien of or claim by the Secured Lender, (ii) \$200,000 of the Additional Cash Payment shall be paid by or caused to be paid by the Individual Releasees and used to fund the Wind Down Budget in accordance with the Cash Collateral Stipulation.

(e) Equity Give-Up.

Upon the Closing, Buyer shall waive and release its security interest in, or lien on, \$2,000,000 (subject to an upward adjustment as set forth in Section 2(i)(iv) of this Agreement, the "**Equity Give-Up**") of the cash proceeds of the Sale Transaction, and shall share and reallocate the Equity Give-Up by depositing the Equity Give-Up by wire transfer into a segregated account to be designated by legal counsel to the Committee to be held in trust and for the exclusive benefit of the holders of timely filed general non-priority pre-petition unsecured Claims (other than claims of Buyer, all HIG Entities, the Seller and the officers and directors of the Seller and any Insiders (as defined in Section 101 of the Bankruptcy Code) of the Seller) against the Seller's bankruptcy estate and to be distributed pro-rata to the holders of such Claims in a manner set forth in the Sale Order.

(f) Transition Services.

Upon the Closing, the Seller shall provide to the Business certain services and equipment, and Buyer shall purchase such services and equipment from the Seller, all as more fully set forth in the Transition Services Agreement.

(g) The Closing.

The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Greenberg Traurig, LLP, 200 Campus Drive, Florham Park, New Jersey 07932, or such other place as Buyer shall designate, commencing at 9:00 a.m. local



time within fifteen Business Days after entry of the Sale Order, but in no event later than the August 31, 2004 (the "**Closing Date**").

(h) Deliveries at the Closing.

At the Closing, (i) the Seller will deliver to Buyer the various certificates, instruments, and documents referred to in Section 7(a) below; (ii) Buyer will deliver to the Seller the various certificates, instruments, and documents referred to in Section 7(b) below; (iii) the Seller will execute, acknowledge (if appropriate), and deliver to Buyer an assignment and such other instruments of sale, transfer, conveyance, and assignment as Buyer and their counsel reasonably may request (the "**Conveyance Documents**"); (iv) Buyer will execute, acknowledge (if appropriate), and deliver to the Seller an assumption and such other instruments of assumption as the Seller and their counsel reasonably may request (the "**Assumption Documents**"); (v) Buyer and Seller will execute and deliver the Transition Services Agreement and the Secaucus Assignment Agreement; (vi) Buyer will deliver (A) to the Seller, the consideration specified in Section 2(c), 2(d), and (B) to the Committee, the consideration specified in Section 2(e) above.

(i) Assumption and Sale of Certain Leases and Contracts.

(i) At any time and from time to time subsequent to the date hereof and prior to the entry of an order rejecting any Executory Contract pursuant to Section 365(a) of the Bankruptcy Code as provided in the Sale Order, Buyer shall be entitled to designate, in its sole discretion and by written notice to the Seller, those Executory Contracts that it does not desire the Seller to assume, assign and sell to Buyer pursuant to this Agreement. Buyer shall have the sole discretion to remove any Executory Contract listed on Schedule A with the effect that it will be designated as an Assumed Executory Contract at any time and from time to time prior to the effective date of the rejection by the Seller of such Executory Contract. The Seller shall not reject any Executory Contract without providing Buyer (i) prior written notice of its intent to reject such Executory Contract, (ii) a copy of such Executory Contract, and (iii) the prior opportunity to designate such Executory Contract as an Assumed Executory Contract.

(ii) At Closing, the Seller shall assume each of the Assumed Executory Contracts pursuant to Section 365(a) of the Bankruptcy Code, and sell and assign to Buyer each of the Assumed Executory Contracts pursuant to Sections 363(b), (f) and (m) and 365(f) of the Bankruptcy Code, free from all defaults by the Seller and all claims by third parties against Buyer or the Acquired Assets relating to any defaults by the Seller thereunder.

(iii) Notwithstanding anything to the contrary set forth in the preceding paragraphs, at any time and from time to time prior to the Closing, Buyer shall have the sole discretion to designate any Other Contracts as Excluded Assets.

(iv) In the event that the Buyer does not (A) deliver the Secaucus Assignment Agreement with 777 Sinatra Drive Corp. (the "**New Jersey Landlord**"), (B) assume the lease of the New Jersey Facility and all obligations thereunder or (C)



otherwise obtain a complete and full release of the Seller and the Seller's bankruptcy estate from the New Jersey Landlord of all claims thereunder prior to the Closing Date, the Equity Give-Up shall be increased by \$350,000.

(j) Allocation of Purchase Price for Tax Purposes.

As promptly as practicable following the date hereof, Buyer shall prepare and deliver to the Seller a schedule to be prepared in accordance with Section 1060 of the Code, allocating the Purchase Price, and the Assumed Obligations among the Acquired Assets for all tax and other reporting purposes, which schedule shall be subject to the Seller's consent, such consent not to be unreasonably withheld. After the Seller grants its consent to such schedule, the Seller and the Buyer shall be bound by such allocation (and if necessary, any adjusted allocation), and shall file, or cause to be filed, a Form 8594 and all applicable federal, state, local and foreign income, franchise and excise Tax Returns in a manner that is consistent with such allocation. If the allocation is disputed by any Governmental Entity, the Party receiving notice of such dispute shall promptly notify the other Party hereto concerning the existence of such dispute and the Parties shall consult with each other with respect to all issues related to the allocation in connection with such dispute with notice to the Committee. If a different allocation proposed by the Internal Revenue Service (the "IRS") is finally determined, either Party may file amended returns based on such allocation or any other allocation with notice to the Committee. An allocation shall be considered to be finally determined when such allocation cannot be contested in any court of competent jurisdiction.

(k) Purchase Price Adjustment.

The credit bid portion of the Purchase Price shall be reduced or increased (the "Purchase Price Adjustment") by either adding (x) the excess, if any, of the Seller's Net Receivables and Inventory as of the Closing over the Seller's Net Receivables and Inventory as of March 6, 2004, or subtracting (y) the excess, if any, of the Seller's Net Receivables and Inventory as of March 6, 2004 over the Company's Net Receivables and Inventory as of the Closing. The Purchase Price Adjustment, if any, will be made by the Seller or the Buyer, as the case may be, by an adjustment to the credit bid against secured indebtedness owing under the Credit Agreement within thirty (30) days after the final determination of such Purchase Price Adjustment. The term "Net Receivables and Inventory" shall mean the Seller's book value of the Seller's accounts receivable less its accounts payable, plus the book value of the Seller's inventory computed consistent with the Seller's past practices as reflected in the Financial Statements, consistently applied.

(l) Calculation of Seller's Net Receivables and Inventory as of the Closing

Date.

As soon as practical (and in no event later than ninety (90) days after the Closing Date), Buyer shall cause to be prepared and delivered to Seller (i) a calculation of the Seller's Net Receivables and Inventory as of March 6, 2004 and as of the Closing Date, and (ii) a calculation of the Purchase Price Adjustment, including such schedules and data as may be appropriate and customary to support such calculation. The Seller shall be entitled to review the calculation of the Seller's Net Receivables and Inventory as of



March 6, 2004 and as of the Closing Date, Buyer's calculations of the Purchase Price Adjustment, and any working papers, trial balances and similar materials relating to the calculation of the Seller's Net Receivables and Inventory as of the Closing Date prepared by Buyer or its accountants. Buyer shall also provide the Seller with timely access, during Buyer's normal business hours, to Buyer's personnel, properties, books and records to the extent related to the determination of the Purchase Price Adjustment.

3. **Representations and Warranties of the Seller.**

Except as set forth on the disclosure schedule to be delivered by the Seller no later than five Business Days after the date of this Agreement (the "**Disclosure Schedule**"), the Seller represents and warrants to Buyer that the statements contained in this Section 3 are correct and complete in all material respects as of the date of this Agreement, which representations and warranties shall not survive Closing. The Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 3.

(a) **Organization of the Seller.**

The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and has the requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. The Seller has heretofore made available to the Buyer a complete and correct copy of the organizational documents of the Seller as currently in effect. The Seller has no Subsidiaries and does not own any shares of capital stock or other securities or equity interests of any other Person.

(b) **Contracts.**

True and complete copies of all Executory Contracts and Other Contracts or summaries thereof have been made available by the Seller to Buyer. Neither the Seller nor, to Seller's Knowledge, any other party under any of the Executory Contracts or any of the Other Contracts has commenced any action against the other or given or received any written notice of default or violation under any Executory Contract or Other Contract (other than a default or violation based solely on the filing of the Bankruptcy Case), which was not withdrawn or dismissed.

(c) **Authorization of Transaction.**

Subject to the entry of the Sale Order, the Seller has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. Without limiting the generality of the foregoing, subject to the entry of the Sale Order, the board of directors of the Seller has duly and validly authorized the execution, delivery, and performance of this Agreement by the Seller. Subject to the entry of the Sale Order, this Agreement constitutes the legal, valid and binding obligation of the Seller enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium or other laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the enforcement of specific remedies. The



Seller has full corporate power and authority to own its properties and to carry on its business as presently being conducted by it.

(d) Noncontravention.

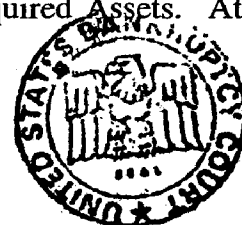
Subject to the entry of the Sale Order, no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by the Seller of the transactions contemplated by this Agreement. Subject to the entry of the Sale Order, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the sales, assignments and assumptions referred to in Section 2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any Governmental Entity or court to which the Seller is subject or any provision of the articles of incorporation or other organizational document of the Seller or (ii) provided necessary notices and consents are obtained prior to the Closing, conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which the Seller is bound or to which any of its assets are subject (or result in the imposition of any Lien upon any of its assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice, or Lien will not, or could not reasonably be expected to, have a Material Adverse Effect.

(e) Financial Statements.

The Seller will have attached to the Disclosure Schedule: (i) the consolidated balance sheets of the Seller as of July 31, 2003 and as of March 6, 2004 (the "Balance Sheet"), and (ii) the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended July 31, 2003 and for the period from August 1, 2003 through March 6, 2004 (collectively, the "Financial Statements"). The books and records of the Seller accurately and fairly reflect its business and the consolidated results of its operations, consistently applied in accordance with the Seller's historical practices, in all material respects, and such consolidated financial statements and notes accurately and fairly present the consolidated financial condition, cash flow and results of operations of the Seller as of the dates indicated and for the periods then ended all in accordance with GAAP, consistently applied in accordance with the Seller's historical practices, except as noted therein and, with respect to the partial year financial statements, subject to normal year-end adjustments (the effect of which will not, individually, or in the aggregate, be materially adverse) and the absence of notes thereto. Since the date of the Balance Sheet, there has been no change in the condition, financial or otherwise, of the Seller as shown on the most recent financial statements, which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(f) Title to Assets.

Subject to the entry of the Sale Order, the Seller, as of the date hereof, has, or as of the date of the Closing will have, good title to, valid leasehold interests in, good and marketable fee simple title to, or other valid rights to use, all of the Acquired Assets. At the



Closing, the Buyer will receive good and marketable title to, or a valid leasehold interest in or assignment of, or the valid right to use, each of the Acquired Assets free and clear of any Liens of any nature other than Permitted Encumbrances.

(g) Taxes.

The Seller has (A) properly completed and timely filed (or will timely file) all material Tax Returns required to be filed by the Seller through the Closing Date (taking into account applicable extensions) and (B) paid or accrued (in accordance with GAAP, consistently applied in accordance with the Seller's historical practices, in all material respects, in the applicable jurisdiction) all Taxes shown to be due on such Tax Returns other than such Taxes as are being contested in good faith by the Seller.

(h) No Material Adverse Change.

Since January 3, 2004, except as may be reflected in the Financial Statements, to Seller's Knowledge, there has not been any material adverse change in the business, operations, assets, results of operations or condition (financial or other) of the Seller, and no event has occurred or circumstance exists with respect to the Seller that may result in such a material adverse change, other than the filing of the Bankruptcy Cases.

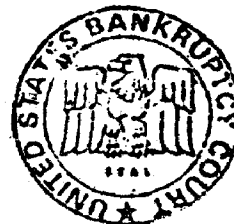
(i) Employee Benefits.

(i) The Disclosure Schedule will provide a list of all Seller Plans, correct and complete copies of which have been made available to Buyer.

(ii) To the Knowledge of the Seller, with respect to the Seller Plan subject to ERISA: (A) each the Seller Plan has been operated in compliance with its terms and with the applicable provisions of ERISA, the Code and all other applicable laws and the rules and regulations promulgated thereunder; (B) each the Seller Plan which is intended to be qualified within the meaning of Section 401(a) of the Code is (and from its inception has been) so qualified and is, as most recently amended, (and from its inception has been) the subject of a favorable determination letter as to its qualification; (C) all contributions required under the terms of the Seller Plans or under applicable law have been made within the time required by law and the terms of the Seller Plans, and all such contributions have been fully deductible for federal income tax purposes, and neither the Seller nor any ERISA Affiliate has any actual or potential liability for the ten-percent tax imposed by Section 4972 of the Code on nondeductible contributions to qualified employer plans; and (D) there have been no "prohibited transactions" (as described in Section 4975 of the Code or in Part 4 of Subtitle B of Title I of ERISA) for which a statutory, administrative, or regulatory exemption is not available.

(iii) None of the Seller Plans is a Multiemployer Plan, as defined in Section 3(37) of ERISA that is subject to the Title IV of ERISA.

(j) Compliance With Legal Requirements.



To the Knowledge of the Seller, none of the Seller is in violation of any Legal Requirement applicable to it, or by which its respective properties and assets are bound, or applicable to the Acquired Assets where such violation will, or could reasonably be expected to, have a Material Adverse Effect.

(k) Legal Proceedings; Orders.

There is no pending or, to the Seller's Knowledge, threatened Proceeding by or against the Seller or that otherwise relates to or may affect the Acquired Assets, which, if adversely determined to the Seller, could reasonably be expected to have a Material Adverse Effect. For purposes of this paragraph, the mere filing of the Bankruptcy Case shall not be deemed to have a Material Adverse Effect. To the Knowledge of the Seller, other than failures to pay amounts due and owing, no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding.

(l) Absence of Certain Changes and Events.

Since the date of the Balance Sheet, the Seller has conducted its business only in the Ordinary Course of Business (other than the mere filing of the Bankruptcy Case), except, where such failure to so conduct, could not reasonably be expected to result in a Material Adverse Effect.

(m) Insurance.

To the Knowledge of the Seller, the Acquired Assets are covered by valid, outstanding and enforceable policies of insurance.

(n) Intellectual Property Assets.

(i) The Disclosure Schedule will set forth a complete and accurate list of: (A) all material Intellectual Property that is owned by the Seller and registered or subject to an application for registration, (B) all Intellectual Property that is owned by the Seller and material to the operation of the Seller's business(es) as currently conducted, (C) all licenses of third party Intellectual Property that is material to the operation of the Seller's business(es) as currently conducted and (D) all Intellectual Property that is owned by any Affiliate of the Seller and material to the operation of the Seller's business(es) as currently conducted (including trademarks and trade names, whether registered or unregistered) (the "**Acquired Intellectual Property**").

(ii) The Seller owns or possesses adequate licenses or other legal rights to use, sell or license all Acquired Intellectual Property, free and clear of all Liens of any kind or as set forth in such licenses, except where the failure to so own or possess will not, or could not reasonably be expected to, have a Material Adverse Effect.

(iii) (1) During the last five years no Claims or Proceedings have existed or, to the Seller's Knowledge, overt threat of Claims or Proceedings, have been asserted by any third party against the Seller relating to the use of any Acquired Intellectual Property rights or challenging or questioning the validity or effectiveness of



any Acquired Intellectual Property, and (2) the practice or use of the Acquired Intellectual Property as practiced or used in the operation of the Seller's business(es) as currently conducted does not infringe, misappropriate, violate or dilute any intellectual property rights of any third party, except where such infringement, misappropriation, violation or dilution will not, or could not reasonably be expected to, have a Material Adverse Effect; and

(iv) To the Knowledge of the Seller, no third party is misappropriating, infringing, diluting or violating any Acquired Intellectual Property as to which the Seller has a claim of title, whether actual or beneficial.

(o) Brokers.

No person, other than Merrill Lynch and Houlihan Lokey, may be entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by the Seller in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller.

(p) OSHA; Environmental Matters.

It is in compliance in all material respects with all applicable Environmental Laws, the Occupation Safety and Health Act, as amended, and the Americans with Disabilities Act. Except as would not have a Material Adverse Effect, the Seller has or has applied for all licenses required under Environmental Laws for the operation of the Seller's business(es) as presently conducted (the "Environmental Permits"), each of the Environmental Permits is in full force and effect, and the Seller has complied in all respects with the Environmental Permits, and there are no investigations or proceedings pending, or, to the Knowledge of the Seller, threatened, with respect to such Environmental Permits. Seller has not transported or arranged for the transportation, treatment, storage, handling, or disposal, of any Hazardous Substance to any off-site location which is listed on the National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, listed for possible inclusion on the NPL by the Environmental Protection Agency in the Comprehensive Environmental Response and Liability Information System, as provided for by 40 CFR Section 300.5 or on any similar state or local list, or that is the subject of federal, state or local enforcement actions or other investigations that may lead to Environmental Claims.

(q) Disclaimer of Additional Representations and Warranties.

Except as expressly set forth in Section 3, the Seller makes no representation or warranty, express or implied, at law or in equity, with respect to any of its assets, liabilities or operations, and any such other representations or warranties are hereby expressly disclaimed. Buyer hereby acknowledges and agrees that except as to the extent specifically set forth in Section 3, the Buyer is purchasing the Acquired Assets, and assuming the Assumed Obligation on an "as is, where is" basis.

(r) Employment Agreements.



To the knowledge of the Seller, the only individuals employed by Seller pursuant to an employment agreement are: Laurence Moellentine, Stuart Chizen, Bruce Bartley, Scott Sennett, Sylvio Duguay and Emile Lemay.

4. **Representations and Warranties of Buyer.**

Buyer represents and warrants to the Seller that the statements contained in this Section 4 are correct and complete in all material respects as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4).

(a) **Organization of Buyer.**

Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization.

(b) **Authorization of Transaction.**

Buyer has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and the execution and delivery by Buyer of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer enforceable in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium or other laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the enforceability of specific remedies.

(c) **Noncontravention.**

Subject to the entry of the Sale Order, no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the consummation by Buyer of the transactions contemplated by this Agreement. Subject to the entry of the Sale Order, neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in Section 2 above), will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Buyer is subject or any provision of its articles of organization or other organizational document or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) **Availability of Funds.**

Buyer has, and on the Closing Date will have, sufficient funds available to finance and consummate the transactions contemplated by this Agreement.



(e) Brokers.

No person may be entitled to any brokerage, financial advisory, finder's or similar fee or commission payable by the Buyer in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Buyer.

(f) Legal Proceedings.

There are no pending or threatened Proceedings against Buyer that would prevent or materially delay the consummation by Buyer of the transactions contemplated by this Agreement.

(g) Loan Documents.

Buyer is the sole holder of the Loan Documents, free of any liens, Claims or encumbrances of any third party and is the Secured Lender under the Credit Facility.

5. Pre-Closing Covenants.

The Parties agree that none of the covenants contained in this Section 5 shall survive Closing, except in the case of subsections 5(f), (g), (h) and (l) which shall survive the Closing.

(a) General.

Except as expressly permitted or required by this Agreement, each of the Parties will use its commercially reasonable efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Section 7 below).

(b) Notices and Consents.

Each of the Parties will give any notices to, make any filings with, and use its commercially reasonable efforts to obtain any authorizations, consents, and approvals of Governmental Entities in connection with the matters referred to in Section 3(d) and Section 4(c) above.

(c) Operation of Business.

Except (x) as expressly contemplated by this Agreement (y) with the prior written consent of Buyer (such consent not be unreasonably withheld), or (z) as required by, or arising out of, relating to, or resulting from, the filing of the Bankruptcy Case or the Petition or approved by the Bankruptcy Court:

(i) The Seller shall conduct its business(es) only in the Ordinary Course of Business in all material respects; and

(ii) The Seller shall not take any of the following actions with respect to the Acquired Assets:



(A) amend, supplement, terminate or cancel any of the Assumed Executory Contracts;

(B) pledge, mortgage, acquire, sell, lease or dispose of any Acquired Asset, except in the Ordinary Course of Business;

(C) bring, settle, compromise or waive any Proceeding or legal right adversely affecting the validity or value of any Acquired Asset;

(D) materially change, modify or alter the operations of the business of the Seller, including without limitation, any closure, material interruption, suspension or material reduction in scope of the operations, business or activities of the Seller; or

(E) authorize or enter into an agreement to do any of the foregoing.

(d) Full Access.

Subject to the terms of the Confidentiality Agreement, the Seller will permit representatives of Buyer and its professionals to have full access at all reasonable times, and in a manner so as not to interfere with the normal business operations of the Seller, to all books, records (including tax records), employees, contracts, and documents of or pertaining to the Seller.

(e) Notice of Developments.

Each Party will give prompt written notice to the other Party of any material adverse development causing a breach of any of its own representations and warranties. No disclosure by any Party pursuant to this Section 5(e), however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation or breach of warranty; provided, however, that if such notified party consummates the transactions contemplated by this Agreement, such consummation will be deemed to waive such breach or non-compliance and such notified party shall be deemed to relinquish any remedies hereunder to the extent of such notification.

(f) Insurance.

The Seller shall use its commercially reasonable efforts to have Buyer named as an additional insured on all insurance policies in effect from time to time providing coverage for products manufactured or sold by the Seller prior to the Closing. The Seller shall provide reasonable cooperation to Buyer in order to afford Buyer the right to be indemnified by issuers for any claim or loss covered by such policies. Buyer shall promptly notify the Seller or its nominee of the basis and amount of any such insurance claim. Any such rights of Buyer to receive indemnification on any such insurance claim shall be subject to any deductibles, limits and other terms and conditions of such policies, including without limitation self-insured retentions, retained amounts, retentions or exclusions but not including payment of retrospectively rated premiums. Upon Buyer's request, the Seller shall provide reasonable



cooperation to Buyer with respect to filing and administering claims. Buyer and its Affiliates shall have the right, but not the obligation, to file and administer claims under the Seller's existing insurance policies, and, in connection therewith, the Seller hereby covenants and agrees to issue powers of attorney and any other necessary documents to Buyer to enable Buyer and its Affiliates to file and/or administer all such claims. This Section 5(f) shall not require any Seller to convert any "claims made" policy to an "occurrence based" policy and shall not obligate the Seller to maintain any "claims made" insurance policy in effect such that it covers events occurring after the Closing.

(g) Transition Assistance.

At Buyer's expense, for a period of eighteen months after the Closing, the Seller shall provide cooperation and assistance as may be reasonably requested by Buyer with respect to transitioning the administration of the Seller Plans from the Seller to Buyer, including administering same (to the extent not transferred at Closing).

(h) Inter-Company Payables.

Buyer agrees that it will not seek to enforce, or otherwise take any action to foreclose on, any inter-company liabilities or obligations between or among the Seller or its Affiliates that arose prior to the Closing. The Seller agrees that it will not seek to enforce against Buyer, or otherwise take any action to foreclose on any of the Acquired Assets, any inter-company liabilities or obligations between or among the Seller or its Affiliates that arose prior to the Closing.

(i) Negotiations; Public Announcements.

Except in connection with the Auction contemplated by this Agreement, prior to the Petition Date, the Seller and its Affiliates, officers, directors, employees, attorneys, investment bankers, accountants and other agents and representatives, whether directly or indirectly, shall not (i) negotiate with any Persons other than Buyer relating to the direct or indirect sale, transfer or other disposition, in one or more transactions, of all or substantially all of the Assets of the Seller, whether or not the offer to negotiate is unsolicited and (ii) take any other affirmative action (including entering into any agreement or letter-of-intent with respect thereto) to cause or promote any such transaction with a third party. Notwithstanding the foregoing, the Seller and its Affiliates and their respective officers, directors, employees, attorneys, investment bankers, accountants and other agents and representatives shall be permitted to supply information relating to the Seller and the Assets to Potential Bidders and shall take such other actions as are reasonably necessary to market and solicit offers for the Assets, including, issuing press releases, placing advertisements or making other releases or disclosures in connection therewith; provided, however, that the Seller shall promptly notify Buyer of the dissemination of all such information to Potential Bidders; provided, further, however, that the Seller may terminate its obligations contained in the foregoing sentence by giving five Business Days written notice to Buyer. Potential Bidders shall have reasonable access to the Seller's facilities and employees as is reasonably necessary to facilitate due diligence.



(j) Resolutions.

The Seller shall have delivered to Buyer certified copies of the resolutions duly adopted by the board of directors of the Seller approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and such resolutions shall be in full force and effect as of the Closing Date.

(k) Cooperation in Hiring of Employees.

The Seller shall cooperate with Buyer and shall permit Buyer to (i) meet with employees of the Seller at such times as Buyer shall reasonably request, (ii) speak with such employees, managers and supervisors who are being considered for employment by Buyer, (iii) distribute to such employees such forms and other documents relating to potential employment by Buyer (including an incentive compensation package to certain members of senior management) after the Closing Date as Buyer may reasonably request and (iv) permit Buyer to review personnel files and other relevant employment information regarding employees of the Seller. Notwithstanding anything in this Agreement to the contrary, Buyer and its Affiliates shall not for a period of one year following the sale of substantially all of the assets of Seller hire any employee of Seller unless (i) such employee was not hired by the purchaser of the assets of the Seller, (ii) such employee responded to a general solicitation advertisement not directed specifically at Seller's employees, (iii) such employee has not been employed by the Seller for a period in excess of six months or (iv) the Buyer or its Affiliates was the acquiror of such assets.

(l) WARN Act.

Buyer acknowledges and understands that Seller has not provided any of its employees with any notice that might be required by the Worker Adjustment and Retraining Notification Act ("WARN") or any other similar statute or regulation of any jurisdiction relating to "plant closing" or "mass layoff" as defined in WARN or in such other statute or regulation (collectively, "WARN Provisions"). Buyer agrees that it will be solely responsible for, and will indemnify Seller against, any liability that Seller may incur under any and all WARN Provisions by reason of Buyer's failure to hire some or all of Seller's employees, Buyer's reduction of the hours of work of some or all of Seller's employees, or any other employment loss suffered by some or all of Seller's employees as a result of or in connection with this transaction. Buyer further acknowledges and agrees that, on and after the Closing Date, Buyer shall have sole responsibility for compliance with any and all WARN Provisions applicable to the employees of Seller that Buyer has hired. Within one Business Day after entry of the Sale Order, Seller shall provide Buyer with a list of the name, mailing address and termination date of any employee terminated by Seller within ninety (90) days before the date of entry of the Sale Order. Within five (5) Business Days before the Closing Date, Seller shall provide Buyer with a list of the name, mailing address and termination date of any employee terminated by Seller within ninety (90) days before the Closing Date.

(m) Confidentiality.

The Parties acknowledge that the Secured Lender and Houlihan Lokey previously executed a confidentiality agreement (the "Existing Confidentiality Agreement"), which



agreement shall terminate upon the earlier of (i) the expiration of the term set forth therein or (ii) the Closing Date. The Parties acknowledge and understand that disclosures relating to the transactions contemplated by this Agreement will be made by Seller to Potential Bidders and the Committee and their advisors and representatives. The Parties agree that such disclosures will not be deemed to violate any confidentiality obligations owing to any party, whether pursuant to this Agreement, the Existing Confidentiality Agreement or otherwise; provided that the Seller and its Affiliates shall not permit any Potential Bidder to have access to any confidential or proprietary information, or to the Seller's employees without first executing a Confidentiality Agreement. Notwithstanding the foregoing, this Section 5(m) shall not in any way limit (i) the disclosure of information by the Seller or its Affiliates in connection with the administration of the Bankruptcy Case, pursuant to any provision of the Bankruptcy Code or any Order of the Bankruptcy Court or (ii) any other action or disclosure permitted to be made by the Seller and its Affiliates pursuant to Section 5(i) above.

(n) Disclosure Schedule.

The Seller shall have delivered to Buyer the Disclosure Schedule (in form and substance satisfactory to Buyer in its sole and absolute discretion) no later than five Business Days after the execution of this Agreement.

(o) Public Announcements.

Buyer and Seller agree that they will consult with each other before issuing any press release or otherwise making public statements with respect to the transactions contemplated by this Agreement and agree not to make any such press release or public statement prior to such consultation.

(p) Resale Certificates.

The Buyer agrees to provide to the Seller at the Closing resale certificates relating to the Inventories of the Seller included in the Acquired Assets.

(q) Taxes.

Each of the Buyer and Seller shall be responsible to pay one-half of all excise Taxes incurred in connection with the closing of the transactions contemplated by this Agreement; provided that the Seller's obligation shall not exceed \$1,000.

6. Additional Covenants.

(a) Bankruptcy Matters.

(i) The Seller shall file the Petition on or before May 25, 2004;

(ii) On the Petition Date, the Seller shall file with the Bankruptcy Court a motion, as well as all necessary supporting papers, each in form and substance reasonably satisfactory to Buyer requesting the entry of the Bidding Procedures Order. The Seller shall use its commercially reasonable efforts to cause the Bankruptcy Court to



enter the Bidding Procedures Order within 30 days after the Petition Date, and the Seller shall cooperate with Buyer and take such actions as may be reasonably requested by Buyer in obtaining the Bidding Procedures Order;

(iii) On the Petition Date, the Seller shall file with the Bankruptcy Court a motion, as well as all necessary supporting papers, each in form and substance reasonably satisfactory to Buyer requesting the entry of the Sale Order. The Seller shall use its commercially reasonable efforts to cause the Bankruptcy Court to enter the Sale Order within 60 days after the entry of the Bidding Procedures Order, and the Seller shall cooperate with Buyer and take such actions as may be reasonably requested by Buyer in obtaining the Sale Order;

(iv) On the Petition Date, the Seller shall file with the Bankruptcy Court a motion for approval of the Cash Collateral Stipulation, and all necessary supporting papers, each in form and substance reasonably satisfactory to Buyer. The Seller shall use its commercially reasonable efforts to cause the Bankruptcy Court to enter (A) within three Business Days after the Petition Date, an interim Order reasonably acceptable to Buyer approving the Cash Collateral Stipulation (the "**Interim Cash Collateral Order**"), and (B) within 75 days after the Petition Date, a final Order reasonably acceptable to Buyer approving the Cash Collateral Stipulation (the "**Final Cash Collateral Order**"). The Seller shall cooperate with Buyer and take such actions as may be reasonably requested by Buyer in obtaining the Interim Cash Collateral Order and the Final Cash Collateral Order;

(v) In consultation with the Buyer, the Seller agrees to take all steps appropriate or reasonably requested by Buyer to defend against any appeal, motion for rehearing, motion for reconsideration or the like, of the Bidding Procedures Order, the Sale Order, the Interim Cash Collateral Order and, the Final Cash Collateral Order, and to use its commercially reasonable efforts to obtain an expedited resolution of such motion or appeal;

(vi) Within three Business Days after the Petition Date, the Seller shall provide to Buyer certified copies of certificates of service attesting to service of notice of the transactions contemplated hereby (including the motions for the Bidding Procedures Order, the Sale Order, the Interim Cash Collateral Order and, the Final Cash Collateral Order) to (A) all third parties listed on the "mailing matrix" and/or Bidding Procedures Motion filed with the Bankruptcy Court, (B) all third parties that have perfected or assert any Liens in the Acquired Assets, (C) all third parties listed or described (generally or particularly) on any of the schedules to this Agreement, (D) all holders of debt or equity securities of any Seller, (E) all parties to Executory Contracts and Other Contracts, (F) all third parties that (1) are or were owed for or in respect of, or are providing or receiving, or have or have been provided any service, commodity, good, product, utility, lease or benefit to or from any Seller or any agent or representative of any thereof, or (2) have or had any arrangement or agreement (written or unwritten), including, without limitation, any contract, purchase order, lease, license or easement with the Seller or any agent or representative of any thereof, in each case during the last twelve months; and (G) all taxing, environmental, health and safety and all other Governmental Entities and quasi-



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governmental authorities and agencies (state, federal and local) with jurisdiction over any Seller, any Asset or the business(es), or any portion thereof (collectively, the “**Required Noticed Parties**”). Such notice shall be in accordance with the notice provisions approved by the Bankruptcy Court under the Bidding Procedures Order (as modified by any other Court order with respect to the appropriate notice of the 363 Sale) and shall state that if such parties either fail to object timely to the sale of the Acquired Assets free and clear of and from any and all such Liens, obligations and liabilities, or having timely filed objections with the Bankruptcy Court, the Bankruptcy Court overrules such objection and approves the sale of the Acquired Assets, the Acquired Assets may be transferred to Buyer as provided in and contemplated by this Agreement, free and clear of and from any and all such Liens, Claims, obligations and liabilities. Further, the Sale Order shall provide, *inter alia*, that all such parties either failed to so object, or their objections were so overruled;

(vii) Buyer shall be entitled to Expense Reimbursement, which shall be immediately due and payable by the Seller upon the consummation by Seller of an Alternate Transaction. Once earned, the Expense Reimbursement shall be (A) allowed as a secured claim pursuant to Section 364(d)(1) of the Bankruptcy Code with a Lien equal in scope and priority to the Lien of the Secured Lender under the Credit Agreement and (B) payable to Buyer without necessity of any Order of the Bankruptcy Court other than the Bidding Procedures Order; and

(viii) All pleadings and other papers prepared by the Seller for filing in the Bankruptcy Case including, without limitation, those related to the Bidding Procedures Order, leases, contracts and intellectual property rights and responses to pleadings filed by other parties shall (A) be provided to Buyer at least two Business Days in advance of filing to allow Buyer a reasonable opportunity to comment and (B) be in a form mutually acceptable to the Parties.

(b) Adequate Assurances.

Buyer covenants and agrees to cooperate with the Seller in connection with furnishing information pertaining to the satisfaction of the requirement of adequate assurances of future performances as required under Section 365(f)(2)(B) of the Bankruptcy Code.

(c) Risk of Loss.

The Seller shall bear all risk of loss with respect to the Acquired Assets prior to the conclusion of the Auction (as defined in the Bidding Procedures). Thereafter, the Successful Bidder shall bear all risk of loss with respect to the Acquired Assets prior to the Closing. The Seller agrees to continue to carry or cause to be carried until the Closing the insurance coverage which is presently carried relating to the Acquired Assets.

(d) Licenses.

Except as otherwise provided herein, Buyer shall be responsible for obtaining all licenses, permits, franchises and other documents necessary for the operation and use of the



Acquired Assets. The Seller agrees to use commercially reasonable efforts to assist Buyer in obtaining such documents for a period of ninety days after Closing.

(e) Name Change.

Immediately after the Closing, the Seller shall take all actions necessary to ensure that the caption of the Bankruptcy Case is amended to reflect the new name of the Seller which shall bear no resemblance to the corporate name set forth on the signature pages hereto (each a "New Name") and to delete all references to the existing names of the Seller (the "Existing Name").

(f) Cure Defaults.

On or prior to the effective date of the assumption and assignment, using the cash provided by Buyer to Seller pursuant to Section 2(c)(ii), the Seller shall cure any and all defaults (whether in existence on the date of this Agreement or occurring subsequent thereto) or provide adequate assurance that it will cure any and all defaults with respect to all of the Assumed Executory Contracts by paying all Cure Amounts required to be paid pursuant to Section 365(b) of the Bankruptcy Code so that (i) at Closing, there shall be no defaults under any of the Assumed Executory Contracts, (ii) each Assumed Executory Contract may be assumed by the Seller and sold and assigned to Buyer in accordance with Sections 363 and 365 of the Bankruptcy Code, and (iii) Buyer shall have no obligations with respect to defaults arising or existing prior to the Closing Date.

(g) [Intentionally Left Blank]

(h) Transition Services.

For a period of eighteen months after the Closing Date (the "Transition Period"), the Seller, Buyer and the Committee and their representatives or successors shall have reasonable access to, and each shall have the right to photocopy at their own expense, all of the books and records (the "Books and Records"), including any computerized databases and files and programs and associated software relating to the Excluded Assets, pre-Closing operations of the Seller and/or the Acquired Assets and Assumed Obligations as they existed as of the Closing Date, including but not limited to (i) the investigation, evaluation and prosecution of any and all Claims retained by the Seller, and (ii) the evaluation, allowance, distribution and defense of any and all Claims brought against the Seller or its estate and (iii) employees' records or other personnel and medical records, as of the Closing Date, required by law, legal process or subpoena. During the Transition Period, Buyer agrees to provide the Seller, the Committee and any of their representatives and successors, upon reasonable request and notice, with reasonable access to employees of Buyer (who are former employees of the Seller) for purposes of winding down the estate of the Seller and administering this case. Access pursuant to this Section 6(h) shall be afforded by the party in possession of such Books and Records, upon receipt of reasonable advance notice, during normal business hours; provided, however, that (A) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the business of any party and (B) no party shall be required to take any action which would constitute a waiver of the attorney-client privilege or which would require the disclosure



of Confidential Information. The party exercising this right of access shall be solely responsible for any costs or expenses incurred by it pursuant to this Section 6(h). The Seller, Buyer and their representatives agree to treat confidentially any information obtained pursuant to this Section 6(h), including the Books and Records; provided, however, that any such information may be subject to non-confidential treatment upon the Buyer's written consent after reasonable request and notice by the Seller to Buyer and its representatives. If the party in possession of such Books and Records shall desire to dispose of any such Books and Records after the expiration of the Transition Period, such party shall, prior to such disposition, give the other party a reasonable opportunity at such other party's expense, to segregate and remove such Books and Records as such other party may select.

(i) Further Assurances.

The Parties agree that they shall use commercially reasonable efforts to perform all necessary acts and execute all necessary documents and deliver all necessary certificates and other documents as required to effectuate the transactions contemplated by this Agreement.

(j) Suppliers.

On and after the Closing, Buyer shall use reasonable efforts to continue doing business with Seller's existing suppliers, vendors and trade. This is a good faith obligation and not enforceable by any entity or individual, including but not limited to Seller, Committee, any supplier, or any vendor.

(k) Cooperation by Committee.

On and after entry of the Sale Order (including after Closing), the Committee (to the extent consistent with its fiduciary and statutory duties and obligations) shall cooperate in all material respects with Buyer's reasonable requests in connection with the transactions contemplated by this Agreement, including but not limited with respect to the Transition Services Agreement and any agreements entered into or to be entered into with respect to the New Jersey Lease.

(l) The New Jersey Facility.

The Seller hereby authorizes the Buyer at any time up to the Closing Date to negotiate with the New Jersey Landlord regarding a termination, modification or assignment of the lease (the "New Jersey Lease") of the New Jersey Facility and the Seller shall be bound by any such modification, termination or assignment of the New Jersey Lease so long as the Committee has provided its consent and such modification, termination or assignment does not increase the aggregate liability and obligations of the Seller or priority of any claim of the New Jersey Landlord under the New Jersey Lease or change the nature or priority of the Seller's obligation to the New Jersey Landlord from a pre-petition claim to an administrative claim of the New Jersey Landlord. The provisions of this paragraph shall survive Closing.

(m) Employee Benefit Plans.



As of the Closing Date, Buyer shall permit the employees of the Seller who become employees of Buyer to participate in Buyer's Employee Benefit Plans, with full credit for their service with Seller for all purposes, including but not limited to eligibility, vesting and accrual to the extent permissible under the terms and conditions of the Buyer's Employee Benefit Plans.

(n) Severance Pay.

If and to the extent that the consummation of the transactions contemplated herein, either alone or in combination with another event, result in (A) any current or former employee, officer, director, consultant or agent of the Seller becoming entitled to severance pay or any other payment, or (B) the acceleration of the time of payment or vesting of, or increase in the amount of, any severance pay due to any current or former employee, officer, director, consultant or agent of the Seller, Buyer shall be solely responsible for any and all amounts that become payable to the extent that would not otherwise have become payable.

(o) COBRA.

Within one Business Day before the Closing Date, Seller shall provide Buyer with the name and mailing address of each covered employee and each of their covered dependents. The parties agree that it shall be the Buyer's sole responsibility to provide the required notices under Section 601-609 of ERISA ("COBRA"), and to provide any coverage required by COBRA to be provided to covered individuals and their dependents. Buyer agrees to indemnify the Seller for any failure by Buyer to provide the required notices to the employees on the list and the mailing address provided by Buyer to Seller.

(p) Hiring of Waiving Employees.

Buyer shall not employ any of the Waiving Employees unless such Waiving Employee has first delivered to the Seller an Estate Release.

7. Conditions to Obligation to Close.

(a) Conditions to Obligation of Buyer.

The obligation of Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions unless otherwise waived by Buyer in writing:

(i) the representations and warranties of the Seller set forth in Section 3 above that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects, and each of the representations and warranties in Section 3 that is not so qualified shall be true and correct in all material respects at and as of the Closing Date as if made at and as of that time (except to the extent expressly made as of an earlier date, in which case as of that date); provided, however, that notwithstanding anything herein to the contrary, this Section 7(a)(i) shall be deemed to have been satisfied even if such representations or warranties are not true and correct as required above unless the



failure of such representations or warranties to be so true and correct, individually or in the aggregate, could reasonably be likely to have a Material Adverse Effect;

(ii) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing (except with respect to the covenants set forth in Section 6(a) which shall be complied with in all respects);

(iii) there shall not be any Proceeding, injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Seller shall have filed the Petition on or before May 25, 2004;

(v) the Bankruptcy Court shall have entered the Bidding Procedures Order in form and substance reasonably acceptable to Buyer no later than fifteen (15) days after the Petition Date;

(vi) the Bankruptcy Court shall have entered the Sale Order no later than August 6, 2004;

(vii) the Bankruptcy Court shall have entered the Interim Cash Collateral Order within three Business Days after the Petition Date;

(viii) the Bankruptcy Court shall have entered the Final Cash Collateral Order on or before August 6, 2004;

(ix) each of the Bidding Procedures Order, Interim Cash Collateral Order, Final Cash Collateral Order and Sale Order shall be a Final Order;

(x) [intentionally omitted];

(xi) the Seller shall have received all other authorizations, consents, and approvals of governments and governmental agencies referred to in Section 3(d) above except where the failure to receive such authorizations, consents and approvals could not reasonably be expected to have a Material Adverse Effect;

(xii) the Seller shall have filed one or more amendments (or shall deliver to Buyer amendments to be filed) to its organizational documents changing its Existing Name to a New Name and shall furnish such written covenants and assignments as Buyer shall reasonably request in connection with such name change;

(xiii) the Seller shall have delivered to Buyer a certificate to the effect that each of the conditions specified above in Section 7(a)(i)-(xii) is satisfied in all respects;

(xiv) the relevant Persons shall have entered into and executed and delivered the Conveyance Documents;



(xv) the Seller shall have delivered the General Releases, the Individual Releases and, for those Waiving Employees who become employees of the Buyer, the Waiving Employee Releases; provided, however, that Seller shall not be required to deliver an Individual Release to any Individual Releasee or a Waiving Employee Release to any Waiving Employee who does not deliver an Estate Release at Closing;

(xvi) Seller shall have delivered the Subordinated Note to the Buyer.

Buyer may waive any condition specified in this Section 7(a) if it executes a writing so stating at or prior to the Closing.

Buyer shall give Seller written notice at least five Business Days prior to charging Seller with failure to fulfill any Closing Condition that is tied to the time frame set forth in this Section 7(a).

(b) Conditions to Obligation of the Seller.

The obligation of the Seller to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions unless otherwise waived by Seller in writing:

(i) the representations and warranties of Buyer set forth in Section 4 above that are qualified by materiality or Material Adverse Effect shall be true and correct in all respects, and each of the representations and warranties in Section 4 that is not so qualified shall be true and correct in all material respects at and as of the Closing Date as if made at and as of that time (except to the extent expressly made as of an earlier date, in which case as of that date);

(ii) Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

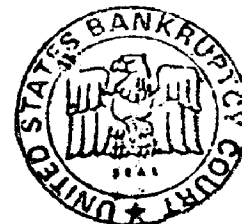
(iii) there shall not be any Proceeding, injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Bankruptcy Court shall have entered an Order authorizing the Seller to consummate the transactions contemplated by this Agreement, which Order is not stayed at the time of Closing;

(v) Buyer shall have delivered to the Seller a certificate to the effect that each of the conditions specified above in Section 7(b)(i)-(iv) is satisfied in all respects; and

(vi) The relevant Persons shall have entered into and executed and delivered the Assumption Documents.

(vii) [intentionally omitted]



(viii) Buyer (A) shall have agreed to accept a Subordinated Note in exchange for all Claims except for Claims arising under this Agreement, but including, without limitation, all Claims or rights under the Cash Collateral Stipulation including, but not limited to, Replacement Liens, Superiority Claims and Diminution Claims (as defined in the Cash Collateral Stipulation), and (B) shall have waived and released as of the Closing Date all liens and security interests, whether arising under the Credit Agreement or otherwise, against Seller, Seller's bankruptcy estate or property of the Seller, the Excluded Assets, the Equity Give-Up and the Additional Cash Payment.

(ix) HIG Capital LLC shall have delivered to Seller a guaranty of the Guaranteed Professional Fees.

(x) Laurence Moellentine and Eugene Davis shall each have delivered to the Seller letters of resignation resigning from the Seller's board of directors, effective on or before the Closing Date;

(xi) Seller's board of directors shall have delivered to the Seller a resolution appointing Stuart Chizen as the Seller's director and as wind down officer, effective as of the Closing Date, who shall be paid by Buyer; and

(xii) Buyer shall have delivered to Seller the executed HIG Entities' Release.

The Seller, with the consent of the Committee, may waive any condition specified in this Section 7(b) if they execute a writing so stating at or prior to the Closing, with the consent of the Committee.

8. Events of Default; Termination.

(a) Defaults by the Seller.

In the event of a material breach of any representation, warranty, covenant, agreement or obligation of the Seller set forth in this Agreement such that the conditions to the obligations of Buyer to effect the Closing set forth in Section 7(a)(i) and (ii) would not be satisfied, and the failure of the Seller to cure such breach within five days after written notice shall have been sent to the Seller and the Secured Lender, Buyer will have the right prior to the Closing to terminate this Agreement and the Deposit shall be deemed returned to Buyer such that the Seller shall not receive the credit against the total indebtedness owed under the Credit Agreement in the amount of the Deposit and Buyer shall be entitled to all available rights and remedies.

(b) Defaults by Buyer.

In the event of a material breach of any representation, warranty, covenant, agreement or obligation of Buyer set forth in this Agreement such that the conditions to the obligations of the Seller to effect the Closing set forth in Section 7(b)(i) and (ii) would not be satisfied, and the failure of Buyer to cure such breach within five days after being given written notice thereof, the Seller's sole remedy shall be the right prior to the Closing to terminate this



Agreement and receive the credit against the total indebtedness owed under the Credit Agreement in the amount of the Deposit.

(c) Other Termination.

This Agreement may be terminated by Buyer (i) if the Seller fails to comply with the covenant set forth in Section 5(n) or by the Buyer or Seller (ii) upon the Termination Date; provided, that Buyer's right to terminate this Agreement pursuant to clause (i) hereof shall end five Business Days after receipt of the Disclosure Schedule pursuant to Section 5(n). This Agreement shall automatically terminate upon the closing of a sale by the Seller of substantially all of its assets pursuant to a court order to a Person that is not the Buyer or an Affiliate of the Buyer.

(d) Survival of Confidentiality Obligations.

If any Party terminates this Agreement pursuant to this Section 8, the Confidentiality Agreement and the confidentiality provisions contained in Section 5(l) above shall survive termination.

(e) Effect of Termination.

Each Party's right of termination under this Section 8 is in addition to any other rights it may have under this Agreement, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to this Section 8, all obligations of the Parties under this Agreement will terminate, except (i) the obligations in this Section 8 and in Section 6 with respect to the Expense Reimbursement, and (ii) those obligations which by their terms expressly survive any termination hereunder. Notwithstanding the foregoing, no performance or failure to perform by Buyer or any of its Affiliates under this Agreement shall have any effect with respect to the Seller or any of its Affiliates' obligations to the Secured Lender under the Credit Agreement.

9. Miscellaneous.

(a) No Third-Party Beneficiaries.

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(b) Entire Agreement.

This Agreement and the Existing Confidentiality Agreement (including the exhibits, schedules and Disclosure Schedule referred to herein) constitute the entire agreement between the Parties and supersede any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof or thereof.

(c) Succession and Assignment.



This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that nothing herein shall prohibit the assignment of Buyer's rights (but not obligation) to any direct or indirect Subsidiary or Affiliate.

(d) Counterparts; Signatures.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or by electronic media or similar means shall be deemed to be their original signature for all purposes.

(e) Headings.

The section headings contained in this Agreement are inserted for convenience and reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices.

All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two (2) Business Days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to The Seller:

Lantis Eyewear Corporation
461 Fifth Avenue
New York, New York 10017
Attn: President
Phone: (212) 561-7500
Facsimile: (201) 766-7727

Copy to:

Riker Danzig Scherer Hyland Perretti LLP
One Speedwell Avenue
Morristown, New Jersey 07962
Attn: Dennis J. O'Grady
J. Alex Kress
Phone: (973) 538-0800
Facsimile: (973) 538-1984



If to Buyer or Secured Lender: HIG Recovery Fund II, Inc.
c/o HIG Capital LLC
1001 Brickell Bay Drive
27th Floor
Miami, FL 33131
Attn: Charles J. Hanemann
Phone: (305) 379-2322
Facsimile: (305) 379-2013

Copy to: Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, FL 33131
Attn: James P. S. Leshaw
 Phillip J. Kushner
Phone: (305) 579-0500
Facsimile: (305) 579-0717

and

Greenberg Traurig LLP
200 Park Avenue
New York, New York 10166
Attn: Thomas J. Weber, Esq.
Phone: (212) 801-9200
Facsimile: (212) 801-6400

If to Seller, Buyer or Secured Lender: Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attn: Andrew I. Silfen
Phone: (212) 484-3900
Facsimile: (212) 484-3990

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.



(g) SUBMISSION TO JURISDICTION.

THE PARTIES HEREBY AGREE THAT ANY AND ALL CLAIMS, ACTIONS, CAUSES OF ACTION, SUITS AND PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER AGREEMENTS CONTEMPLATED HEREIN SHALL BE FILED AND MAINTAINED IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK OR IN ANY OTHER FEDERAL COURT IN THE SOUTHERN DISTRICT OF NEW YORK.

(h) Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect (to the extent permitted by law) to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(i) Amendments and Waivers.

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Buyer, the Seller and Committee. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(j) Severability.

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(k) Expenses.

Except as provided in Sections 2, 6 and 8 above in connection with the Expense Reimbursement, each Party hereto shall bear its own costs and expenses with respect to the transactions contemplated hereby.

(l) Construction.

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.



(m) Incorporation of Exhibits and Schedules.

The Exhibits, Schedules and the Disclosure Schedule identified in this Agreement are incorporated herein by reference and made a part hereof.

(n) No Survival.

Except as provided in this Agreement, none of the representations, warranties or covenants of the Parties contained in this Agreement shall survive the Closing. Buyer acknowledges and agrees that it shall not have any remedy against Seller after Closing for any breach of the representations and warranties.



(o) Gender and Number.

When the context of this Agreement requires, the general of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

[Signature pages to follow]



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

HIG RECOVERY FUND II, INC.

By: _____

Name: Charles J. Hanemann

Title:

LANTIS EYEWEAR CORPORATION

By: _____

Name: Laurence J. Moellentine

Title:



EXHIBIT A

Confidentiality Agreement

3451763.5



EXHIBIT B

Bidding Procedures

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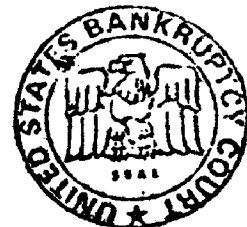


EXHIBIT C

Bidding Procedures Order

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EXHIBIT D

Sale Order

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EXHIBIT E

Cash Collateral Stipulation

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EXHIBIT G

Secaucus Assignment Agreement

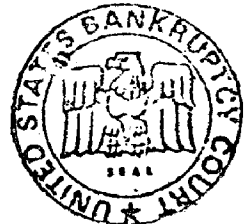
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EXHIBIT G

Transition Services Agreement

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SCHEDULE A

Executory Contracts Not Assumed

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SCHEDULE B

Leased Real Property

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SCHEDULE C
Owned Real Property

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SCHEDULE D

Permitted Encumbrances

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SCHEDULE E
Assumed Obligations

3451763.5



SCHEDULE F

Excluded Assets

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Disclosure Schedule—Exceptions to Representations and Warranties

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EXHIBIT A

Confidentiality Agreement



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HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL

INVESTMENT BANKERS

www.hlh.com

November 6, 2003

Mr. Neil Tuch
H.I.G. Capital

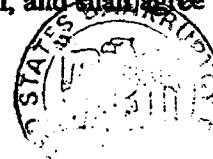
Re: CONFIDENTIALITY AGREEMENT

Dear Mr. Tuch:

In connection with your consideration of a possible transaction ("Transaction") with Lantis Eyewear Corporation (the "Company"), you have requested certain confidential and other information concerning the Company. Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey") is the investment banker to the Company.

As a condition to your being furnished with such information, including any Confidential Information Memorandum or similar document, you agree to treat any information concerning the Company, which is furnished to you by or on behalf of the Company, whether furnished before or after the date of this letter, together with any and all analyses, compilations, studies or other documents prepared by you or any of your directors, officers, employees, agents, advisors, attorneys, accountants, consultants or representatives (collectively, "Representatives") which contain or otherwise reflect such information (hereinafter collectively referred to as the "Evaluation Material"), in accordance with the provisions of this agreement. The term "Evaluation Material" does not include information which (a) was already in your possession prior to the time of disclosure to you by the Company or Houlihan Lokey, (b) was or becomes generally available to the public other than as a result of a disclosure by you or your Representatives, or (c) becomes available to you on a non-confidential basis from a source other than the Company or Houlihan Lokey, provided that such source is not known by you to be bound by a confidentiality agreement with the Company, or otherwise prohibited from disclosing the information to you by a contractual, legal or fiduciary obligation.

You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating the Transaction between the Company and you, and that such information will be kept confidential by you and your Representatives, except to the extent that disclosure of such information (a) has been consented to in writing by the Company, (b) is required by law, regulation, supervisory authority or other applicable judicial or governmental order, or (c) is made to your Representatives who need to know such information for the purpose of evaluating the Transaction between the Company and you (it being understood that such Representatives shall be informed by you of the confidential nature of the Evaluation Material, and shall agree to be bound by the terms of this agreement).



New York - 685 Third Avenue, 15th Floor - New York, New York 10016 - Tel. 212.497.4100 - Fax 212.661.3070
Los Angeles Chicago San Francisco Washington, D.C. Minneapolis Dallas Atlanta London
Broker/Dealer services through Houlihan Lokey Howard & Zukin Capital.

Mr. Neil Tuch
H.I.G. Capital
November 6, 2003

In any event, you shall be responsible for any breach of this agreement by any of your Representatives, and you agree, at your sole expense, to take all reasonably necessary measures to prevent your Representatives from prohibited or unauthorized disclosure or use of the Evaluation Material. You hereby further agree that in no event may any of the Evaluation Material be used, directly or indirectly, by you or your Representatives, to compete in any manner with the Company. In addition, you agree that you shall acquire no right, title or interest in, or license to use, any Evaluation Material because of its disclosure to you. All Evaluation Material disclosed to you is and shall remain the exclusive property of Company.

In addition, without the prior written consent of the Company, you will not, and will direct your Representatives not to, disclose to any person (a) that the Evaluation Material has been made available to you or your Representatives, (b) that discussions or negotiations are taking place concerning a Transaction between the Company and you, or (c) any terms, conditions or other facts with respect to the Transaction, including the status thereof.

In the event that you or any of your Representatives are requested or required by judicial, legislative or regulatory process to disclose any Evaluation Material, you will provide the Company with prompt written notice of any such request or requirement so that the Company may seek an appropriate protective order or other appropriate remedy and/or waive compliance with the terms of this agreement. In the event that such protective order or other remedy is not obtained, or that the Company in writing waives compliance with the terms hereof, you may disclose only that portion of the Evaluation Material which is legally required, and you will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to such Evaluation Material.

It is understood and agreed that money damages would not be a sufficient remedy for any breach of this agreement, and that the Company shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for breach of this agreement, but shall be in addition to all other remedies available at law or equity to the Company.

Additionally, you agree not to solicit for employment any of the current employees of the Company to whom you may be directly or indirectly introduced or otherwise had contact with as a result of your consideration of a Transaction for a period of two years after the date of this agreement, without the prior written consent of the Company, provided that you shall not be restricted in any general solicitation for employees or public advertising of employment opportunities (including through the use of employment agencies) not specifically directed at any such persons, and provided further that you shall not be restricted in hiring any such person who responds to any such general solicitation or public advertising. Further, you acknowledge and agree that you shall not, directly or indirectly, acquire or gain control of any indebtedness or of claim against the Company (or attempt to do so) or communicate in any way (without the written consent of the Company) with any lender or vendor of the Company or holder of a claim against the Company, with regard to the Company.

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TRADEMARK

Mr. Neil Tuch
H.I.G. Capital
November 6, 2003

All communications regarding a Transaction and all requests for additional information concerning the Company will be submitted or directed solely to Houlihan Lokey. You understand and acknowledge that neither the Company nor Houlihan Lokey shall be deemed to make any representations or warranties, express or implied, as to the accuracy or completeness of the Evaluation Material, and neither the Company nor Houlihan Lokey shall have any liability to you or any of your Representatives resulting from the use thereof. Only those representations or warranties which are made by the Company in a final definitive agreement regarding a Transaction, when, as and if executed, and subject to such limitations and restrictions as may be specified therein, will have any legal effect.

All Evaluation Material disclosed by the Company shall be and shall remain the property of the Company. Within five days after being so requested by the Company, except to the extent you are advised by legal counsel that complying with such request would be prohibited by law, you will return or destroy all Evaluation Material furnished to you by or on behalf of the Company, including all memoranda, notes, excerpts and other writings or recordings whatsoever prepared by you or your Representatives based upon, containing or otherwise reflecting any Evaluation Material. Any destruction of materials shall be confirmed by you in writing. Any Evaluation Material that is not returned or destroyed, including any oral Evaluation Material, shall remain confidential, subject to the terms of this agreement.

This agreement binds the parties only with respect to the matters expressly set forth herein. As such, unless and until a definitive agreement regarding a Transaction between the Company and you has been executed, (a) neither the Company nor you will be under any legal obligation of any kind whatsoever to negotiate or consummate a Transaction by virtue of this agreement or any other written or oral expression with respect thereto made by the Company, Houlihan Lokey or any other party, and (b) you shall not have any claim whatsoever against the Company or Houlihan Lokey or any of their respective directors, officers, stockholders, owners, affiliates, agents, professionals or representatives, arising out of or relating to any Transaction.

This agreement shall be governed by the internal laws of the State of New York, without regard to conflict of laws principles. This agreement may not be amended other than by a written instrument signed by the parties hereto. No failure or delay by the Company or Houlihan Lokey in exercising any right hereunder or any partial exercise thereof shall operate as a waiver thereof or preclude any other or further exercise of any right hereunder. The invalidity or unenforceability of any provision of this agreement shall not affect the validity or enforceability of any other provisions of this agreement, which shall remain in full force and effect.

Your obligations under this agreement shall remain in effect for a period of two years from the date of disclosure with respect to any Evaluation Material, unless and until this agreement is terminated by the Company or is superseded by another agreement between you and the Company that concerns your use of the Evaluation Material.

The Company is a third party beneficiary of this agreement.



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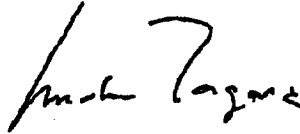
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Mr. Neil Tuch
H.I.G. Capital
November 6, 2003

This agreement may be executed in counterparts. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to us a copy of this letter.

Very truly yours,

HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL



Andrew J. Torgove
Senior Vice President

Accepted and agreed to as of the 6th day of November, 2003.

H.I.G. Capital

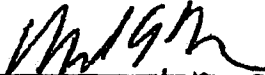
By: 
Name: Neil A. Tuch
Title: Principal



EXHIBIT B

Bidding Procedures



**TERMS AND CONDITIONS OF BIDDING PROCEDURES FOR SALE OF
SUBSTANTIALLY ALL THE ASSETS OF LANTIS EYEWEAR CORPORATION**

Lantis Eyewear Corporation (the "Seller") has entered into an asset purchase agreement (the "Purchase Agreement"),¹ dated as of May 24, 2004, with HIG Recovery Fund II, Inc., a Delaware corporation (the "Stalking Horse") for the sale of substantially all the assets of the Seller (as described in the Purchase Agreement, including the assumption of certain liabilities, unexpired leases and executory contracts, the "Acquired Assets") and is soliciting other higher or better bids for the sale of the Assets.

By motion dated May 26, 2004 (the "Motion"), Seller sought, among other things, approval of the process and procedures through which it will determine the highest or otherwise best bid for the Acquired Assets. On June 10, 2004, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), entered its order (the "Bidding Procedures Order"), which, among other things, authorized and directed the Seller to determine the highest or otherwise best bid for the Acquired Assets through the process and procedures set forth below (the "Bidding Procedures").

On July 15, 2004, at 10:00 11:00 a.m. at the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, NY, 10004, the Bankruptcy Court shall conduct a hearing (the "Sale Hearing") at which Seller shall seek entry of an order (the "Sale Order") authorizing and approving the sale of the Acquired Assets (a "Sale Transaction") pursuant to either (i) the Purchase Agreement or (ii) a different Successful Bid (as defined below).

Participation Requirements

In order to participate in the bidding process or otherwise be considered for any purpose hereunder, a person desiring to purchase the Acquired Assets (a "Potential Bidder") must first deliver the following materials to the Seller's counsel, Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, attn.: Dennis J. O'Grady, Esq., email: dogrady@riker.com and J. Alex Kress, Esq., email: akress@riker.com; the Seller's investment banker, Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, attn: Saul Burian (the "Investment Banker"); counsel to the Official Committee of Unsecured Creditors for the Seller (the "Committee"), Arent Fox PLLC, 1675 Broadway, New York New York, Attn: Andrew I. Silfen, Esq. And Schuyler G. Carroll, Esq., email: silfen.andrew@arentfox.com and carroll.schuyler@arentfox.com; and counsel to HIG Recovery Fund II, Inc. or its assignee, in its capacity as the senior secured lender (the "Secured Lender"), Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com and Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166, attn.: Thomas Weber, Esq., email: webert@gtlaw.com; so as to be received by each of the foregoing parties at least five (5) business days before the Auction (as defined below):

¹ A copy of the Purchase Agreement is annexed to the Motion (as defined herein).



- i An executed confidentiality agreement (the "Confidentiality Agreement") which is reasonably satisfactory to Seller; and
- ii The most current audited and/or latest unaudited financial statements (collectively, the "Financials") of the Potential Bidder or, if the Potential Bidder is an entity formed for the purpose of a Sale Transaction, (x) Financials of the equity holder(s) of the Potential Bidder or such other form of financial disclosure as is reasonably acceptable, to the Seller's counsel, the Investment Banker, Secured Lender and the Committee, and (y) a written commitment acceptable to Seller of the equity holder(s) of the Potential Bidder to be responsible for the Potential Bidder's obligations in connection with a Sale Transaction.

A "Financially Qualified Bidder" is a Potential Bidder who has provided the Confidentiality Agreement required by subparagraph (i) above and whose Financials, in the opinion of the Investment Banker, reasonably demonstrate the financial capability to consummate a Sale Transaction and that the Investment Banker determines is likely to consummate a Sale Transaction, if selected as the Successful Bidder (as defined below), after taking into account all relevant legal, regulatory, and business considerations.

Within two (2) business days after the Seller's counsel, the Investment Banker, the Committee and the Secured Lender receive from a Potential Bidder all of the materials required by subparagraphs (i) and (ii) above, the Seller's counsel and the Investment Banker shall determine, in consultation with the Secured Lender and Committee, and shall, at least four days before the Auction, notify the Potential Bidder in writing, whether the Potential Bidder is a Financially Qualified Bidder. In the event that the Investment Banker determines that a Potential Bidder is not a Financially Qualified Bidder, the Investment Banker shall provide prompt notice thereof to the Secured Lender and Committee. Notwithstanding a determination that a Potential Bidder is a Financially Qualified Bidder, the Seller, the Investment Banker, the Secured Lender and the Committee shall not release any intellectual property or other unique information or material to any person who directly or indirectly (through an affiliate or otherwise), competes, has competed or proposes to compete with the Seller.

Bid Deadline

The deadline for submitting bids by a Financially Qualified Bidder shall be July 9, 2004, at 5:00 p.m. (prevailing Eastern Time), which is three (3) business days before the Auction (the "Bid Deadline"). The Seller may extend the Bid Deadline for one or more Financially Qualified Bidders to a date and time no later than 5:00 p.m. on July 11, 2004; provided, however, that an extension of the Bid Deadline shall be granted by the Seller only after consultation with the Committee and the Secured Lender.

Prior to the Bid Deadline, a Financially Qualified Bidder that desires to make a bid shall simultaneously deliver written copies of its bid by email to: (a) counsel for the Debtor: Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, attn.: Dennis J. O'Grady, Esq., email: dogrady@riker.com and J. Alex Kress, Esq., email: akress@riker.com; (b) the Debtor: Lantis Eyewear Corporation, 755 Secaucus Road, Secaucus, New Jersey 07094, attn: Paul E. Gricus, Chief Financial Officer, email:



pgricus@lantisevewear.com; (c) counsel for Stalking Horse: Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com and Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166, attn.: Thomas Weber, Esq., email: webert@gtlaw.com; (d) counsel to the Committee: Arent Fox PLLC, 1675 Broadway, New York, NY 10019, Attn: Andrew I. Silfen, email: silfen.andrew@arentfox.com and Schuyler G. Carroll, Esq., email: carroll.schuyler@arentfox.com; and (e) the Investment Banker: Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, attn: Saul Burian, email: SBurian@HLHZ.com.

Due Diligence From Bidders

Each Potential Bidder shall comply with all reasonable requests for due diligence from Seller and its advisors, upon execution of the Confidentiality Agreement. Each Potential Bidder shall comply with all reasonable requests for additional information and due diligence access by Seller or its advisors. Failure by the Potential Bidder to fully comply with requests for additional information and due diligence access may be a basis for Seller, after consultation with the Committee and the Secured Lender to determine that a bid made by the Potential Bidder is not a Qualified Bid.

Due Diligence From Seller

Seller shall comply with all reasonable requests for additional information and due diligence access by a Financially Qualified Bidder. Due diligence access may include management presentations as may be scheduled by the Seller, access to data rooms, on-site inspection and review of books and records.

Bid Requirements

A bid must be a written irrevocable offer from a Financially Qualified Bidder (i) stating that the Financially Qualified Bidder offers to consummate a Sale Transaction pursuant to an agreement that has been marked to show all amendments and modifications to the Purchase Agreement, including price and terms, that are being proposed by the Financially Qualified Bidder (the "Marked Agreement"); (ii) enclosing a copy of the Marked Agreement; (iii) confirming that the offer shall remain open until the closing of a Sale Transaction to the Successful Bidder (as defined below); and (iv) providing for the consummation of the proposed transaction as soon as is reasonably practicable but in no event later than ten (10) days after entry of the Sale Order, or as extended by agreement of Seller and the Secured Lender.

In addition to the foregoing, a Qualified Bid is a bid that:

1. has a cash component that is not conditioned in any manner upon third party financing of at least an amount equal to Twenty Million Dollars (\$20,000,000) plus an amount of cash equal to the Cure Amount (as defined in the Purchase Agreement) and provides for assumption by the Qualified Bidder of the Assumed Obligations (as defined in the Purchase Agreement). Each subsequent Qualified



Bid shall have a cash component of an amount not less than Two Hundred Thousand Dollars (\$200,000) over the previous Qualified Bid;

2. is a proposal that Seller determines, in the good faith opinion of the Seller, and after taking into account the benefits of the Purchase Agreement to the Seller's respective constituencies, including but not limited to the potential costs of pursuing a Qualified Bid, and after consultation with the Investment Banker, the Secured Lender and Committee, in the Seller's reasonable business judgment is not materially more burdensome or conditional than the terms of the Purchase Agreement and is in the best interest of the Seller's estate and its constituencies;
3. is on substantially similar terms (except as to the purchase price) and conditions to those set forth in the Purchase Agreement (including but not limited to structure, covenants, representations, warranties and Acquired Assets (subject to the right to exclude assets purchased) and accompanied by a Marked Agreement, including, without limitation, contingencies with respect to financing or further due diligence;
4. is accompanied by satisfactory evidence of ability to perform, not conditioned upon due diligence, and is not subject to any contingency not contained in the Purchase Agreement;
5. is accompanied by a cash deposit in the amount of Two Million Dollars (\$2,000,000) (the "Good Faith Deposit"), which is ten percent (10%) of the amount of the bid required to be made pursuant to Paragraph 1 of this Section, and which shall be maintained by Seller's Counsel as escrow agent in a segregated account and refunded by Seller with interest in the event that such Qualified Bid is not a Successful Bid or a Back-Up Bid (as defined below), which shall be credited towards the Purchase Price in the event such bid is the Successful Bid; and
6. does not entitle or seek to entitle the Financially Qualified Bidder to any expense reimbursement, topping fee or termination or similar fee.

For all purposes hereof, Stalking Horse's offer to acquire the Assets pursuant to the Purchase Agreement shall constitute a Qualified Bid. The Stalking Horse's Qualified Bid may consist of a credit bid in an amount not to exceed \$20,000,000 subject to verification of the Stalking Horse's security plus an Expense Reimbursement (as set forth on the record of the hearing on the Bid Procedures), as well as a cash component in the amount of the Equity Give Up. A "Qualified Bidder" is a Financially Qualified Bidder who timely submits a Qualified Bid. The Stalking Horse is a Qualified Bidder.

Auction

If a Qualified Bid (other than Stalking Horse's bid) is received by the Bid Deadline, an auction (the "Auction") with respect to a Sale Transaction shall take place in the offices of the Investment Banker, 685 Third Avenue, 15th Floor, New York, New York 10017, on July 14,



2004, at 10:00 a.m. (prevailing Eastern Time). If, however, no Qualified Bid is received by the Bid Deadline, then the Auction will not be held, Stalking Horse will be the Successful Bidder, the Purchase Agreement will be the Successful Bid and, at the Sale Hearing, Seller will seek approval of and authority to consummate the Sale Transaction contemplated by the Purchase Agreement. The Seller will provide copies of Qualified Bids to all Qualified Bidders who intend to participate in the Auction one (1) day prior to the commencement of the Auction.

Only a Qualified Bidder will be eligible to participate at the Auction. Only the authorized representatives of each of the Qualified Bidders, Seller, Investment Banker, Secured Lender and the Committee shall be permitted to attend the Auction. At the Auction, Qualified Bidders will be permitted to increase their bids. The bidding at the Auction shall start at the purchase price stated in the highest or otherwise best Qualified Bid as disclosed to all Qualified Bidders prior to commencement of the Auction and, except as set forth above with respect to the initial Qualified Bid, continue in increments of at least Two Hundred Thousand Dollars (\$200,000) in cash. At the conclusion of the Auction, the highest or otherwise best Qualified Bid shall be determined by Seller after consultation with the Secured Lender and Committee.

Seller, in consultation with the Investment Banker, the Secured Lender and the Committee, may adopt rules for the Auction at the Auction that, in their reasonable judgment, will better promote the goals of the Auction and that are not inconsistent with any of the provisions of these Bidding Procedures, the Bidding Procedures Order or the Purchase Agreement. All such rules shall provide that: (i) the procedures must be fair and open, with no participating Qualified Bidder disadvantaged in any material way as compared to any other Qualified Bidder and (ii) all bids shall be made and received in one room, on an open basis, and all other bidders shall be entitled to be present for all bidding with the understanding that the true identity of each bidder (i.e., the principals submitting each bid) shall be fully disclosed to all other bidders and that all material terms of each Qualified Bid will be fully disclosed to all other bidders throughout the entire Auction.

Immediately prior to concluding the Auction, the Seller shall review each Qualified Bid on the basis of its financial and contractual terms and the factors relevant to the sale process and the best interests of Seller's estate, including, without limitation, those factors affecting the speed and certainty of consummating a Sale Transaction, and after consulting with the Investment Banker, the Secured Lender and Committee, (i) determine and identify the highest or best Qualified Bid (the "Successful Bid," and the maker of the Successful Bid shall be the "Successful Bidder"), and (ii) determine and identify the second highest or best Qualified Bid (the "Back-Up Bid," and the maker of the Back-Up Bid shall become the "Back-Up Bidder"). In the event the Successful Bidder does not consummate the Sale Transaction within ten (10) days after entry of the Sale Order or such later date as is agreed by the Secured Lender, the Back-Up Bidder shall become the Successful Bidder. Any bid submitted after the conclusion of the Auction shall not be considered for any purpose whatsoever.

Acceptance of Qualified Bids

At the Sale Hearing, Seller shall present the results of the Auction together with the Successful Bid to the Bankruptcy Court, and will request that the Bankruptcy Court make certain findings regarding the Auction, including, among other things, that (i) the Auction was



conducted and the Successful Bidder was selected in accordance with these Bidding Procedures, (ii) the Auction was fair in substance and procedure, and (iii) consummation of the Sale Transaction contemplated by the Successful Bid will provide the highest or best value for the Acquired Assets and is in the best interests of each of the Seller and the Seller's estate in this chapter 11 case.

Return of Good Faith Deposit

Except as otherwise provided in the Purchase Agreement (or in this paragraph with respect to the Successful Bidder and the Back-Up Bidder), the Good Faith Deposit of each Qualified Bidder shall be returned upon or within one (1) business day after entry of the Sale Order. The Good Faith Deposit of the Successful Bidder shall be treated in accordance with the terms of the Successful Bid. In the event the Successful Bidder closes the Sale Transaction in accordance with the terms of these Bidding Procedures, the Good Faith Deposit of the Back-Up Bidder shall be returned upon or within one (1) business day after closing of the Sale Transaction with the Successful Bidder. In the event the Successful Bidder fails to close the Sale Transaction in accordance with the terms of the Successful Bid, the Good Faith Deposit of the Back-Up Bidder shall be treated in accordance with the terms of the Back-Up Bid. Pending the closing of a Sale Transaction, the Good Faith Deposit of the Successful Bidder and the Back-Up Bidder shall be maintained in an interest-bearing escrow account.

Participation

The Seller shall consult with the Committee and Secured Lender on a timely basis concerning all acts, decisions or determinations that the Seller takes or makes, or proposes to take or make, pursuant to or in connection with these Bidding Procedures and the transactions contemplated herein.

Modifications

The Seller, after consultation with the Committee and Secured Lender, may impose such other or different terms and conditions as it may determine to be in the best interests of the Seller's estate and its creditors, but only to the extent fair and not inconsistent with any other provision of these Bidding Procedures. All matters set forth herein are subject to further order of the Bankruptcy Court.



EXHIBIT C

Bidding Procedures Order



UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LANTIS EYEWEAR CORPORATION,

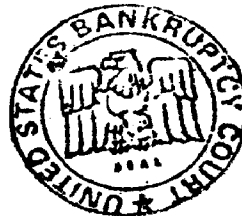
Debtor.

Chapter 11

Case No. 04-13589 (ALG)

ORDER PURSUANT TO 11 U.S.C. §§ 105, 363 AND 365 AND FED. R. BANKR. P. 2002 AND 6004: (A) AUTHORIZING AND SCHEDULING AN AUCTION FOR THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (B) APPROVING BIDDING PROCEDURES GOVERNING AUCTION SALE; (C) APPROVING THE FORM AND MANNER OF NOTICE OF THE SALE PURSUANT TO FED. R. BANKR. P. 2002 AND 6004; AND (D) FIXING PROCEDURES FOR DETERMINATION OF CURE AMOUNTS WITH RESPECT TO EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Upon the motion of Lantis Eyewear Corporation, the above-captioned debtor and debtor-in-possession ("Lantis or the "Debtor"), dated May 26, 2004 (Docket No. 35) (the "Bidding Procedures Motion"), seeking entry of an Order, pursuant to sections 105, 363 and 365 of title 11 of the United States Code, §§ 101 et seq. (the "Bankruptcy Code") and rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (i) authorizing and scheduling an auction for the sale of substantially all of the Debtor's assets free and clear of all liens, claims and encumbrances; (ii) authorizing and approving bidding procedures governing the auction sale; (iii) scheduling a hearing to consider the Sale Motion (as defined infra) and approving the form and manner of notice in connection therewith; and (d) fixing



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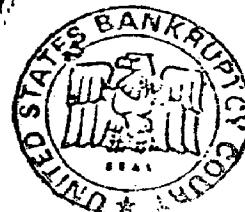
procedures for determination of cure amounts with respect to executory contracts and unexpired leases (collectively, the "Assumed Executory Contracts"); and consideration of the Bidding Procedures Motion, the relief requested therein, and the responses thereto, if any, being a core proceeding in accordance with 28 U.S.C. § 157(b); and adequate notice of the Bidding Procedures Motion having been given; and the appearances of all interested parties and all responses and objections to the Bidding Procedures Motion having been duly noted at the hearing on the Bidding Procedures Motion held on June 10, 2004 (the "Bidding Procedures Hearing"); and upon the record of the Bidding Procedures Hearing, the Bidding Procedures Motion and all response and objections; and after due deliberation and sufficient cause therefore the Court hereby

FINDS AND DETERMINES¹ THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014.

B. Notice of the Bidding Procedures Motion has been given in accordance with Bankruptcy Rules 2002, 6004, 6006, and 9019, and Rule 9013(c) of the Local Bankruptcy Rules for the Southern District of New York (the "Local Rules"), to all parties on the service list attached to the certificate of service for the Bidding Procedures Motion. Such notice constitutes good and sufficient notice of the Bidding Procedures Motion and the relief sought therein and no other or further notice is required.

¹ Findings of fact shall be construed as, and constitute, conclusions of law and conclusions of law shall be construed as, and constitute, findings of fact where appropriate. FED. R. BANKR. P. 7052. Statements made by the Court from the bench at the hearing shall constitute additional conclusions of law and findings of fact as appropriate.



C. The Debtor filed a Motion for an Order Pursuant 11 U.S.C. §§ 105(a), 363, 365 and 1146(c) and Fed. R. Bankr. P. 2002, 6004 and 6006: (A) Approving the Sale of Substantially All the Debtor's Assets, Free and Clear of All Liens, Claims and Encumbrances to HIG Recovery Fund II, Inc.; (B) Authorizing the Sale, Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale; (C) Making a Determination of Cure Amounts with Respect to Executory Contracts and Unexpired Leases in Connection with Such Sale; and (D) Granting Other Related Relief (the "Sale Motion").

D. Pursuant to the Sale Motion, the Debtor proposes to sell substantially all of its assets free and clear of all liens, claims and encumbrances to HIG Recovery Fund II, Inc. or its designee (the "Purchaser") pursuant to a certain asset purchase agreement (the "Purchase Agreement") and the bidding procedures attached hereto as Exhibit A (the "Bidding Procedures").

E. The Debtor has demonstrated a sound business justification for authorizing the payment of the Expense Reimbursement to the Purchaser under the circumstances set forth in the Bidding Procedures Motion and Purchase Agreement. The Bidding Procedures are reasonably calculated to encourage a buyer to submit a Qualified Bid. The payment of the Expense Reimbursement is reasonable in relation to the efforts expended and to be expended by the Purchaser and the magnitude and significance of the proposed sale and was negotiated by the parties in good faith and at arm's length.

F. The Expense Reimbursement was and is an essential inducement and condition to the Purchaser entering into the Purchase Agreement. Unless paid the



Expense Reimbursement, the Purchaser is not willing to remain obligated to purchase the assets under the terms of the Purchase Agreement. The Debtor's agreement to pay the Expense Reimbursement has induced the Purchaser to submit a bid after extensive due diligence that will serve as a minimum floor bid for the Purchased Assets on which the Debtor and other bidders can rely. The Purchaser has provided a material benefit to the Debtor, its estate and creditors by increasing the likelihood that the Debtor will obtain the best possible price for the Purchased Assets. The benefit to the Debtor, its estate and creditors, of having a fully negotiated Purchase Agreement with a minimum floor bid supports approval of the Expense Reimbursement. Under these circumstances, the Bidding Procedures and Expense Reimbursement are reasonable and appropriate.

G. The Purchase Agreement was negotiated by the Debtor and the Purchaser at arm's length and in good faith.

H. The entry of this Order is in the best interests of the Debtor, its estate and its creditors.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. The Bidding Procedures Motion is granted.
2. The Bidding Procedures attached as Exhibit A to this Order are hereby approved and shall govern all bids and bid proceedings relating to the sale of the Purchased Assets. The Debtor is authorizing to take any and all actions necessary or appropriate to implement the Bidding Procedures.
3. The Debtor is authorized, subject to further order of this Court, to pay an Expense Reimbursement to the Purchaser as set forth on the record of the hearing (the "Expense Reimbursement"). The Expense Reimbursement, once earned,



shall be an allowed secured claim pursuant to Bankruptcy Code § 364(d)(1) with a lien equal in scope and priority to the Purchaser's liens under the prepetition loan agreements.

4. A Financially Qualified Bidder (as defined in the Bidding Procedures) that desires to make a bid must simultaneously deliver written copies of its bid by email to: (a) counsel for the Debtor: Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, attn.: Dennis J. O'Grady, Esq., email: dogrady@riker.com and J. Alex Kress, Esq., email: akress@riker.com; (b) the Debtor: Lantis Eyewear Corporation, 755 Secaucus Road, Secaucus, New Jersey 07094, attn: Paul E. Gricus, Chief Financial Officer, email: pgricus@lantiseyewear.com; (c) counsel for Stalking Horse: Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com and Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166, attn: Thomas Weber, Esq., email: webert@gtlaw.com; (d) counsel for the Committee: Arent Fox PLLC, 1675 Broadway, New York New York, Attn: Andrew I. Silfen and Schuyler G. Carroll, Esq., email: silfen.andrew@arentfox.com and carroll.schuyler@arentfox.com; and (e) the Investment Banker: Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, attn: Saul Burian, email: SBurian@HLHZ.com; no later than July 9, 2004, at 5:00 p.m. (prevailing Eastern Time), which is three (3) business days before the Auction (the "Bid Deadline") and shall comply with the requirements set forth in the Bidding Procedures for making such bid. The Debtor may extend the Bid Deadline for one or more Financially Qualified Bidders to a date and time no later than 5:00 p.m. on July 11,



2004; provided, however, that an extension of the Bid Deadline shall be granted by the Debtor only after consultation with the Committee and the Secured Lender.

5. The Debtor, after consultation with the Debtor and the Secured Lender, shall have the right to reject any and all bids that it determines in its reasonable discretion do not conform with the Bidding Procedures.

6. If a Qualified Bid other than the Purchaser's bid is received by the Bid Deadline, an auction (the "Auction") shall take place in the offices of Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, on July 14, 2004 at 10:00 a.m. (prevailing Eastern Time). Only a Financially Qualified Bidder who has submitted a Qualified Bid will be eligible to participate in the Auction.

7. Only the authorized representatives of each of the Qualified Bidders, Seller, Investment Banker, Secured Lender and the Committee shall be permitted to attend the Auction.

8. The hearing on the Sale Motion shall be held before the undersigned United States Bankruptcy Judge on July 15, 2004, at 11:00 a.m. prevailing Eastern Time in Courtroom 617 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004 at which time the Court shall: (a) consider approval of the sale of substantially all of the Debtor's assets free and clear of all liens, claims and encumbrances to the Purchaser or the highest and best bidder at the Auction; (b) consider approval of the proposed assumption and assignment of executory contracts and unexpired leases in connection with such sale; (c) make a determination of cure amounts with respect to each of the Assumed Executory Contracts; (d) consider entry of the proposed sale order,



substantially in the form attached to the Sale Motion as Exhibit C; (e) consider any objections raised by any party in interest to the sale, assumption and assignment of Assumed Executory Contracts or other relief requested; and (e) grant such other and further relief as the Court may deem just and proper (the "Sale Hearing").

9. At least twenty (20) days prior to the Sale Hearing, the Debtor will cause a notice of sale, substantially in the form attached hereto as Exhibit B (the "Notice of Sale"), to be sent by first class postage prepaid mail to: (i) all creditors; (ii) all parties in interest; (iii) the Office of the United States Trustee; (iv) all parties who have filed appearances and requested service of all pleadings and notices; (v) all non-debtor parties to contracts and leases that may be assumed and assigned in connection with the sale; (vi) state taxing authorities for all fifty states and any other governmental agencies with taxing authority over the Debtor or its assets; and (vii) all parties regarded by the Debtor and the Debtor's Investment Banker as potential purchasers of the assets.

10. At least twenty (20) days prior to the Sale Hearing, the Debtor shall cause the Notice of Sale, substantially in the form attached hereto as Exhibit B, to be published once in a publication determined by the Debtor in consultation with the Secured Lender and the Committee. Such notice is proper notice to any interested parties whose identities are unknown to the Debtor.

11. At least twenty (20) days prior to the Sale Hearing, the Debtor shall cause a notice of cure amounts, substantially in the form attached to the Bidding Procedures Motion as Exhibit C to this Order (the "Cure Notice"), to be served on the



non-debtor parties to all executory contracts or unexpired leases that are proposed to be assumed by the Purchaser in connection with the sale.

12. Any non-debtor party to an Assumed Executory Contract that does not properly file an objection in accordance with the procedures set forth in the Cure Notice on or before 4:00 p.m. (prevailing Eastern Time) on July 6, 2004 to the cure amounts or to the assumption and assignment of the Assumed Executory Contract, will be deemed to have agreed to the cure amount set forth in the Cure Notice and to the Debtor's assumption and assignment of the Assumed Executory Contract in connection with the sale. Any objections filed by a non-debtor party to an Assumed Executory Contract will be heard at the Sale Hearing.

13.

14. The notice procedures set forth above shall constitute good and proper notice of the Sale Motion, the Auction, the Cure Notice, the Sale Hearing, and the proposed Sale Order and the matters contained therein, and no further notice of the Sale Motion, the Auction, the Cure Notice, the Sale Hearing, and the proposed Sale Order shall be required.

15. Objections, if any, to the Sale Motion shall be filed with this Court and served so as to be received no later than 12:00 noon prevailing Eastern Time on July 8, 2004 (the "Objection Deadline") on: (i) counsel for the Debtor—Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, P.O. Box 1981, Morristown, New Jersey 07962-1981, attn: Dennis J. O'Grady, Esq.; (ii) counsel for HIG Recovery Fund II, Inc.—Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com, and Greenberg Traurig



LLP, 200 Park Avenue, New York, New York 10166, attn: Thomas Weber, Esq., email: webert@gtlaw.com; (iii) counsel to the Official Committee of Unsecured Creditors, Arent Fox PLLC, 1675 Broadway, New York New York, Attn: Andrew I. Silfen, Esq. and Schuyler G. Carroll, Esq., email: silfen.andrew@arentfox.com and carroll.schuyler@arentfox.com; (iv) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004; and (v) any party filing a notice of appearance.

16. The Sale Hearing may be adjourned, from time to time, without further notice other than an announcement in open court of such adjournment or on the Court's calendar on the date scheduled for the Sale Hearing.

17. The requirement under Local Bankruptcy Rule, LBR 9013-1(b) to file a memorandum of law in support of the Bidding Procedures Motion is waived.

18. This Court shall retain jurisdiction over any matter arising from or related to implementation of this Order.

19. This Order shall not be stayed for ten (10) days pursuant to Bankruptcy Rules 6004(g) or 6006(d) or otherwise, and shall be effective and enforceable immediately upon entry on the Court's docket.

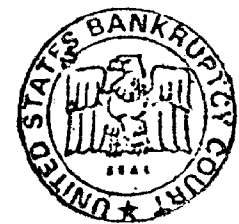
Dated: New York, New York
June 10, 2004

/s/ Allan L. Gropper
HON. ALLAN L. GROPPER, U.S.B.J.



EXHIBIT D

Sale Order



UNITED STATES BANKRUPTCY COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI LLP

Dennis J. O'Grady, Esq. (DO-7430)

J. Alex Kress, Esq. (JK-7189)

Headquarters Plaza, One Speedwell Avenue,

P.O. Box 1981, Morristown, New Jersey 07962-1981

Attorneys for Debtor and Debtor-in-Possession

In re:

LANTIS EYEWEAR CORPORATION,

Debtor.

Chapter 11

Case No. 04-13589 (ALG)

SECOND INTERIM STIPULATION AND ORDER (I) AUTHORIZING (A) USE OF CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (B) GRANT OF ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 361 AND 363 NUNC PRO TUNC TO THE FILING DATE, AND (C) POST-PETITION ADVANCES TO THE DEBTOR AND GRANTING LIENS AND SUPER-PRIORITY CLAIMS PURSUANT TO 11 U.S.C. § 364 AND (II) CONTINUING FINAL HEARING

This Stipulation and Order is made by and between Lantis Eyewear Corporation (the "Borrower" or the "Debtor"), debtor and debtor-in-possession, and HIG Recovery Fund II, Inc., a Delaware corporation, successor-in-interest to PNC Bank, National Association, Agent and sole Lender (in its capacity as Agent and/or as sole Lender)(the "Lender"), the lender pursuant to that certain Third Amended and Restated Loan and Security Agreement, dated October 27, 1999, as amended by: (i) a First Amendment to Loan Documents, dated as of September 30, 2000; (ii) a Second Amendment to Loan Documents, dated as of October 26, 2000; (iii) a Third Amendment to Loan Documents and Waiver Agreement, dated as of January 26, 2001; (iv) a Fourth Amendment to Loan Documents and Waiver Agreement, dated as of October 1, 2001; and (v) a Forbearance Agreement, dated as of September 17, 2002, as amended by that certain First Amendment to Forbearance Agreement, dated as of November 1, 2002, and that certain Second Amended and Restated Forbearance Agreement, dated as of March 8, 2004,



(collectively, as amended or modified from time to time, the "Pre-Petition Credit Agreement", and all the documents at any time executed in connection therewith, collectively the "Pre-Petition Loan Documents") among the Debtor and the Lender.

THE COURT HEREBY FINDS THAT:

A. On May 25, 2004 (the "Filing Date"), the Debtor filed a voluntary petition for relief with this Court under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code", and the case commenced thereunder (Case No. 04-13589 (ALG)), the "Chapter 11 Case"). The Debtor is authorized to continue to operate its businesses and to manage its properties as a debtor in possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

B. No trustee, examiner or request for the appointment of a trustee or examiner has been made in this case. On June 3, 2004, the Office of the United States Trustee for the Southern District of New York appointed seven (7) members to an official committee of unsecured creditors pursuant to section 1102(a) of the Bankruptcy Code (the "Committee").

C. This Court has jurisdiction over the Chapter 11 Case pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of this Stipulation and Order constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are Sections 105, 361, 362 and 363(c)(2)(B) of the Bankruptcy Code and Rules 4001(b) and (d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Venue of the Chapter 11 Case in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

D. The Debtor and its counsel have reviewed the Pre-Petition Loan Documents, security filings and other documents relating to perfection of the Pre-Petition Financing Liens (as defined below) in the Pre-Petition Collateral (as defined below) and, based on this review, have concluded that the Lender has properly perfected its security interests and



liens in the Pre-Petition Collateral. Accordingly, the Debtor, without prejudice to the rights of any other party, acknowledges, admits and agrees that, as of the Petition Date, the loans and advances made to the Borrower pursuant to the Pre-Petition Loan Documents are secured by property perfected, first-priority security interests and liens on all or substantially all of the Debtor's then existing and after acquired assets, including, without limitation, accounts receivable, inventory, machinery and equipment, instruments and chattel paper evidencing accounts receivable or into which any accounts receivable have been, or hereafter are, converted, securities, limited liability company interests, partnership interests, security entitlements, financial assets and investment property, and all proceeds and products of any and all of the foregoing (the "Pre-Petition Collateral").

E. As of the Petition Date, the Debtor, without prejudice to the rights of any other party, acknowledges, admits and agrees that it was in default under the Pre-Petition Credit Agreement and was indebted to the Lender under the Pre-Petition Credit Agreement for principal and interest accrued through the Filing Date in the aggregate amount of approximately \$97,610,000, plus costs, fees and expenses (collectively, the "Pre-Petition Indebtedness"). The Debtor acknowledges and admits, after due inquiry and without waiver of any rights of other parties set forth in paragraph 26 hereof, (a) the legality, validity and enforceability of the Pre-Petition Indebtedness owing to the Lender as shown on the books and records of the Lender, (b) that the security interests and liens held by the Lender in and upon the Pre-Petition Collateral (the "Pre-Petition Financing Liens") are duly perfected, legal, valid, binding and enforceable first-priority liens and security interests on the Pre-Petition Collateral, not subject to avoidance, defense, objection, action, counterclaim, setoff or subordination under the Bankruptcy Code or applicable non-bankruptcy law, except to the extent that such liens and security interests are



subject to the Carve-Out (as defined below), (c) the legality, validity and non-avoidability of all payments made to or on behalf of the Lender or otherwise on account of the Pre-Petition Indebtedness prior to the Petition Date, (d) that the Lender's pre-petition claims, as held by Lender and secured by the Pre-Petition Financing Liens, are not subject to avoidance, defense, objection, action, counterclaim, setoff, recoupment or subordination, (e) that the Debtor does not possess any claim, objection, action, counter-claim, set-off, right or defense of any kind or nature which could in any way affect the validity, priority, enforceability or avoidability of the Pre-Petition Indebtedness or Pre-Petition Financing Liens or which would reduce or affect the obligation of the Debtor to pay the Prepetition Indebtedness.

F. The Debtor, without prejudice to the rights of any other party, further acknowledges, admits and agrees, after due inquiry, that the Pre-Petition Collateral includes, without limitation, all proceeds of the Pre-Petition Collateral, whether existing before or after the commencement of the Chapter 11 Case, which items constitute the Lender's cash collateral within the meaning of Section 363(a) of the Bankruptcy Code (the "Cash Collateral"). The Debtor agrees for its self only and without binding any other party, that the Lender is entitled, pursuant to Sections 361 and 363 of the Bankruptcy Code, to adequate protection of its interests in the Pre-Petition Collateral, including the Cash Collateral, for and to the extent of any diminution in the value of Lender's interest in the Pre-Petition Collateral, resulting from, without limitation, the granting of the Carve-Out (as defined below), the use of the Cash Collateral, the use, sale or lease of the Pre-Petition Collateral (other than the Cash Collateral) and the imposition of the automatic stay.

G. Good cause has been shown for the entry of this Stipulation and Order. The Debtor does not have sufficient available sources of working capital and financing to carry



on the operation of its businesses without a source of post-petition financing, even after giving effect to the proposed use of Cash Collateral. The ability of the Debtor to maintain business relationships with its vendors and suppliers, to purchase new inventory and otherwise to finance its operations is essential to the Debtor's continued viability and to consummate a sale of substantially all of its assets pursuant to 11 U.S.C. § 363 in accordance with (a) the Motion to Approve Bidding Procedures and (b) the Motion for Authority to Sell Substantially All of Debtors' Assets Pursuant to Asset Purchase Agreement Dated May 25, 2004, (collectively, the "Proposed Sale"). The preservation, maintenance and enhancement of the going concern value of the Debtor is of the utmost significance and importance for maximizing the value of the Debtor's estate for all parties in interest in this Chapter 11 Case. The Debtor has been unable to obtain unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code as an administrative expense. Financing on a post-petition basis is not otherwise available to the Debtor without granting the Lender, as herein provided, (i) pursuant to Sections 361, 363, 364(c)(2), 364(c)(3), and 364(d)(1) of the Bankruptcy Code, liens and security interests on all property of the Debtor's estate, other than actions available to the Debtor's bankruptcy estate under Sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code and any proceeds thereof, and (ii) pursuant to Sections 361, 363, 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code, claims having a priority over any and all administrative expenses, including without limitation, those of the kinds specified in or incurred pursuant to Sections 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c) and 726 of the Bankruptcy Code, subject to the Carve Out (as defined below).

H. The Lender will not permit the use of the Cash Collateral absent the approval of the terms and conditions set forth herein and the relief hereinafter ordered is



necessary to avoid immediate and irreparable harm to the Debtor's estate pursuant to Bankruptcy Rule 4001(b)(2). This Court concludes that entry of this Stipulation and Order is in the best interest of the Debtor's estate and its creditors, as its implementation will, among other things, help the Debtor to maintain the operation of its businesses, preserve the value of the Debtor's estate and enhance the Debtor's prospects for an orderly sale process to maximize value.

I. A hearing to consider approval of the Interim Stipulation and Order was commenced and concluded on May 27, 2004 (the "Interim Hearing"), and a hearing to consider final approval of this Stipulation and Order was commenced on June 30, 2004 and continued to July 15, 2004 (the "Final Hearing").

J. Notice of the Final Hearing and the terms hereof has been given via facsimile or electronic mail to (i) the twenty largest non-insider creditors of the Debtor, as shown on the list of twenty largest creditors filed with the Court on the Petition Date by the Debtor, (ii) counsel to the Lender, (iii) all known secured creditors of the Debtor, (iv) the Office of the United States Trustee for the Southern District of New York, and (v) the United States Attorney for the Southern District of New York, (vi) the District Director of Internal Revenue for the District of New York and New Jersey, (vii) the New York and New Jersey Departments of Taxation and (viii) the Attorney Generals for the States of New Jersey and New York. In view of the relief requested, such notice constitutes sufficient and appropriate notice of this Stipulation and Order and the Final Hearing and no further notice need be given.

K. The proposed use of the Cash Collateral and the advances to be provided by the Lender have been negotiated in good faith and at arm's length between the Debtor and the Lender and the statutory committee appointed in this case (the "Committee"), with all parties



represented by counsel, and any credit extended to the Debtor pursuant to the Stipulation and Order and in accordance with its terms shall be deemed to have been extended in good faith.

L. The terms of the proposed use of the Cash Collateral are fair and reasonable, reflect the Debtor's exercise of prudent business judgment consistent with its fiduciary duties and are supported by reasonably equivalent value and fair consideration.

M. Pursuant to the Bankruptcy Code, the Debtor is required to provide adequate protection to the Lender in respect and to the extent of, inter alia, any diminution of the value of Lender's interest in the Pre-Petition Collateral (including the Cash Collateral); its use of the Pre-Petition Collateral (including the Cash Collateral), the imposition of the automatic stay of Section 362 of the Bankruptcy Code and the granting of the Carve-Out.

N. Based upon the foregoing findings and conclusions, and upon the record made by the Debtor at the hearings held on May 27, 2004, and June 30, 2004, good and sufficient cause appearing therefore,

IT IS HEREBY STIPULATED, CONSENTED, AGREED AND ORDERED

that:

Authorization

1. This Stipulation and Order has no force or effect, and the Debtor is not authorized to use any of the Cash Collateral, unless and until this Stipulation and Order is signed by the Court.

2. The Debtor is authorized to use the Cash Collateral only in accordance with the Budget attached hereto as Exhibit "A" and as further set forth in paragraphs 3, 9, 10 and 14 below. The Debtor is authorized to use the Cash Collateral solely on the terms and subject to the conditions set forth in this Stipulation and Order. The Debtor's authority to use Cash



Collateral shall terminate on August 7, 2004 (the "Termination Date"), unless the term of this Stipulation and Order is extended with the express written consent of the Lender or as otherwise provided hereunder (such date, as may be extended with the express written consent of the Lender, the "Expiration Date"). Notwithstanding any termination of the Debtor's authority to use the Cash Collateral pursuant to the terms hereof, all liens, priorities, rights and remedies provided to the Lender in this Stipulation and Order shall survive such termination and remain in full force and effect with respect to (i) any Pre-Petition Indebtedness and any claims and obligations arising under this Stipulation and Order which are outstanding on such termination date and (ii) any fees incurred by the Lender after termination of this Stipulation and Order in enforcing its rights under this Stipulation and Order.

3. The Debtor is authorized to use the Cash Collateral in the operation of its businesses and the maintenance of its assets; provided that the proposed use of the Cash Collateral is in accordance with the terms of this Stipulation and Order and the Budget. Notwithstanding anything herein to the contrary, no Cash Collateral may be used to object to or contest in any manner, or otherwise challenge, the validity, perfection, priority or enforceability of the Pre-Petition Indebtedness or the Pre-Petition Financing Liens or to assert any claims or causes of action against the Lender or any affiliate of the Lender concerning the Pre-Petition Indebtedness and the Pre-Petition Financing Liens, except that the Committee's professionals may conduct investigations in anticipation thereof with such fees and expenses to be paid from the Carve-Out (as defined below).

Replacement Liens; Stay Relief

4. Subject to the provisions of this Order, the extent necessary and in an amount necessary to provide adequate protection to the Lender for the diminution in the value of



Lender's liens in the Pre-Petition Collateral (to the extent such liens are valid, perfected, enforceable and unavoidable) and replacement liens for the Carve-Out, the Lender is hereby granted (effective as of the Petition Date and without the necessity of the execution by the Debtor, or filing, of security agreements, pledge agreements, mortgages, financing statements or otherwise) pursuant to Sections 361 and 363(e) of the Bankruptcy Code, to the extent of any diminution of the value of the Lender's interest in the Cash Collateral and other Pre-Petition Collateral after the Petition Date:

(i) first priority liens and security interests on all assets of the Debtor (whether heretofore or hereafter acquired) not otherwise encumbered by validly perfected and unavoidable liens or security interests as of the Petition Date, subject only to the Carve-Out; and

(ii) junior liens and security interests on all assets encumbered as of the Petition Date by any valid and perfected senior liens, if any, junior and subordinate to the liens and security interests of the holders of such senior liens, subject only to the Carve-Out;

(collectively, the "Replacement Liens" and the collateral securing the Replacement Liens, the "Post-Petition Replacement Collateral"). Notwithstanding anything to the contrary, the Replacement Liens shall not attach or extend to any actions, claims, or causes of action arising under Chapter 5 of the Bankruptcy Code (the "Avoidance Actions").

5. The Replacement Liens shall be deemed perfected as of the commencement of the Chapter 11 Case, shall not be subject to or pari passu with any lien or security interest existing as of the Petition Date other than senior liens, if any, and except as otherwise specifically provided in this Stipulation and Order, shall be valid and enforceable against any trustee appointed in the Chapter 11 Case, or in a subsequent proceeding upon the conversion of the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code. Subject to the Carve-Out and except as specifically provided in this Stipulation and Order, no lien or security interest in any property of the Debtor granted or arising on or after the Petition Date



(including, without limitation, liens and security interests, if any, granted in favor of any federal, state, municipal or other governmental unit, commission, or board for any liability of the Debtor) shall be created or permitted to be pari passu with, or senior to, the Replacement Liens, including, without limitation, pursuant to Section 364(d) of the Bankruptcy Code. For the sake of clarity and specificity, nothing contained herein shall in any way be construed as an order limiting or otherwise impairing the Lender's rights as provided in Section 552(b)(1) of the Bankruptcy Code.

6. Without the necessity of the filing of financing statements, mortgages or other documents, this Stipulation and Order shall be sufficient evidence of the Lender's perfected liens on and security interests in all Post-Petition Replacement Collateral as described herein to secure the Pre-Petition Indebtedness. Notwithstanding the foregoing, the Debtor, and its officers or agents on its behalf, is authorized and directed, if so requested by the Lender, to execute such documents including, without limitation, pledges, mortgages, deeds of trust and Uniform Commercial Code financing statements and to pay all costs and expenses as may be reasonably required to provide further evidence of the perfection of the Lender's liens in the Post-Petition Replacement Collateral as provided herein. The stay imposed by Section 362(a) of the Bankruptcy Code is hereby lifted to allow the filing and recording of a certified copy of this Stipulation and Order or any such financing statements, notices of lien, mortgages, deeds of trust or similar instruments, and all such documents shall be deemed to have been filed or recorded coincident with the execution of this Stipulation and Order.

7. The Lender may, in its discretion, file a photostatic copy of this Stipulation and Order as a financing statement in any jurisdiction in which the Post-Petition



Replacement Collateral is or will be located, and in such event, the subject filing or recording officer is directed to file or record such copy of this Stipulation and Order.

Superpriority Claims

8. In addition to the grants of liens and security interests herein, and subject to the Carve-Out, if the Lender shall have any claims against the Debtor to the extent that, inter alia, the use of the Cash Collateral and the other Pre-Petition Collateral and the granting of the Carve-Out results in a decrease in the value of the Lender's interest in the Cash Collateral or the other Pre-Petition Collateral, or if the Lender shall have any other claims against the Debtor arising from or otherwise concerning the diminution in the value of Lender's interest in the Pre-Petition Collateral and/or the Cash Collateral after the Petition Date, such claims (collectively, "Diminution Claims") shall be allowed administrative expense claims pursuant to Section 507(b) of the Bankruptcy Code, with priority in payment over all administrative expense claims and unsecured claims against the Debtor now existing or hereafter arising of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in Sections 326, 327, 328, 330, 331, 503(b), 507(a), 546(c) and 726 of the Bankruptcy Code; provided, however, that such super-priority administrative claim shall not be accorded against Avoidance Actions (the "Superpriority Claims"). Except as expressly provided herein, no cost or expense of administration under Sections 105, 326, 327, 328, 330, 331, 364(c)(1), 503(b), or 507(b) of the Bankruptcy Code or otherwise, including those resulting from the conversion of the Chapter 11 Case pursuant to Section 1112 of the Bankruptcy Code, shall be senior to, or pari passu with, the Superpriority Claims. The Diminution Claims shall be accorded administrative priority expense status pursuant to Section 503(b)(1)(a) of the Bankruptcy Code in the Avoidance Actions and the proceeds thereof.



Carve-Out

9. The security interests and liens held by the Lender in the Pre-Petition Collateral (including but limited to the Cash Collateral), the Replacement Liens, the Superpriority Claims and the Diminution Claims granted to the Lender pursuant to this Stipulation and Order shall be subordinate in priority to and subject to a carve-out for (a) fees and disbursements incurred by the Debtor's and the Committee's professionals (other than Houlihan Lokey) prior to the termination of the Debtor's right to use Cash Collateral under this Stipulation and Order; and (b) the fees and expense of the Debtor's professionals incurred after termination of the Debtor's right to use Cash Collateral under this Stipulation and Order solely to the extent of any retainers provided to such professionals prior to the Petition Date; (c) all amounts due and owing at any time under that certain Engagement Letter by and between the Debtor and Houlihan Lokey dated as of May 10, 2004, up to an aggregate cap of \$350,000, less amounts paid to Houlihan Lokey since May 10, 2004; (d) the payment of all unpaid fees payable pursuant to 28 U.S.C. § 1930(a)(6); and (e) payment of the fees and expenses of a chapter 7 trustee (if any) up to \$25,000 pursuant to Section 726(b) of the Bankruptcy Code (collectively, the "Carve-Out"). Subject to the limitations herein, and notwithstanding any termination of the use of Cash Collateral hereunder, the Debtor shall pay from the Cash Collateral administrative expenses allowed by the Court and payable under Sections 330 and 331 of the Bankruptcy Code as the same may be due and payable pursuant to further orders of the Court, including the Monthly Compensation Order.

Cash Management

10. Subject to the restrictions set forth herein, the Debtor is directed to remit any payments for goods and services provided by the Debtor or for inventory or other property of



the estate of the Debtor sold by the Debtor to a lockbox, account or accounts previously established with PNC Bank, National Association ("PNC Bank") or such other lockbox, account or accounts with another financial institution as may be approved by Lender (each, a "Collection Account").

11. The Debtor shall deposit into a Collection Account, all funds and other property in its possession or payable to the Debtor (other than Cash Collateral used by the Debtor in accordance with the terms of this Stipulation and Order), from and after the Petition Date, representing the proceeds of any and all of the Pre-Petition Collateral or the Post-Petition Replacement Collateral.

12. Prior to the Termination Date and so long as this Stipulation and Order is in effect, any and all payments or proceeds remitted, or deemed to be remitted, to Lender pursuant to this Stipulation and Order shall be received free and clear of any claim, charge, assessment or other liability including, without limitation, any such claim or charge arising out of or based on, directly or indirectly, Sections 506(c) or 552(b) of the Bankruptcy Code, all of which are hereby waived by the Debtor.

The Budget

13. The Cash Collateral provided by the Lender to the Debtor shall be used by the Debtor through and including the Expiration Date, for the purposes and in amounts not to exceed those set forth in the Budget annexed as Exhibit A hereto, as such Budget may be amended, extended and supplemented from time to time with the express written consent of the Lender and the Committee and filed with the Court (the "Budget"), to pay the Debtor's operating and working capital, ordinary course of business expenses and for any other budgeted expenses, including the Carve-Out, as allowed by further orders of this Court, in accordance with the terms



and conditions of this Stipulation and Order, which shall be determined on a cumulative rolling forward basis, such that, at the end of each month, the total "Collections" or "Disbursements", as applicable, for the preceding month(s) (commencing as of the Petition Date) and the month of determination shall be aggregated. So long as the Debtor shall have the right to use the Cash Collateral pursuant to this Stipulation and Order, the Debtor may expend funds in accordance with the Budget.

Reporting Requirements

14. During the term of this Stipulation and Order, the Debtor shall submit to the Lender and the Committee by 12:00 p.m. of each Wednesday, commencing Wednesday, June 2, 2004, a report in a form satisfactory to the Lender, which report shall include (i) a cash flow summary of receipts and disbursements during the previous week by the Debtor, (ii) a report on collections of any amounts received as a result of asset sales, (iii) an accounts payable analysis, (iv) a summary reconciliation of receipts and disbursements to the Budget, (v) any non-privileged information in the Debtor's possession or within its control regarding the operation of its business, the Pre-Petition Collateral and/or the Post-Petition Replacement Collateral, as the Lender shall reasonably request, and (vi) a certificate of an authorized officer of the Debtor, in form and substance satisfactory to the Lender, certifying that the Debtor has remitted, deposited and expended Cash Collateral solely in accordance with the provisions of this Stipulation and Order and the Budget.

Adequate Protection Payments

15. As additional adequate protection, the Debtor shall from the Petition Date through the Expiration Date, make timely payments equal to the amount of all interest due as set forth in the Pre-Petition Credit Agreement (calculated at the non-default rate applicable on the



Petition Date to outstanding amounts thereunder) (the "Lender Adequate Protection Payments"). All cash receipts of the Debtor in excess of the Lender Adequate Protection Payments shall be paid to the Lender and used to reduce the principal amount owing to the Lender under the Pre-Petition Credit Agreement, subject to the Debtor's right to "re-borrow" Cash Collateral in accordance with the terms of this Stipulation and Order ("Available Cash Collateral"). All such re-borrowings shall constitute debt under the Pre-Petition Credit Agreement and shall not be construed to be Post-Petition Advances.

16. As additional adequate protection hereunder, the Lender shall be entitled to reimbursement by the Debtor, promptly upon service on any committee appointed in this case and upon receipt by the Debtor of invoices relating thereto, of all reasonable fees, costs and expenses incurred both before and after the Petition Date, in connection with (a) the Lender's claims and liens, and (b) actions to preserve, protect and/or enforce its rights and remedies under, and to administer, the Pre-Petition Credit Agreement and/or the other Pre-Petition Loan Documents, including reasonable counsel fees and disbursements, filing fees, audit expenses, field examination expenses and reasonable fees and disbursements of accountants, consultants and financial advisors; provided, however, that the Debtor's payment of any such fees, costs, and expenses shall be subject to its having funds available for the payment of such fees, costs, and expenses and all other expenses included in the Budget. None of the fees, costs, and expenses payable pursuant to this paragraph shall be subject to prior approval by the Bankruptcy Court (but the Bankruptcy Court shall resolve any dispute as to the reasonableness of such fees, costs, and expenses) and no recipient of any such payment shall be required to file any interim or final fee application with respect to such fees, costs, and expenses.



17. Notwithstanding any other provision hereof, the protections granted to the Lender pursuant hereto are without prejudice to the right of the Lender to seek to modify the protections provided hereby so as to provide different or additional protections. Nothing in this Stipulation and Order shall be construed as or deemed to constitute the consent of the Lender to the use, sale or lease of the Pre-Petition Collateral, including the Cash Collateral, on any terms other than as expressly provided herein.

Post-Petition Advances

18. Lender may, in its sole and absolute discretion, with the consent of the Committee make post-petition advances in excess of Available Cash Collateral to the Debtor to fund in whole or in part the expenses set forth in the Budget, provided, however, such amount shall not exceed \$500,000 (the "Post-Petition Advances"). Post-Petition Advances shall bear interest at a rate equal to the PNC Base Rate (as defined in the Pre-Petition Credit Agreement) plus 4.5%, which shall be paid monthly on the first day of each month.

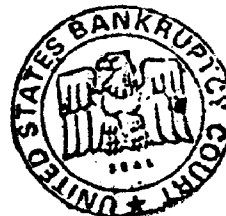
19. As security for the Post-Petition Advances, and as adequate protection, the Lender is hereby granted (effective immediately and without the necessity of the execution or filing by the Debtor of a security agreement, financing statements, trademark, copyright, tradename or patent assignment filings with the United States Patent and Trademark Office or Copyright Office, mortgages, landlord lien waivers, licensee consents or otherwise), pursuant to Sections 364(c) and (d) of the Bankruptcy Code, a first priority security interest in and lien upon all of the Pre-Petition Collateral and Cash Collateral already subject to a lien in favor of Lender granted to Lender herein and Post-Petition Replacement Collateral (other than the Avoidance Actions) (collectively, the "Collateral"), subject in each instance only to the Carve-Out. The security interests and liens in the Collateral granted to the Lender hereunder include, but are not



limited to: (i) those items and types of collateral in which security interests may be created under Article 9 of the Uniform Commercial Code and all Collateral in which the Lender has a security interest pursuant to the Pre-Petition Loan Documents; (ii) those items and types of collateral not governed by Article 9 of the Uniform Commercial Code, including, without limitation, licenses issued by any federal or state regulatory authority and any leasehold or other real property interests; and (iii) the products and proceeds of any of the foregoing. Notwithstanding anything to the contrary herein, the security interests and liens in the Collateral shall not attach to any Avoidance Actions. Said liens and security interests shall not be (i) subject to any lien or security interest that is avoided and preserved for the benefit of the Debtor's estate under Section 551 of the Bankruptcy Code, or (ii) except as set forth herein, subordinated to or made pari passu with any other lien or security interest under Section 364(d) of the Bankruptcy Code or otherwise. The security interest arising hereunder shall be and hereby is a fully perfected, first priority security interest, such that no additional steps need be taken by the Lender to perfect said interest.

No Implied Authorization

20. Except for transactions in the ordinary course of its business or authorized by an order of this Court, the Debtor shall not sell, transfer, lease, encumber or otherwise dispose of any of the property of its estate from which the Debtors receives proceeds of \$100,000 or more individually, without the prior written consent of the Lender or Court order on notice to Lender, and no such consent shall ever be implied from any other action, inaction or acquiescence by the Lender.



Termination Events

21. As long as any portion of the Pre-Petition Indebtedness remains unpaid, it shall constitute a "Termination Event" if, except with the express written consent of the Lender which consent shall not be implied:

(a) the Chapter 11 Case shall be dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; or a Chapter 11 trustee, or an examiner with expanded powers, shall be appointed in the Chapter 11 Case; or

(b) an order or orders shall be entered by the Bankruptcy Court or any other court approving any claims for recovery of amounts under Section 506(c) of the Bankruptcy Code with respect to the Pre-Petition Collateral; or

(c) the Bankruptcy Court or any other court shall enter an order granting relief from the automatic stay applicable under Section 362 of the Bankruptcy Code to the holder or holders of any security interest (other than the security interests of the Lender to the extent granted in this Stipulation and Order) in any assets of the Debtor allowing such holder or holders to foreclose or otherwise realize upon any such security interests which assets have an aggregate value in excess of \$100,000; or

(d) an order of the Bankruptcy Court or any other court shall be entered amending, supplementing, staying, vacating, reversing, revoking, rescinding or otherwise modifying this Stipulation and Order, provided that no Termination Event shall occur under this clause (d) to the extent that any such amendment, supplement or other modification is not adverse, in the reasonable judgment of the Lender, to the rights and interests of the Lender under this Stipulation and Order, or is otherwise approved by the Lender through its express written consent thereto; or

(e) an order of the Bankruptcy Court or any other court shall be entered granting any lien or security interest in any property of the Debtor in favor of any party other than the Lender pursuant to this Stipulation and Order (other than the Carve-Out) or granting a claim (other than the Carve-Out) to any party other than the Lender that is pari passu with or senior to the Superpriority Claims granted to the Lender pursuant to this Stipulation and Order; or

(f) Debtor shall file any pleading seeking, or otherwise consenting to, or shall support or acquiesce in any other Person's motion as to any of the matters set forth in paragraphs (a) through (e) above, or the Court shall grant any such motion filed by any other Person; or



(g) this Stipulation and Order, after having been entered or deemed to have been entered, shall cease to be in full force and effect, or the Debtor's authority to use Cash Collateral hereunder shall have otherwise terminated; or

(h) Debtor shall make any payment (including "adequate protection" payments) on or in respect of any pre-Petition Date indebtedness or obligations arising prior to the Petition Date other than (i) the Pre-Petition Indebtedness, (ii) as permitted under this Stipulation and Order, (iii) sales taxes and employee withholding taxes which have been collected by the Debtor but not yet paid, (iv) employee wages and benefits, including any pre-petition severance or stay bonuses, allowed to be paid pursuant to the Court's orders with respect to the Debtor's motions to pay pre-petition wages and benefits and for authority to pay post-petition severance or stay bonuses, which motions shall be acceptable to the Lender in form and amount, and (v) as may be required under Section 365(b) of the Bankruptcy Code in connection with the assumption of leases and contracts, provided that the Lender consents to such assumption; or

(i) Intentionally omitted;

(j) this Court shall abstain from hearing this Chapter 11 Case or withdraw the reference that referred the Chapter 11 Case to this Court, or the Debtor shall so move or support any motion brought by any third party seeking such relief; or

(k) Debtor shall seek to, or shall support (in any such case by way of, inter alia, any motion or other pleading filed with this Court or any other writing to another party-in-interest executed by or on behalf of the Debtor) any other Person's motion to, disallow or subordinate in whole or in part the Lender's claims in respect of the Pre-Petition Indebtedness or the obligations owed to such Lender or to challenge the validity, enforceability, perfection or priority of the liens in favor of the Lender (including, without limitation, the Liens securing the obligations owed to the Lender); or

(l) except to the extent specifically provided for herein, the filing of any motion to obtain credit from any party other than the Lender unless the terms of any such facility, or any motion and/or order to approve such facility, are acceptable to the Lender in all respects, or, in connection therewith, all the post-petition obligations owed to the Lender shall first be paid indefeasibly in full in cash; or

(m) Intentionally omitted;

(n) any order shall be entered limiting or otherwise impairing the Lender's rights under Section 552 of the Bankruptcy Code, or the Debtor shall file a pleading seeking to modify such rights, or the Debtor shall fail to object or shall in any way acquiesce to any pleading seeking to limit such rights filed by any other party; or



(o) the occurrence of an Event of Default by the Debtor under the Asset Purchase Agreement executed in connection with the Proposed Sale which has not been cured within any applicable cure period; or

(p) the failure of the Debtor to obtain entry of an order approving the sale acceptable to the Lender within sixty (60) days of the Petition Date and achieve a closing on the sale within seventy (70) days of the Petition Date, provided, however, that all time periods set forth in this subparagraph are subject to a five (5) day grace period.

Remedies

22. Upon the occurrence of any Termination Event and the giving of three (3) days written notice to the Debtor by the Lender, and at all times thereafter, the Debtor's right to use the Cash Collateral will automatically terminate. Commencing on the fifth (5th) day after (i) the date that such obligations owed to the Lender become due and payable, or (ii) the occurrence of any non-monetary Termination Event (whether by acceleration, upon the Expiration Date, a Termination Event, or otherwise), the Lender may (i) declare the principal of and accrued interest on the Pre-Petition Indebtedness, together with all fees and other liabilities constituting the obligations owed to the Lender, to be immediately due and payable; (ii) set off or seize and apply to the obligations owed to the Lender the Pre-Petition Indebtedness amounts contained in any Collection Account or any other account maintained with or under the control of the Lender; and/or (iii) take any other action or exercise any other right or remedy permitted to the Lender under the Pre-Petition Loan Documents, this Stipulation and Order or by applicable law, without further order of or application to this Court or further modification of the automatic stay pursuant to Section 362 of the Bankruptcy Code (which is hereby deemed and shall be modified to the extent necessary to permit such orderly liquidation), unless the Debtor's authority to use Cash Collateral has been extended with the written consent of Lender or the Lender's ability to exercise its rights and remedies as provided in clauses (i), (ii) and (iii) of this paragraph 22 has been enjoined as provided in paragraph 23 hereof. Except as provided in paragraph 23 hereof,

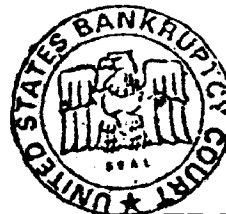


the Debtor is directed to fully cooperate with the Lender in the exercise by the Lender of its rights and remedies specified in this paragraph 22.

23. Upon the occurrence of any Termination Event, the Lender shall, prior to exercising any of the rights and remedies specified in paragraph 22 on account thereof (other than the right to terminate the Debtor's authorization to use Cash Collateral), give no less than ten (10) days written notice thereof by facsimile transmission and by overnight mail (the "Termination Notice"), to (i) the Debtor and its counsel, (ii) counsel for the Committee, and (iii) the Office of the United States Trustee for the Southern District of New York, of the specific Termination Event and the Lender's intention to exercise its remedies under Paragraph 22. The Debtor, the Committee and/or the Office of the United States Trustee for the Southern District of New York may, during the ten (10) day period following the Lender's transmission of the Termination Notice, seek an order from this Court enjoining, staying or otherwise modifying the Lender's exercise of its rights and remedies specified in paragraph 22. Unless the exercise by the Lender of such rights and remedies has been stayed or enjoined by this Court during the ten (10) day period following the Lender's transmission of the Termination Notice, or thereafter based on a motion filed within such five business day period, the Debtor shall cooperate fully with the Lender and shall not take any steps or actions to contest or otherwise challenge the exercise by the Lender of each and all of the remedies permitted in this Stipulation and Order or the Pre-Petition Loan Documents or under applicable law.

Survival

24. The provisions of this Stipulation and Order and any actions taken pursuant hereto shall survive entry of any order (a) confirming any plan of reorganization in this Chapter 11 Case, (b) converting the Chapter 11 Case to a Chapter 7 Case, or (c) dismissing the



Chapter 11 Case, or (d) pursuant to which this Court abstains from hearing the Chapter 11 Case, and the terms and provisions of this Stipulation and Order as well as the Carve-Out, and the Replacement Liens granted pursuant to this Stipulation and Order and the Pre-Petition Loan Documents shall continue in full force and effect notwithstanding the entry of any such order, and the Carve-Out and the Lender's liens, security interests and superpriority claims shall maintain their priority as provided by this Stipulation and Order and the Pre-Petition Loan Documents until all of the obligations owed to the Lender and the Pre-Petition Indebtedness are indefeasibly paid in full in cash. The Court shall retain jurisdiction to enforce the provisions of this Stipulation and Order.

Limitation on Certain Actions

25. Except for the Debtor, who has expressly waived its rights to do so as provided herein, any party in interest, including the Committee, may commence any adversary proceeding, objection or contested matter or file a seeking authority to file such objection, contested matter or adversary proceeding challenging, contesting, objecting to the amount, extent, validity, enforceability or priority of the obligations owed to the Lender or the Pre-Petition Indebtedness or, to the extent they secure the obligations owed to the Lender or the Pre-Petition Indebtedness, the Pre-Petition Financing Liens, or otherwise assert any claim or cause of action against the Lender, no later than the date than July 23, 2004, provided, however such time period may be extended upon written consent of Lender without the requirement of further order of this Court. If no such adversary proceeding, objection or contested matter or motion seeking authority to file such objection, contested matter or adversary proceeding is commenced as of such date, the obligations owed to the Lender and the Pre-Petition Indebtedness shall constitute allowed claims, not subject to avoidance or subordination, for all purposes in the Chapter 11



Case, and the Pre-Petition Financing Liens shall be deemed legal, valid, binding, perfected, enforceable and otherwise unavoidable, and the obligations owed to the Lender and the Pre-Petition Indebtedness and the Pre-Petition Financing Liens shall not be subject to any other or further challenge by any party in interest.

Preservation of Rights

26. Except as otherwise specifically provided herein, entry of this Stipulation and Order shall be without prejudice to any and all rights, remedies, claims and causes of action which the Lender may have against the Debtor or any third parties, and without prejudice to the right of the Lender to seek relief from the automatic stay in effect pursuant to Section 362 of the Bankruptcy Code, or any other relief under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, the right of the Lender to (i) seek additional relief from the Court in respect of its interests in the Pre-Petition Collateral (including, without limitation, the Cash Collateral) or relief from or modification of the automatic stay under Section 362 of the Bankruptcy Code, (ii) request conversion of the Chapter 11 Case to Chapter 7 of the Bankruptcy Code and (iii) propose, subject to the provisions of Section 1121 of the Bankruptcy Code, a Chapter 11 plan. Notwithstanding anything herein to the contrary, all payments or remittances to Lender are subject to disgorgement to the extent required by law and ordered by this Court or recharacterization as principal payments in accordance with Section 506(c) of the Bankruptcy Code.

27. Upon execution of this Stipulation and Order by the Court, the provisions hereof shall be immediately binding upon and inure to the benefit of the Lender, the Debtor and their respective successors and assigns, including any trustee or other fiduciary hereafter



appointed in the Chapter 11 Case or in any superseding Chapter 7 case as a legal representative of the Debtor or the Debtor's estate.

No Surcharge

28. Debtor hereby waives any right to assert a claim under Section 506(c) of the Bankruptcy Code for any costs and expenses incurred in connection with the preservation, protection, disposition or enhancement of, or realization by any party in interest on, the Pre-Petition Collateral or the Post-Petition Replacement Collateral.

Right to Inspect

29. The Lender shall have the right, upon reasonable telephonic notice to the Debtor, at any time during normal business hours, to inspect, audit, examine, check and make copies of, and extract non-privileged information from, the Debtor's records, and to obtain company information from the Debtor's management, and the Debtor shall make its records and management available to the Lender for such purposes. The Debtor shall timely file and serve upon the Lender and its counsel all pleadings and other documents filed by the Debtor in the Debtor's Chapter 11 Case, including the financial reports required by the United States Trustee's office, and shall continue to supply such reports as are required under the Pre-Petition Loan Documents or as requested by the Lender.

30. The Debtor shall provide the Lender with copies of all documents provided to the Committee, as well as copies of all non-privileged consultants' reports, appraisals, business plans, and similar documents as they become available to the Debtor, including, without limitation, any and all audits and other non-privileged reports prepared by the Debtor's accountants. The Debtor shall provide the Lender with a description of all documents withheld as privileged and shall give the basis for such assertion of privilege.



Debtor Must Maintain Insurance

31. The Debtor shall deliver to the Lender, with a copy to the Committee, evidence satisfactory to the Lender that the Pre-Petition Collateral is adequately insured under insurance policies acceptable to the Lender under which the Lender is named as loss payee and additional insured.

No Deemed Lender Control

32. The Lender shall not be deemed to be in "control" of the operations of the Debtor, or to be acting as a "responsible person" or "owner" or "operator" with respect to the operation or management of the Debtor (as such terms or similar terms are used in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any similar federal or state statute), solely by reason of any credit extended to the Debtor under the Pre-Petition Loan Documents subsequent to the commencement of the case, or the grant to and/or exercise by the Lender of any rights or remedies hereunder.

No Release of Non-Debtor

33. To the extent the Asset Purchase Agreement and the releases therein are approved, nothing contained in this Stipulation and Order shall be deemed to terminate, modify or release any obligations of any non-debtor guarantor to the Lender with respect to the obligations owed to the Lender, or the Pre-Petition Indebtedness, or otherwise.

No Third-Party Beneficiaries

34. No rights are intended to be created hereunder for the benefit of any third party or creditor or any direct or indirect incidental beneficiary except as specifically provided herein. The Carve-Out shall not be available to any party other than those specifically authorized to receive payment therefrom as provided in paragraph 9 hereof.



Effectiveness

35. This Stipulation and Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable immediately upon the entry of this Stipulation and Order by this Court. Except as otherwise provided herein, the terms of this Stipulation and Order shall be valid and binding upon the Debtor, all creditors of the Debtor, any statutory committee appointed in this case all other parties in interest from and after the execution of this Stipulation and Order by this Court.

Waiver, Modification and Amendment

36. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless it is set forth in writing, signed by the parties hereto and approved by this Court.

Good Faith

37. The Lender is hereby found to be an entity that extended or will extend credit, and that has consented to the use of the Cash Collateral, in good faith and is entitled to all of the protections provided to an entity that extended credit in good faith, with respect to all loans and advances made and Cash Collateral used pursuant to this Stipulation and Order and the Pre-Petition Loan Documents. If this Stipulation and Order or any of the provisions hereof are hereafter modified, vacated, stayed or reversed by subsequent order of this Court or any other court, without the Lender's express written consent, such stay, modification, vacation or reversal shall not affect (a) the validity of any obligation, indebtedness or liability incurred by the Debtor to the Lender that is or was incurred pursuant to this Stipulation and Order before the later of (i) the effective date of such stay, modification or vacation or reversal and (ii) the date of the Lender's receipt of notice thereof, or (b) the validity and enforceability of the rights, remedies,



liens, security interests and priorities authorized and created by this Stipulation and Order or (c) the Lender's right and ability to collect and apply all amounts due to it under the Pre-Petition Loan Documents as approved by this Stipulation and Order.

38. Notwithstanding any stay, modification, vacation, or reversal of this Stipulation and Order, any indebtedness, obligation or liability incurred by the Debtor pursuant to this Stipulation and Order arising prior to the later of the effective date of such stay, modification, vacation or reversal, or the Lender's receipt of notice thereof, shall be governed in all respects by the original provisions of this Stipulation and Order, and the Lender shall continue to be entitled to all of the rights, remedies, privileges and benefits, including any payments authorized herein and all security interests, liens and priorities granted herein, with respect to all such indebtedness, obligations or liabilities incurred or existing prior to such date, and with respect to such Debtor's use of the Cash Collateral prior to such date. Without limiting the generality of the foregoing, in the event this Court or any other court hereafter modifies any of the provisions of this Stipulation and Order, such modifications shall not affect the rights, remedies, liens and priorities of the Lender granted or acknowledged pursuant to this Stipulation and Order with respect to the Pre-Petition Indebtedness and any Cash Collateral which is used prior to any such modifications.

Notice

39. The Debtor shall, within three (3) business days following entry of this Stipulation and Order, mail copies thereof, to the United States Trustee for the Southern District of New York, counsel to the Lender, counsel to the Committee, and all parties who appeared or otherwise responded to the relief requested herein, any other party which has filed a request for



notices with this Court and served such notice upon the Debtor's counsel pursuant to section 2002 of the Bankruptcy Code.

40. This Interim Order shall supersede and govern the terms of the Interim Cash Collateral Order dated May 27, 2004. The final hearing on the Cash Collateral Motion shall be continued to July 15, 2004, at 11:00 a.m.

Dated: June 30, 2004

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE

Agreed as to form and content:

GREENBERG TRAUIG, LLP

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James P.S. Leshaw (JL 8606)
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COUNSEL TO THE LENDER

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI LLP

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COUNSEL TO THE DEBTOR AND
DEBTOR IN POSSESSION



No objection to the form and entry of this Order.

Arent Fox PLLC

By: s/ Andrew I. Silfen

Andrew I. Silfen (AS-1264)
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New York, NY
Telephone: (212) 484-3900
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COUNSEL TO THE COMMITTEE



Lantis Eyewear

Cash Flow

		3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug
		Budget	Budget	Budget	Budget	Budget	Budget
		(DOLLARS IN THOUSANDS)					
Opening (Loan) Cash Balance		(10,979)	(10,894)	(9,800)	(9,102)	(9,710)	(10,188)
COLLECTIONS	Collections-Domestic	2,077	1,496	1,899	978	1,381	906
	Fee Income - Outlook	0	0	10	0	0	0
	PNC Payments / forgiveness	0	0	0	0	0	0
	Customer Duplicate Payments	0	0	0	0	0	0
	Fixture Sales	0	0	0	0	0	0
	Other Cash receipts	0	0	0	0	0	0
	Anticipation	0	0	0	0	0	0
	Total Cash In	2,077	1,496	1,909	978	1,381	906
Cash Availability (Short)		(8,902)	(9,198)	(7,892)	(8,124)	(8,329)	(9,282)
DISBURSEMENTS	Compensation	636	189	744	169	839	167
	Fixed Operating Expenses	59	63	49	435	62	22
	Variable Operating Expenses	139	159	111	317	114	138
	Inventory Purchases	221	66	40	29	750	48
	Inventory Purchases - LC	0	0	0	0	0	0
	Displays	10	5	5	5	10	0
	Retainers \ Deposits	0	0	0	0	0	0
	Capital Expenditures	0	0	0	0	0	0
	Debt	0	0	0	0	0	0
	Financing Costs	260	52	102	62	67	172
	Interest	70	0	0	0	0	50
	Licenses	222	69	159	570	16	0
	Discontinued Ops/Restructuring	0	0	0	0	0	0
	Advance Credits/Others/Cvs	0	0	0	0	0	0
	Customer Refunds	175	0	0	0	0	0
Total Disbursements	1,792	603	1,210	1,567	1,858	667	
Lantis Internal Loan Balance		(10,834)	(9,800)	(9,102)	(9,710)	(10,188)	(9,879)
	Float	(876)	(346)	(811)	(1,377)	(352)	(210)
	Overadvance	150	150	150	150	150	150
	Loan Balance Per Bank	(9,988)	(9,804)	(8,641)	(9,483)	(9,988)	(9,819)
	Standby LC's	1,606	1,606	1,606	1,606	1,606	1,606
	Product LC's	50	50	50	50	50	50
Total Loan Exposure (Internal plus LC's)	(11,824)	(11,260)	(10,297)	(10,139)	(11,842)	(11,475)	

TOTAL COLLATERAL	19,393	18,068	16,929	16,877	16,692	15,031
TOTAL LOAN EXPOSURE	11,624	11,260	10,297	10,139	11,642	11,475
Net Availability (Overadvance)	7,769	6,808	6,632	6,737	5,050	3,556

INVENTORY	Gross	14,615	12,731	12,731	12,731	12,731	11,279
	Ineligible	(2,232)	(2,232)	(2,232)	(2,232)	(2,232)	(2,232)
	Net Eligible	12,383	10,499	10,499	10,499	10,499	9,047
	Advance Rate	70%	70%	70%	70%	70%	70%
	Availability	8,668	7,349	7,349	7,349	7,349	6,333
	CAP on Availability	12,000	12,000	12,000	12,000	12,000	12,000
ACCOUNTS RECEIVABLE	Accounts Receivable	18,162	17,699	16,275	16,210	16,179	15,373
	Ineligible	(4,756)	(4,300)	(4,300)	(4,300)	(4,500)	(4,500)
	Net Eligible	13,406	13,399	11,975	11,910	11,679	10,873
	Advance Rate	80%	80%	80%	80%	80%	80%
	Availability	10,725	10,719	9,580	9,528	9,343	8,698
PARTNERS GUARANTEE		0	0	0	0	0	0
TOTAL COLLATERAL		19,393	18,068	16,929	16,877	16,692	15,031
TOTAL LOAN EXPOSURE		11,624	11,260	10,297	10,139	11,642	11,475
Net Availability (Overadvance)		7,769	6,808	6,632	6,737	5,050	3,556



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Proposed Attorneys for Debtor and Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LANTIS EYEWEAR CORPORATION,

Debtor.

Chapter 11

Case No. 04-13589 (ALG)

INTERIM STIPULATION AND ORDER AUTHORIZING (A) USE OF CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (B) GRANT OF ADEQUATE PROTECTION PURSUANT TO 11 U.S.C. §§ 361 AND 363 *NUNC PRO TUNC* TO THE FILING DATE, AND (C) POST-PETITION ADVANCES TO THE DEBTOR AND GRANTING LIENS AND SUPER-PRIORITY CLAIMS PURSUANT TO 11 U.S.C. § 364

This Stipulation and Order is made by and between Lantis Eyewear Corporation (the "Borrower" or the "Debtor"), debtor and debtor-in-possession, and HIG Recovery Fund II, Inc., a Delaware corporation, successor-in-interest to PNC



Bank, National Association, Agent and sole Lender (in its capacity as Agent and/or as sole Lender)(the "Lender"), the lender pursuant to that certain Third Amended and Restated Loan and Security Agreement, dated October 27, 1999, as amended by: (i) a First Amendment to Loan Documents, dated as of September 30, 2000; (ii) a Second Amendment to Loan Documents, dated as of October 26, 2000; (iii) a Third Amendment to Loan Documents and Waiver Agreement, dated as of January 26, 2001; (iv) a Fourth Amendment to Loan Documents and Waiver Agreement, dated as of October 1, 2001; and (v) a Forbearance Agreement, dated as of September 17, 2002, as amended by that certain First Amendment to Forbearance Agreement, dated as of November 1, 2002, and that certain Second Amended and Restated Forbearance Agreement, dated as of March 8, 2004 (collectively, as amended or modified from time to time, the "Pre-Petition Credit Agreement"), and all the documents at any time executed in connection therewith, collectively the "Pre-Petition Loan Documents") among the Debtor and the Lender.

THE COURT HEREBY FINDS THAT:

A. On May 25, 2004 (the "Filing Date"), the Debtor filed a voluntary petition for relief with this Court under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code", and the case commenced thereunder (Case No. 04-13589 (ALG), the "Chapter 11 Case"). The Debtor is authorized to continue to operate its businesses and to manage its properties as a debtor in possession pursuant to Bankruptcy Code §§ 1107 and 1108.

B. No trustee, examiner or creditors' committee has yet been appointed in the Chapter 11 Case nor has a request for the appointment of a trustee or examiner been made.



C. This Court has jurisdiction over the Chapter 11 Case pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of this Stipulation and Order constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are Bankruptcy Code §§ 105, 361, 362 and 363(c)(2)(B) and Rules 4001(b) and (d) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). Venue of the Chapter 11 Case in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

D. The Debtor and its counsel have reviewed the Pre-Petition Loan Documents, security filings and other documents relating to perfection of the Pre-Petition Financing Liens (as defined below) in the Pre-Petition Collateral (as defined below) and, based on this review, have concluded that the Lender has properly perfected its security interests and liens in the Pre-Petition Collateral. Accordingly, the Debtor acknowledges, admits and agrees that, as of the Petition Date, the loans and advances made to the Borrower pursuant to the Pre-Petition Loan Documents are secured by properly perfected, first-priority security interests and liens on all or substantially all of the Debtor's then existing and after acquired assets, including, without limitation, accounts receivable, inventory, machinery and equipment, instruments and chattel paper evidencing accounts receivable or into which any accounts receivable have been, or hereafter are, converted, securities, limited liability company interests, partnership interests, security entitlements, financial assets and investment property, and all proceeds and products of any and all of the foregoing (the "Pre-Petition Collateral").



E. As of the Petition Date, the Debtor acknowledges, admits and agrees that it was in default under the Pre-Petition Credit Agreement and was indebted to the Lender under the Pre-Petition Credit Agreement in the aggregate amount, including all interest accrued through the Filing Date, of approximately \$97,610,252, plus costs, fees and expenses (collectively, the "Pre-Petition Indebtedness"). The Debtor acknowledges and admits, after due inquiry and without waiver of any rights of other parties set forth in paragraph 26 hereof, (a) the legality, validity and enforceability of the Pre-Petition Indebtedness owing to the Lender as shown on the books and records of the Lender, (b) that the security interests and liens held by the Lender in and upon the Pre-Petition Collateral (the "Pre-Petition Financing Liens") are duly perfected, legal, valid, binding and enforceable first-priority liens and security interests on the Pre-Petition Collateral, not subject to avoidance, defense, objection, action, counterclaim, setoff or subordination under the Bankruptcy Code or applicable non-bankruptcy law, except to the extent that such liens and security interests are subject to the Carve-Out (as defined below), (c) the legality, validity and non-avoidability of all payments made to or on behalf of the Lender or otherwise on account of the Pre-Petition Indebtedness prior to the Petition Date, (d) that the Lender's pre-petition claims, as held by Lender and secured by the Pre-Petition Financing Liens, are not subject to avoidance, defense, objection, action, counterclaim, setoff, recoupment or subordination, (e) that the Debtor does not possess any claim, objection, action, counter-claim, set-off, right or defense of any kind or nature which could in any way affect the validity, priority, enforceability or avoidability of the Pre-Petition Indebtedness or Pre-Petition Financing Liens or which would reduce or affect the

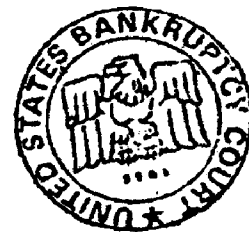


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obligation of the Debtor to pay the Prepetition Indebtedness. , and (f) that the Debtor hereby releases the Lender, its agents, employees, assigns and predecessors in interest from all claims and causes of action of the Debtor arising out of the Pre-Petition Loan Documents or any other loan agreement or other relationship with the Debtor prior to the entry of this Stipulation and Order, (excluding those arising under a certain Asset Purchase Agreement dated May 24, 2004 between the Debtor and the Lender (the "Asset Purchase Agreement").)

F. The Debtor further acknowledges, admits and agrees, after due inquiry, that the Pre-Petition Collateral includes, without limitation, all proceeds of the Pre-Petition Collateral, whether existing before or after the commencement of the Chapter 11 Case, which items constitute the Lender's cash collateral within the meaning of Bankruptcy Code § 363(a) ("Cash Collateral"). The Lender is entitled, pursuant to Bankruptcy Code §§ 361 and 363, to adequate protection of its interests in the Pre-Petition Collateral, including the Cash Collateral, for and to the extent of any diminution in the value of Lender's interest in the Pre-Petition Collateral, resulting from, without limitation, the granting of the Carve-Out (as defined below), the use of the Cash Collateral, the use, sale or lease of the Pre-Petition Collateral (other than the Cash Collateral) and the imposition of the automatic stay.

G. Good cause has been shown for the entry of this Stipulation and Order. The Debtor does not have sufficient available sources of working capital and financing to carry on the operation of its businesses without a source of post-petition financing, even after giving effect to the proposed use of Cash Collateral. The ability of the Debtor to maintain business relationships with its vendors and suppliers, to



purchase new inventory and otherwise to finance its operations is essential to the Debtor's continued viability and its ability to consummate a sale of substantially all of its assets pursuant to 11 U.S.C. § 363 in accordance with (a) a proposed Motion to Approve Bidding Procedures and (b) a proposed Motion for Authority to Sell Substantially All of Debtor's Assets Pursuant to Asset Purchase Agreement Dated May 25, 2004, contemporaneously filed in connection with its petition (collectively, the "Proposed Sale"). The preservation, maintenance and enhancement of the going concern value of the Debtor is of the utmost significance and importance for maximizing the value of the Debtor's estate for all parties in interest in this Chapter 11 Case. The Debtor has been unable to obtain unsecured credit allowable under Bankruptcy Code § 503(b)(1) as an administrative expense. Financing on a post-petition basis is not otherwise available to the Debtor without granting the Lender, as herein provided, (i) pursuant to Bankruptcy Code §§ 361, 363, 364(c)(2), 364(c)(3), and 364(d)(1), liens and security interests on all property of the Debtor's estate, other than actions available to the Debtor's bankruptcy estate under Bankruptcy Code §§ 544, 545, 547, 548, 549, 550, 553(b) or 724(a) and any proceeds thereof, ~~excluding any "avoidance" causes of action against the Lender~~ (collectively, "Avoidance Actions"), and (ii) pursuant to Bankruptcy Code §§ 361, 363, 364(c)(2), 364(c)(3) and 364(d)(1), claims having a priority over any and all administrative expenses, including without limitation, those of the kinds specified in or incurred pursuant to Bankruptcy Code §§ 105, 326, 328, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c) and 726, subject to the Carve Out (as defined below).



H. The Lender will not permit the use of the Cash Collateral absent the approval of the terms and conditions set forth herein and the relief hereinafter ordered is necessary to avoid immediate and irreparable harm to the Debtor's estate pending the Final Hearing (as defined below) pursuant to Bankruptcy Rule 4001(b)(2). This Court concludes that entry of this Stipulation and Order is in the best interest of the Debtor's estate and its creditors, as its implementation will, among other things, help the Debtor to maintain the operation of its businesses, preserve the value of the Debtor's estate and enhance the Debtor's prospects for an orderly sale process to maximize value.

I. Notice of the hearing to consider this Stipulation and Order (the "Preliminary Hearing") and the terms hereof has been given via Federal Express or other overnight service, facsimile or electronic mail to (i) the twenty largest non-insider creditors of the Debtor, as shown on the list of twenty largest creditors filed by the Debtor with the Court on the Petition Date, (ii) counsel to the Lender, (iii) all known secured creditors of the Debtor, (iv) the Office of the United States Trustee for the Southern District of New York, and (v) the United States Attorney for the Districts of New Jersey and New York, (vi) the District Director of Internal Revenue for the District of New Jersey and New York, (vii) the New Jersey and New York Departments of Taxation and (viii) the Attorney Generals for the States of New Jersey and New York. In view of the urgency of the relief requested, such notice constitutes sufficient and appropriate notice of this Stipulation and Order and the Preliminary Hearing and no further notice need be given.

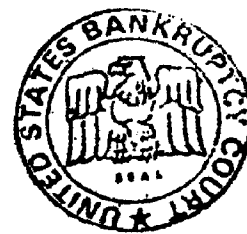


J. The proposed use of the Cash Collateral has been negotiated in good faith and at arm's length between the Debtor and the Lender, with all parties represented by counsel, and any credit extended to the Debtor pursuant to the Stipulation and Order and in accordance with its terms shall be deemed to have been extended in good faith.

K. The terms of the proposed use of the Cash Collateral are fair and reasonable, reflect the Debtor's exercise of prudent business judgment consistent with its fiduciary duties and are supported by reasonably equivalent value and fair consideration.

L. Pursuant to the Bankruptcy Code, the Debtor is required to provide adequate protection to the Lender in respect and to the extent of, inter alia, any diminution of the value of Lender's interest in the Pre-Petition Collateral (including the Cash Collateral), its use of the Pre-Petition Collateral (including the Cash Collateral), the imposition of the automatic stay of Bankruptcy Code § 362 and the granting of the Carve-Out.

M. Based upon the foregoing findings and conclusions, and upon the record made by the Debtor at the Preliminary Hearing and any objections to this Stipulation and Order having been withdrawn, resolved or overruled, and good and sufficient cause appearing therefore,



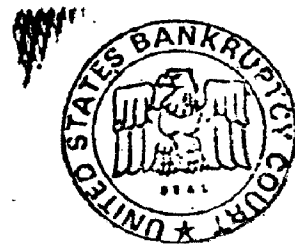
IT IS HEREBY STIPULATED, CONSENTED, AGREED AND ORDERED

that:

Authorization

1. This Stipulation and Order has no force or effect, and the Debtor is not authorized to use any of the Cash Collateral, unless and until this Stipulation and Order is signed by the Court.

2. The Debtor is authorized to use the Cash Collateral only in accordance with the Budget attached hereto as Exhibit A and as further set forth in paragraphs 3, 10 and 14 below. The Debtor is authorized to use the Cash Collateral solely on the terms and subject to the conditions set forth in this Stipulation and Order, pending a final hearing (the "Final Hearing") on the Debtor's request to use the Cash Collateral pursuant to the terms hereof. If this Stipulation and Order becomes a final order in accordance with paragraph 41 hereof, the Debtor's authority to use Cash Collateral shall terminate on the seventy-fifth day after the Petition Date, unless the term of this Stipulation and Order is extended with the express written consent of the Lender (such date, as may be extended with the express written consent of the Lender, the "Expiration Date"). Notwithstanding any termination of the Debtor's authority to use the Cash Collateral pursuant to the terms hereof, all liens, priorities, rights and remedies provided to the Lender in this Stipulation and Order shall survive such termination and remain in full force and effect with respect to (i) any Pre-Petition Indebtedness and any claims and obligations arising under this Stipulation and Order which are outstanding on such termination date and (ii) any fees incurred by the Lender



after termination of this Stipulation and Order in enforcing its rights under this Stipulation and Order.

3. The Debtor is authorized to use the Cash Collateral in the operation of its businesses; provided that the proposed use of the Cash Collateral is in accordance with the terms of this Stipulation and Order and the Budget. Notwithstanding anything herein to the contrary, no Cash Collateral may be used to object to or contest in any manner, or otherwise challenge, the validity, perfection, priority or enforceability of the Pre-Petition Indebtedness or the Pre-Petition Financing Liens or to assert any claims or causes of action against the Lender or any affiliate of the Lender, except that a statutory committee's professionals may conduct investigations in anticipation thereof with such fees and expenses to be paid from the Carve-Out (as defined below).

Replacement Liens; Stay Relief

4. As adequate protection for, inter alia, the imposition of the automatic stay, the granting of the Carve-Out (as defined below) and the use by the Debtor of the Cash Collateral and the other Pre-Petition Collateral, the Lender is hereby granted (effective as of the Petition Date and without the necessity of the execution by the Debtor, or filing, of security agreements, pledge agreements, mortgages, financing statements or otherwise) pursuant to Bankruptcy Code §§ 361 and 363(e), to the extent of any diminution of the value of the Lender's interest in the Cash Collateral and other Pre-Petition Collateral after the Petition Date:

(i) first priority liens and security interests on all assets of the Debtor (whether heretofore or hereafter acquired) not otherwise encumbered by validly perfected and unavoidable liens or security interests as of the Petition Date, subject only to the Carve-Out; and

(ii) junior liens and security interests on all assets encumbered as of the Petition Date by any valid and perfected senior liens, if any, junior and



subordinate to the liens and security interests of the holders of such senior liens, subject only to the Carve-Out; (collectively, the "Replacement Liens" and the collateral securing the Replacement Liens, the "Post-Petition Replacement Collateral").

Notwithstanding anything to the contrary in this paragraph 4, the Replacement Liens shall not attach to any Avoidance Actions.

5. The Replacement Liens shall be deemed perfected as of the commencement of the Chapter 11 Case, shall not be subject to or pari passu with any lien or security interest existing as of the Petition Date other than senior liens, if any, and except as otherwise specifically provided in this Stipulation and Order, shall be valid and enforceable against any trustee appointed in the Chapter 11 Case, or in a subsequent proceeding upon the conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code. Subject to the Carve-Out and except as specifically provided in this Stipulation and Order, no lien or security interest in any property of the Debtor granted or arising on or after the Petition Date (including, without limitation, liens and security interests, if any, granted in favor of any federal, state, municipal or other governmental unit, commission, or board for any liability of the Debtor) shall be created or permitted to be pari passu with, or senior to, the Replacement Liens, including, without limitation, pursuant to Bankruptcy Code § 364(d). For the sake of clarity and specificity, nothing contained herein shall in any way be construed as an order limiting or otherwise impairing the Lender's rights as provided in Bankruptcy Code § 552(b)(1).

6. Without the necessity of the filing of financing statements, mortgages or other documents, this Stipulation and Order shall be sufficient evidence of the Lender's perfected liens on and security interests in all Post-Petition Replacement



Collateral as described herein to secure the Pre-Petition Indebtedness. Notwithstanding the foregoing, the Debtor, and its officers or agents on its behalf, is authorized and directed, if so requested by the Lender, to execute such documents including, without limitation, pledges, mortgages, deeds of trust and Uniform Commercial Code financing statements and to pay all costs and expenses as may be reasonably required to provide further evidence of the perfection of the Lender's liens in the Post-Petition Replacement Collateral as provided herein. The stay imposed by Bankruptcy Code § 362(a) is hereby lifted to allow the filing and recording of a certified copy of this Stipulation and Order or any such financing statements, notices of lien, mortgages, deeds of trust or similar instruments, and all such documents shall be deemed to have been filed or recorded coincident with the execution of this Stipulation and Order.

7. The Lender may, in its discretion, file a photostatic copy of this Stipulation and Order as a financing statement in any jurisdiction in which the Post-Petition Replacement Collateral is or will be located, and in such event, the subject filing or recording officer is directed to file or record such copy of this Stipulation and Order.

Superpriority Claims

8. In addition to the grants of liens and security interests herein, and subject to the Carve-Out, if the Lender shall have any claims against the Debtor to the extent that, inter alia, the use of the Cash Collateral and the other Pre-Petition Collateral and the granting of the Carve-Out results in a decrease in the value of the Lender's interest in the Cash Collateral or the other Pre-Petition Collateral, or if the Lender shall have any other claims against the Debtor arising from or otherwise



concerning the diminution in the value of Lender's interest in the Pre-Petition Collateral and/or the Cash Collateral after the Petition Date, such claims shall be allowed administrative expense claims pursuant to Bankruptcy Code § 507(b), with priority in payment over all administrative expense claims and unsecured claims against the Debtor now existing or hereafter arising of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in Bankruptcy Code §§ 326, 327, 328, 330, 331, 503(b), 507(a), 546(c) and 726 (the "Superpriority Claims"). Except as expressly provided herein, no cost or expense of administration under Bankruptcy Code §§ 105, 326, 327, 328, 330, 331, 364(c)(1), 503(b), or 507(b) or otherwise, including those resulting from the conversion of the Chapter 11 Case pursuant to Bankruptcy Code § 1112, shall be senior to, or pari passu with, the Superpriority Claims.

Carve-Out

9. The security interests and liens held by the Lender in the Pre-Petition Collateral, the Replacement Liens and the Superpriority Claims granted to the Lender pursuant to this Stipulation and Order shall be subordinate in priority to and subject to a carve-out for (w) fees and disbursements incurred by the Debtor's professionals after termination of the Debtor's right to use Cash Collateral under this Stipulation and Order in an amount not to exceed the difference between (i) \$100,000 and (ii) the unused portion of the retainers, if any, held by such professionals after termination of the Debtor's right to use Cash Collateral under this Stipulation and Order, (x) the payment of allowed and unpaid professional fees and disbursements incurred by any statutory committee appointed in the Chapter 11 Case in an aggregate



amount not in excess of the difference between (i) \$100,000 and (ii) the amount of any payments made to such professionals from property of the Debtor's estate, (y) all amounts due and owing at any time under that certain Engagement Letter by and between the Debtor and Houlihan Lokey dated as of May 10, 2004, up to an aggregate cap of \$350,000, and (z) the payment of all unpaid fees payable pursuant to 28 U.S.C. § 1930(a)(6) (collectively, the "Carve-Out").

Cash Management

10. The Debtor is directed to remit any payments for goods and services provided by the Debtor or for inventory or other property of the estate of the Debtor sold by the Debtor to a lockbox, account or accounts previously established with PNC Bank, National Association ("PNC Bank") or such other lockbox, account or accounts with another financial institution as may be approved by Lender (each, a "Collection Account").

11. The Debtor shall deposit into a Collection Account, all funds and other property in its possession or payable to the Debtor (other than Cash Collateral used by the Debtor in accordance with the terms of this Stipulation and Order), from and after the Petition Date, representing the proceeds of any and all of the Pre-Petition Collateral or the Post-Petition Replacement Collateral.

12. Any and all payments or proceeds remitted, or deemed to be remitted, to Lender pursuant to this Stipulation and Order shall be received free and clear of any claim, charge, assessment or other liability including, without limitation, any such claim or charge arising out of or based on, directly or indirectly, Bankruptcy Code §§ 506(c) or 552(b), all of which are hereby waived by the Debtor.



The Budget

13. The Cash Collateral provided by the Lender to the Debtor shall be used by the Debtor through and including the Expiration Date, for the purposes and in amounts not to exceed those set forth in the budget and forecast entered into evidence at the Preliminary Hearing and attached hereto as Exhibit A, as such Budget may be amended, extended and supplemented from time to time with the express written consent of the Lender **and filed with the Court** (the "Budget"), to pay the Debtor's operating and working capital and for any other budgeted expenses in accordance with the terms and conditions of this Stipulation and Order, which shall be determined on a cumulative rolling forward basis, such that, at the end of each month, the total "Collections" or "Disbursements", as applicable, for the preceding month(s) (commencing as of the Petition Date) and the month of determination shall be aggregated. So long as the Debtor shall have the right to use the Cash Collateral pursuant to this Stipulation and Order, the Debtor may expend funds in accordance with the Budget.

Reporting Requirements

14. During the term of this Stipulation and Order, the Debtor shall submit to the Lender by 12:00 p.m. of each Wednesday, commencing Wednesday, June 2, 2004, a report in a form satisfactory to the Lender, which report shall include (i) a cash flow summary of receipts and disbursements during the previous week by the Debtor, (ii) a report on collections of any amounts received as a result of asset sales, (iii) an accounts payable analysis, (iv) a summary reconciliation of receipts and disbursements to the Budget, (v) any non-privileged information in the Debtor's

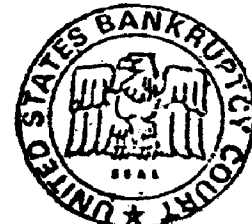


possession or within its control regarding the operation of its business, the Pre-Petition Collateral and/or the Post-Petition Replacement Collateral, as the Lender shall reasonably request, and (vi) a certificate of an authorized officer of the Debtor, in form and substance satisfactory to the Lender, certifying that the Debtor has remitted, deposited and expended Cash Collateral solely in accordance with the provisions of this Stipulation and Order and the Budget.

Adequate Protection Payments

15. As additional adequate protection, the Debtor shall from the Petition Date through the Expiration Date, make timely payments equal to the amount of all interest due as set forth in the Pre-Petition Credit Agreement (calculated at the non-default rate applicable on the Petition Date to outstanding amounts thereunder) (the "Lender Adequate Protection Payments"). All cash receipts of the Debtor in excess of the Lender Adequate Protection Payments shall be paid to the Lender and used to reduce the principal amount owing to the Lender under the Pre-Petition Credit Agreement, subject to the Debtor's right to "re-borrow" Cash Collateral in accordance with the terms of this Stipulation and Order ("Available Cash Collateral"). All such re-borrowings shall constitute debt under the Pre-Petition Credit Agreement and shall not be construed to be Post-Petition Advances.

16. As additional adequate protection hereunder, the Lender shall be entitled to reimbursement by the Debtor, promptly upon **service on any committee appointed in this case and upon** receipt by the Debtor of invoices relating thereto, of all reasonable fees, costs and expenses incurred both before and after the Petition Date, in connection with (a) the Lender's claims and liens, and (b) actions to preserve, protect



and/or enforce its rights and remedies under, and to administer, the Pre-Petition Credit Agreement and/or the other Pre-Petition Loan Documents, including reasonable counsel fees and disbursements, filing fees, audit expenses, field examination expenses and reasonable fees and disbursements of accountants, consultants and financial advisors; provided, however, that the Debtor's payment of any such fees, costs, and expenses shall be subject to its having funds available for the payment of such fees, costs, and expenses and all other expenses included in the Budget. None of the fees, costs, and expenses payable pursuant to this paragraph shall be subject to prior approval by the Bankruptcy Court (but the Bankruptcy Court shall resolve any dispute as to the reasonableness of such fees, costs, and expenses) and no recipient of any such payment shall be required to file any interim or final fee application with respect to such fees, costs, and expenses.

17. Notwithstanding any other provision hereof, the protections granted to the Lender pursuant hereto are without prejudice to the right of the Lender to seek to modify the protections provided hereby so as to provide different or additional protections. Nothing in this Stipulation and Order shall be construed as or deemed to constitute the consent of the Lender to the use, sale or lease of the Pre-Petition Collateral, including the Cash Collateral, on any terms other than as expressly provided herein.

~~_____ Lender shall be paid 100% of the consideration received by the Debtor from any sales of assets of the Debtor at the closing of any sale of any assets outside ordinary course of business, other than a sale to the Lender pursuant to the Asset~~



~~Purchase Agreement, to the extent that such proceeds do not exceed the amount of the Lender's allowed claims against Debtor's estate.~~

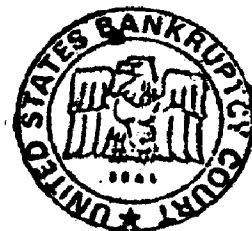
Post-Petition Advances

18. Lender may, in its sole and absolute discretion, make post-petition advances in excess of Available Cash Collateral to the Debtor to fund in whole or in part the expenses set forth in the Budget (the "Post-Petition Advances"). Post-Petition Advances shall bear interest at a rate equal to the PNC Base Rate (as defined in the Pre-Petition Credit Agreement) plus 4.5%, which shall be paid monthly on the first day of each month.

19. As security for the Post-Petition Advances, and as adequate protection, the Lender is hereby granted (effective immediately and without the necessity of the execution or filing by the Debtor of a security agreement, financing statements, trademark, copyright, tradename or patent assignment filings with the United States Patent and Trademark Office or Copyright Office, mortgages, landlord lien waivers, licensee consents or otherwise), pursuant to Bankruptcy Code §§ 364(c) and ~~(d)~~, a first priority security interest in and lien upon all of the Pre-Petition Collateral, and Cash Collateral already subject to a lien in favor of Lender granted to Lender herein and Post-Petition Replacement Collateral (collectively, the "Collateral"), ~~senior in all respects to any and all present and future liens or claims, if any, that encumber the Collateral (including, without limitation, liens and security interests, if any, of prepetition and postpetition landlords, and liens and security interests, if any, granted in favor of any governmental authority for any liability under federal or state environmental laws or regulations or for damages arising from or costs~~



~~incurred by such governmental authority in response to a release or threatened release of a hazardous or toxic waste, substance or constituent, or other substance into the environment or otherwise), subject in each instance only to the Carve-Out. The security interests and liens in the Collateral granted to the Lender hereunder include, but are not limited to: (i) those items and types of collateral in which security interests may be created under Article 9 of the Uniform Commercial Code and all Collateral in which the Lender has a security interest pursuant to the Pre-Petition Loan Documents; (ii) those items and types of collateral not governed by Article 9 of the Uniform Commercial Code, including, without limitation, licenses issued by any federal or state regulatory authority and any leasehold or other real property interests; and (iii) the products and proceeds of any of the foregoing. Notwithstanding anything to the contrary herein, the security interests and liens in the Collateral shall not attach to any Avoidance Actions. Said liens and security interests shall not be (i) subject to any lien or security interest that is avoided and preserved for the benefit of the Debtor's estate under Bankruptcy Code 551, or (ii) except as set forth herein, subordinated to or made pari passu with any other lien or security interest under Bankruptcy Code § 364(d) or otherwise. The security interest arising hereunder shall be and hereby is a fully perfected, first priority security interest, such that no additional steps need be taken by the Lender to perfect said interest. Pursuant to Bankruptcy Code § 364(c)(2), any provision of any lease or other license, contract or other agreement that requires the consent or approval of one or more landlords or other parties in order for the Debtor to pledge, grant, sell, transfer or otherwise transfer any such leasehold interest or the proceeds thereof or other Collateral are and shall be deemed to be inconsistent with the provisions of the~~

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~~Bankruptcy Code and are and shall have no force and effect with respect to the transactions granting the Lender a priority security interest in the proceeds of such leasehold interest or the proceeds of any assignment and/or sale thereof by the Debtor in favor of the Lender in accordance with the terms of this Stipulation and Order.~~

No Implied Authorization

20. Except for transactions in the ordinary course of its business or authorized by an order of this Court, the Debtor shall not sell, transfer, lease, encumber or otherwise dispose of any of the property of its estate without the prior written consent of the Lender or Court order on notice to Lender, and no such consent shall ever be implied from any other action, inaction or acquiescence by the Lender.

Termination Events

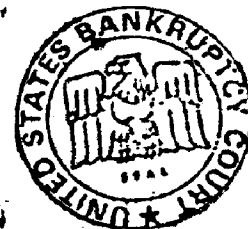
21. As long as any portion of the Pre-Petition Indebtedness remains unpaid, it shall constitute a "Termination Event" if, except with the express written consent of the Lender which consent shall not be implied:

(a) the Chapter 11 Case shall be dismissed or converted to a case under chapter 7 of the Bankruptcy Code; or a chapter 11 trustee, or an examiner with expanded powers, shall be appointed in the Chapter 11 Case; or

(b) an order or orders shall be entered by the Bankruptcy Court or any other court approving any claims for recovery of amounts under Bankruptcy Code § 506(c) with respect to the Pre-Petition Collateral; or

(c) the Bankruptcy Court or any other court shall enter an order granting relief from the automatic stay applicable under Bankruptcy Code § 362 to the holder or holders of any security interest (other than the security interests of the Lender to the extent granted in this Stipulation and Order) in any assets of the Debtor allowing such holder or holders to foreclose or otherwise realize upon any such security interests which assets have an aggregate value in excess of \$50,000; or

(d) an order of the Bankruptcy Court or any other court shall be entered amending, supplementing, staying, vacating, reversing, revoking, rescinding or otherwise modifying this Stipulation and Order, provided that no



Termination Event shall occur under this clause (d) to the extent that any such amendment, supplement or other modification is not adverse, in the reasonable judgment of the Lender, to the rights and interests of the Lender under this Stipulation and Order, or is otherwise approved by the Lender through its express written consent thereto; or

(e) an order of the Bankruptcy Court or any other court shall be entered granting any lien or security interest in any property of the Debtor in favor of any party other than the Lender pursuant to this Stipulation and Order (other than the Carve-Out) or granting a claim (other than the Carve-Out) to any party other than the Lender that is pari passu with or senior to the Superpriority Claims granted to the Lender pursuant to this Stipulation and Order; or

(f) Debtor shall file any pleading seeking, or otherwise consenting to, or shall support or acquiesce in any other Person's motion as to any of the matters set forth in paragraphs (a) through (e) above, or the Court shall grant any such motion filed by any other Person; or

(g) this Stipulation and Order shall cease to be in full force and effect and the Final Order shall not have been entered or deemed to have been entered prior to such cessation, or the entry of the Final Order shall not have occurred within 30 45 days after the Petition Date, or such later date to which Lender shall, in its sole discretion, have agreed, or the Final Order, after having been entered or deemed to have been entered, shall cease to be in full force and effect, or the Debtor's authority to use Cash Collateral hereunder shall have otherwise terminated; or

(h) Debtor shall make any payment (including "adequate protection" payments) on or in respect of any pre-Petition Date indebtedness or obligations arising prior to the Petition Date other than (i) the Pre-Petition Indebtedness, (ii) as permitted under this Stipulation and Order, (iii) sales taxes and employee withholding taxes which have been collected by the Debtor but not yet paid, (iv) employee wages and benefits, including any pre-petition severance or stay bonuses, allowed to be paid pursuant to the Court's orders with respect to the Debtor's motions to pay pre-petition wages and benefits and for authority to pay post-petition severance or stay bonuses, which motions shall be acceptable to the Lender in form and amount, and (v) as may be required under Bankruptcy Code § 365(b) in connection with the assumption of leases and contracts, provided that the Lender consents to such assumption; or

~~(i) Debtor's actual collections, for a particular week are less than ninety five percent (95%) of the corresponding weekly line item as set forth in the Budget for each of the first four (4) weeks of the term of this Stipulation and Order and thereafter less than ninety eight percent (98%) of the corresponding weekly line item as set forth in the Budget for the remaining term of this Stipulation and Order on a cumulative rolling-forward basis at the end of each week, and with respect to expenditures,~~



~~the Borrower's actual expenditures for a particular week are greater than one hundred and eight percent (108%) of the corresponding weekly line item as set forth in the Budget for the first four (4) weeks of the term of this Stipulation and Order and thereafter greater than one hundred four percent (104%) of the corresponding weekly line item as set forth in the Budget for the remaining term of this Stipulation and Order, or greater than one hundred and four percent (104%) of the corresponding weekly line item as set forth in the Budget for the first four (4) weeks of the term of this Stipulation and Order on a cumulative rolling forward basis at the end of each week, and thereafter one hundred three percent (103%) of the corresponding weekly line item as set forth in the Budget for the remaining term of this Stipulation and Order on a cumulative rolling forward basis at the end of each week.~~

(j) this Court shall abstain from hearing this Chapter 11 Case or withdraw the reference that referred the Chapter 11 Case to this Court, or the Debtor shall so move or support any motion brought by any third party seeking such relief; or

(k) Debtor shall seek to, or shall support (in any such case by way of, inter alia, any motion or other pleading filed with this Court or any other writing to another party-in-interest executed by or on behalf of the Debtor) any other Person's motion to, disallow or subordinate in whole or in part the Lender's claims in respect of the Pre-Petition Indebtedness or the obligations owed to such Lender or to challenge the validity, enforceability, perfection or priority of the liens in favor of the Lender (including, without limitation, the Liens securing the obligations owed to the Lender); or

(l) except to the extent specifically provided for herein, the filing of any motion to obtain credit from any party other than the Lender unless the terms of any such facility, or any motion and/or order to approve such facility, are acceptable to the Lender in all respects, or, in connection therewith, all the **post-petition** obligations owed to the Lender shall first be paid indefeasibly in full in cash; or

(m) any domestic affiliate of the Debtor shall file for bankruptcy under Chapter 7 or Chapter 11 (or an order for relief shall be issued in connection with an involuntary case commenced against any affiliate of the Debtor) and shall fail to become a party to this Stipulation and Order within seven (7) days from the date of the entry of an order for relief with respect to such affiliate;

(n) any order shall be entered limiting or otherwise impairing the Lender's rights under Bankruptcy Code § 552, or the Debtor shall file a pleading seeking to modify such rights, or the Debtor shall fail to object or shall in any way acquiesce to any pleading seeking to limit such rights filed by any other party; or



(o) the occurrence of an Event of Default by the Debtor under the Asset Purchase Agreement executed in connection with the Proposed Sale which has not been cured within any applicable cure period; or

~~(p) the failure of the Debtor to do the following things and obtain the following orders by the following deadlines, or such later dates as have been agreed to by the Lender and the Debtor: (A) to file on the Petition Date each of the lists, schedules and statements required to be filed by Federal Rule of Bankruptcy Procedure 1007, (B) to file a motion for approval of bidding procedures and sale on the Petition Date, (C) to obtain entry of an order approving bidding procedures with respect to the sale acceptable to the Lender within twenty-five (25) days following the Petition Date, (D) to obtain entry of an order approving the sale acceptable to the Lender within sixty (60) days of the Petition Date, and (E) to achieve a closing on the sale within seventy (70) days of the Petition Date, provided, however, that all time periods set forth in this subparagraph (other than those provided for in (A) are subject to a five (5) day grace period; or~~

~~(q) Debtor shall seek to oppose, or shall not support (in any case by way of, inter alia, any motion or other pleading filed with this Court or any other writing to another party in interest executed by or on behalf of the Debtor) any motions jointly drafted by the Lender and the Debtor, or the Debtor shall seek to oppose (in any case by way of, inter alia, any motion or other pleading filed with this Court or any other writing to another party in interest executed by or on behalf of the Debtor), any motion filed by Lender relating to the Asset Purchase Agreement, provided, however, if, in the reasonable business judgment of the Debtor, the Debtor believes that supporting, joining or jointly drafting any motion filed by the Lender shall be a breach of the Debtor's fiduciary duty to the Debtor's estate, the Debtor may act accordingly.~~

Remedies

22. Upon the occurrence of any Termination Event and the giving of notice to the Debtor by the Lender, and at all times thereafter, the Debtor's right to use the Cash Collateral will automatically terminate. Commencing on the third (3rd) business day after (i) the date that such obligations owed to the Lender become due and payable, or (ii) the occurrence of any non-monetary Termination Event (whether by acceleration, upon the Expiration Date, a Termination Event, or otherwise), the Lender may (i) declare the principal of and accrued interest on the Pre-Petition Indebtedness, together with all fees and other liabilities constituting the obligations owed to the



Lender, to be immediately due and payable; (ii) set off or seize and apply to the obligations owed to the Lender the Pre-Petition Indebtedness amounts contained in any Collection Account or any other account maintained with or under the control of the Lender; and/or (iii) take any other action or exercise any other right or remedy permitted to the Lender under the Pre-Petition Loan Documents, this Stipulation and Order or by applicable law, without further order of or application to this Court or further modification of the automatic stay pursuant to Bankruptcy Code § 362 (which is hereby deemed and shall be modified to the extent necessary to permit such orderly liquidation), unless the Debtor's authority to use Cash Collateral has been extended with the written consent of Lender or the Lender's ability to exercise its rights and remedies as provided in clauses (i), (ii) and (iii) of this paragraph 23 has been enjoined as provided in paragraph 24 hereof. Except as provided in paragraph 24 hereof, the Debtor is directed to fully cooperate with the Lender in the exercise by the Lender of its rights and remedies specified in this paragraph 23.

23. Upon the occurrence of any Termination Event, the Lender shall, prior to exercising any of the rights and remedies specified in paragraph 23 on account thereof (other than the right to terminate the Debtor's authorization to use Cash Collateral), give no less than ~~three (3)~~ five (5) days written notice thereof by facsimile transmission and by overnight mail (the "Termination Notice"), to (i) the Debtor and its counsel, (ii) counsel for any official committee of unsecured creditors appointed in this Chapter 11 Case pursuant to the Bankruptcy Code (or barring timely appointment of such committee, to the entities listed on the Debtor's list of its twenty (20) largest non-insider unsecured creditors), and (iii) the Office of the United States Trustee for the



Southern District of New York, of the specific Termination Event and the Lender's intention to exercise its remedies under Paragraph 23. The Debtor, any statutory creditors' committee and/or the Office of the United States Trustee for the Southern District of New York may, during the ~~three (3)~~ five (5) business day period following the Lender's transmission of the Termination Notice, seek an order from this Court enjoining, staying or otherwise modifying the Lender's exercise of its rights and remedies specified in clause (d) of paragraph 23. Unless the exercise by the Lender of such rights and remedies has been stayed by this Court during the ~~three (3)~~ five (5) business day period following the Lender's transmission of the Termination Notice, or thereafter based on a motion filed within such three business day period, the Debtor shall cooperate fully with the Lender and shall not take any steps or actions to contest or otherwise challenge the exercise by the Lender of each and all of the remedies permitted in this Stipulation and Order or the Pre-Petition Loan Documents or under applicable law. ~~Except as otherwise provided in this paragraph 24, the Debtor is hereby irrevocably deemed to waive all of its rights to oppose the Lender's exercise of its rights and remedies permitted in this Stipulation and Order or in the Pre-Petition Loan Documents or under applicable law upon the occurrence of a Termination Event. The Debtor's and other parties' in interest sole basis for such an injunction shall be a determination whether or not the Debtor is in default under the terms of this Stipulation and Order, or whether such default exists or has been cured or whether the Termination Event has occurred; the Debtor shall not seek relief under Bankruptcy Code §105, Bankruptcy Rule 7065, or pursuant to Rule 60(b) of the Federal Rules of Civil Procedure (as applied pursuant to Bankruptcy Rule 9024), or request in any way that the~~



~~general equitable powers of this Court or any other court be invoked to enjoin the Lender in pursuit of its rights and remedies under this Stipulation and Order, the Pre-Petition Loan Documents, the Bankruptcy Code, and/or applicable non-bankruptcy law.~~

Survival

24. The provisions of this Stipulation and Order and any actions taken pursuant hereto shall survive entry of any order (a) confirming any plan of reorganization in this Chapter 11 Case ~~(and the obligations owed to the Lender and the Pre-Petition Indebtedness shall not be discharged by the entry of any such order or pursuant to Bankruptcy Code § 1141, the Debtor having hereby waived such discharge),~~ (b) converting the Chapter 11 Case to a chapter 7 Case, or (c) dismissing the Chapter 11 Case, or (d) pursuant to which this Court abstains from hearing the Chapter 11 Case, and the terms and provisions of this Stipulation and Order as well as the Carve-Out, and the Replacement Liens granted pursuant to this Stipulation and Order and the Pre-Petition Loan Documents shall continue in full force and effect notwithstanding the entry of any such order, and the Carve-Out and the Lender's liens, security interests and superpriority claims shall maintain their priority as provided by this Stipulation and Order and the Pre-Petition Loan Documents until all of the obligations owed to the Lender and the Pre-Petition Indebtedness are indefeasibly paid in full in cash. The Court shall retain jurisdiction to enforce the provisions of this Stipulation and Order.

Limitation on Certain Actions

25. Except for the Debtor, who has expressly waived its rights to do so as provided herein, any party in interest, including any statutory committee of general unsecured creditors, may commence any adversary proceeding or contested matter



challenging the validity, enforceability or priority of the obligations owed to the Lender or the Pre-Petition Indebtedness or, to the extent they secure the obligations owed to the Lender or the Pre-Petition Indebtedness, the Pre-Petition Financing Liens, or otherwise assert any claim or cause of action against the Lender, no later than the date that is sixty (60) days after the Petition Date. If no such adversary proceeding or contested matter is commenced as of such date, the obligations owed to the Lender and the Pre-Petition Indebtedness shall constitute allowed claims, not subject to avoidance or subordination, for all purposes in the Chapter 11 Case, and the Pre-Petition Financing Liens shall be deemed legal, valid, binding, perfected, enforceable and otherwise unavoidable, and the obligations owed to the Lender and the Pre-Petition Indebtedness and the Pre-Petition Financing Liens shall not be subject to any other or further challenge by any party in interest.

Preservation of Rights

26. Except as otherwise specifically provided herein, entry of this Stipulation and Order shall be without prejudice to any and all rights, remedies, claims and causes of action which the Lender may have against the Debtor or any third parties, and without prejudice to the right of the Lender to seek relief from the automatic stay in effect pursuant to Bankruptcy Code §362, or any other relief under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation, the right of the Lender to (i) seek additional relief from the Court in respect of its interests in the Pre-Petition Collateral (including, without limitation, the Cash Collateral) or relief from or modification of the automatic stay under Bankruptcy Code § 362, (ii) request



conversion of the Chapter 11 Case to chapter 7 of the Bankruptcy Code and (iii) propose, subject to the provisions of Bankruptcy Code § 1121, a chapter 11 plan.

27. Upon execution of this Stipulation and Order by the Court, the provisions hereof shall be immediately binding upon and inure to the benefit of the Lender, the Debtor and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in the Chapter 11 Case or in any superseding chapter 7 case as a legal representative of the Debtor or the Debtor's estate.

No Surcharge

28. **In the final order the Debtor hereby waives will waive** any right to assert a claim under Bankruptcy Code § 506(c) for any costs and expenses incurred in connection with the preservation, protection, disposition or enhancement of, or realization by any party in interest on, the Pre-Petition Collateral or the Post-Petition Replacement Collateral.

Right to Inspect

29. The Lender shall have the right, upon reasonable telephonic notice to the Debtor, at any time during normal business hours, to inspect, audit, examine, check and make copies of, and extract non-privileged information from, the Debtor's records, and to obtain company information from the Debtor's management, and the Debtor shall make its records and management available to the Lender for such purposes. The Debtor shall timely file and serve upon the Lender and its counsel all pleadings and other documents filed by the Debtor in the Debtor's Chapter 11 Case, including the financial reports required by the United States Trustee's office, and shall



continue to supply such reports as are required under the Pre-Petition Loan Documents or as requested by the Lender.

30. The Debtor shall provide the Lender with copies of all documents provided to any official committee of unsecured creditors, as well as copies of all non-privileged consultants' reports, appraisals, business plans, and similar documents as they become available to the Debtor, including, without limitation, any and all audits and other non-privileged reports prepared by the Debtor's accountants. The Debtor shall provide the Lender with a description of all documents withheld as privileged and shall give the basis for such assertion of privilege.

Debtor Must Maintain Insurance

31. The Debtor shall deliver to the Lender evidence satisfactory to the Lender that the Pre-Petition Collateral is adequately insured under insurance policies acceptable to the Lender under which the Lender is named as loss payee and additional insured.

No Deemed Lender Control

32. The Lender shall not be deemed to be in "control" of the operations of the Debtor, or to be acting as a "responsible person" or "owner" or "operator" with respect to the operation or management of the Debtor (as such terms or similar terms are used in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any similar federal or state statute), solely by reason of any credit extended to the Debtor under the Pre-Petition Loan Documents **subsequent to the commencement of the case**, or the grant to and/or exercise by the Lender of any rights or remedies hereunder ~~or thereunder~~.



No Release of Non-Debtor

33. Except as otherwise provided in the Asset Purchase Agreement, nothing contained in this Stipulation and Order shall be deemed to terminate, modify or release any obligations of any non-debtor guarantor to the Lender with respect to the obligations owed to the Lender, or the Pre-Petition Indebtedness, or otherwise.

No Third-Party Beneficiaries

34. No rights are intended to be created hereunder for the benefit of any third party or creditor or any direct or indirect incidental beneficiary except as specifically provided herein. The Carve-Out shall not be available to any party other than those specifically authorized to receive payment therefrom as provided in paragraph 9 hereof.

Effectiveness

35. This Stipulation and Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable immediately upon the entry of this Stipulation and Order by this Court. Except as otherwise provided herein, the terms of this Stipulation and Order shall be valid and binding upon the Debtor, all creditors of the Debtor, any statutory committee appointed in this case all other parties in interest from and after the execution of this Stipulation and Order by this Court.

Waiver, Modification and Amendment

36. No waiver, modification, or amendment of any of the provisions hereof shall be effective unless it is set forth in writing, signed by the parties hereto and approved by this Court.



Good Faith

37. The Lender is hereby found to be an entity that extended or will extend credit, and that has consented to the use of the Cash Collateral, in good faith and is entitled to all of the protections provided to an entity that extended credit in good faith, with respect to all loans and advances made and Cash Collateral used pursuant to this Stipulation and Order and the Pre-Petition Loan Documents. If this Stipulation and Order or any of the provisions hereof are hereafter modified, vacated, stayed or reversed by subsequent order of this Court or any other court, without the Lender's express written consent, such stay, modification, vacation or reversal shall not affect (a) the validity of any obligation, indebtedness or liability incurred by the Debtor to the Lender that is or was incurred pursuant to this Stipulation and Order before the later of (i) the effective date of such stay, modification or vacation or reversal and (ii) the date of the Lender's receipt of notice thereof, or (b) the validity and enforceability of the rights, remedies, liens, security interests and priorities authorized and created by this Stipulation and Order or (c) the Lender's right and ability to collect and apply all amounts due to it under the Pre-Petition Loan Documents as approved by this Stipulation and Order.

38. Notwithstanding any stay, modification, vacation, or reversal of this Stipulation and Order, any indebtedness, obligation or liability incurred by the Debtor pursuant to this Stipulation and Order arising prior to the later of the effective date of such stay, modification, vacation or reversal, or the Lender's receipt of notice thereof, shall be governed in all respects by the original provisions of this Stipulation and Order, and the Lender shall continue to be entitled to all of the rights, remedies,



privileges and benefits, including any payments authorized herein and all security interests, liens and priorities granted herein, with respect to all such indebtedness, obligations or liabilities incurred or existing prior to such date, and with respect to such Debtor's use of the Cash Collateral prior to such date. Without limiting the generality of the foregoing, in the event this Court or any other court hereafter modifies any of the provisions of this Stipulation and Order, such modifications shall not affect the rights, remedies, liens and priorities of the Lender granted or acknowledged pursuant to this Stipulation and Order with respect to the Pre-Petition Indebtedness and any Cash Collateral which is used prior to any such modifications.

Notice

39. The Debtor shall, within three (3) business days following entry of this Stipulation and Order, mail copies thereof, to the United States Trustee for the Southern District of New York, counsel to the Lender, the entities listed on the list of its twenty (20) largest non-insider unsecured creditors of the Debtor, all parties who appeared or otherwise responded to the relief requested herein, any other party which has filed a request for notices with this Court and served such notice upon the Debtor's counsel, and counsel for any official committee of unsecured creditors appointed in this Chapter 11 Case pursuant to the Bankruptcy Code (or barring timely appointment of such committee, to the entities listed on the each Debtor's list of its twenty (20) largest non-insider unsecured creditors). The notice of approval of this Stipulation and Order shall state that any party in interest objecting to this Stipulation and Order as a final order shall file written objections with the United States Bankruptcy Court for the Southern District of New York no later than **June 25, 2004**, ~~five (5) judicial days prior~~



~~to the date set for the Final Hearing on this matter, which objections shall be served so that the same are received on or before 4:00 p.m. (prevailing Eastern Time) of such date by: (a) counsel to the Debtor, Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, Attn.: Dennis J. O'Grady, Esq. (dogrady@riker.com) and J. Alex Kress, Esq. (akress@riker.com), (b) counsel to the Lender, Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, FL 33131, Attn.: James P. S. Leshaw, Esq. (leshawj@gtlaw.com) and Greenberg Traurig, LLP, MetLife Building, 200 Park Avenue, New York, NY 10166 Attn. Thomas J. Weber, Esq. (webert@gtlaw.com), (c) the Office of the United States Trustee for the Southern District of New York and (d) the entities set forth on the list of twenty (20) largest unsecured creditors of the Debtor.~~

40. ~~If no written objection is timely served and filed, a final hearing shall be deemed to have occurred and this Stipulation and Order shall be deemed to be a final order on _____, 2004, and shall continue on a final basis and remain in full force and effect and constitute final authority for the Debtor's use of the Cash Collateral through and including the Expiration Date, and any objection by any party in interest to the terms of this Stipulation and Order and the relief provided herein shall be deemed forever waived. If a timely objection is served and filed, a A final hearing to consider the entry of this Stipulation and Order on a final basis will be held on June 30, 2004 at 11:30 a.m.~~

Dated: May 27, 2004

/s/ Allan L. Gropper
UNITED STATES BANKRUPTCY JUDGE



Agreed as to form and content:

GREENBERG TRAURIG, P.A.

By: /s/

James P.S. Leshaw, Esq.
1221 Brickell Avenue
Miami, FL 33131
Telephone: (404) 815-2400
Fax: (404) 815-2424

COUNSEL TO THE LENDER

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI LLP

By: /s/

Dennis J. O'Grady, Esq.
One Speedwell Avenue
Morristown, NJ 079262-1981
Telephone: (973) 538-0800
Fax: (973) 538-1984

PROPOSED COUNSEL TO THE DEBTOR AND
DEBTOR-IN-POSSESSION



EXHIBIT LIST

Exhibit A

Budget

3401893.6

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LANTIS EYEWEAR CORPORATION
 PROJECTED CASH FLOW
 (amounts in thousands)

EXHIBIT 5

		Week Ending				
		May 29	June 5	June 12	June 19	June 26
Opening Loan		14,344	14,104	13,847	14,368	14,890
CASH RECEIPTS	Collections-Domestic	1,610	1,579	644	1,289	1,933
	Other Cash receipts	0	0	0	0	0
	Total Cash In	1,610	1,579	644	1,289	1,933
Loan Balance after Cash Receipts		12,734	12,525	13,202	13,079	12,957
CASH DISBURSEMENTS	Compensation	100	659	106	637	86
	Fixed Operating Expenses	493	114	75	60	464
	Variable Operating Expenses	99	134	181	124	136
	Inventory Purchases - LC	610	249	381	295	136
	Displays	0	0	5	5	5
	Deposits	0	0	50	0	0
	Financing Costs	67	87	72	122	82
	Interest	0	79	0	0	0
	License	0	0	120	98	385
	Customer Refunds	0	0	175	260	0
Total Disbursements		1,370	1,322	1,165	1,811	1,294
Lantis Internal Loan Balance		14,104	13,847	14,368	14,890	14,251
	Fleet	(265)	(248)	(431)	(424)	(760)
	Overadvance	150	150	150	150	150
Loan Balance Per Bank		13,988	13,748	14,087	14,616	13,621
Standby LC's		1,506	1,506	1,806	1,806	1,606
Product LC's		1,825	1,576	1,545	1,360	1,299
Total Loan Exposure (Internal plus LC's)		17,319	16,830	17,238	17,582	16,526



EXHIBIT "B"
to Sale Order



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TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "Agreement") is made as of [____], 2004 by and among HIG Recovery Fund II, Inc., a Delaware corporation or its designee ("HIG"), and Lantis Eyewear Corporation, a New Jersey corporation (the "Debtor"). HIG and the Debtor are referred to collectively herein as the "Parties" and each a "Party".

WITNESSETH

WHEREAS, HIG and the Debtor have entered into that certain Amended and Restated Asset Purchase Agreement dated as of May 25, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Asset Purchase Agreement");

WHEREAS, on August __, 2004, the Bankruptcy Court approved the sale to HIG of substantially all of the Debtor's assets pursuant to the Sale Order;

WHEREAS, the Debtor owns or leases certain equipment (the "Equipment") as set forth in Appendix A hereto; and

WHEREAS, in order to promote a smooth transition of the Debtor's business, upon the terms and conditions of this Agreement, the Debtor is willing to grant HIG the right to use and possess and/or control the use and possession of the Equipment during the Transition Period (as hereinafter defined).

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Asset Purchase Agreement.
2. Grant to HIG. Subject to the terms and conditions of this Agreement, the Debtor hereby grants to HIG to the full extent of its right, title and interest in the Equipment, the exclusive right to use and possess and/or control the use and possession of the Equipment and the services related thereto, during the Transition Period (as defined herein). HIG may delete Equipment from Schedule A from time to time.
3. Effectiveness; Transition Period. This Agreement shall become effective on the Closing Date and shall remain in effect until the earlier of (a) 120 days after the Closing Date and (b) the later of (i) the effective date of any plan of reorganization or liquidation (the "Plan Effective Date") and (ii) the date after the Plan Effective Date to which the Bankruptcy Court has extended the Debtor's time to assume or reject the leases to which the Equipment is subject (the later of (i) and (ii), the "Assumption/Rejection Date") (the "Transition Period"). This Agreement may be extended for up to an additional 90 days at HIG's option upon ten days prior written notice to the Debtor given on or prior to the 110th day after the Closing Date, provided that this Agreement may not be extended past the Assumption/Rejection Date except by further order of the Bankruptcy Court. Notwithstanding anything contained herein to the contrary, upon



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the expiration or termination of any Equipment lease, any and all rights granted by the Debtor to HIG with respect to any such Equipment shall simultaneously terminate and HIG shall immediately return such equipment to the Debtor. The Debtor covenants that it will not voluntarily terminate any Equipment lease during the Transition Period provided that HIG is not in material default under this Agreement.

4. Fees. HIG shall pay to the Debtor in lawful money of the United States of America, by check drawn on a bank or trust company which is a member of The New York Clearing House Association, addressed to the Debtor at the address set forth herein or at such other place as the Debtor may designate, all without notice or demand and without setoff or deduction whatsoever on the Closing Date, the "Initial Payment" described on Appendix B and on the first day of each calendar month thereafter during the Transition Period or any extension thereof, the fees, charges or rent then due under the Equipment leases.

5. Incorporation of Equipment Leases. HIG covenants and agrees not to do or suffer or permit anything to be done that would result in a default or breach under or termination of any Equipment Leases, the terms of which are hereby incorporated by reference. HIG hereby covenants and agrees to comply with all terms and conditions of the Equipment Leases so long as it has possession or control of the Equipment that is the subject of the Equipment Leases. HIG shall maintain and repair the equipment subject to the Equipment Lease to the extent required by the Equipment Leases.

6. Insurance. HIG will obtain and keep in full force and effect any and all insurance required to be maintained under the Equipment leases and Facilities Leases, in each case, with HIG named as the insured thereunder, and the Debtor named as additional insured thereunder. On the Closing Date, HIG will furnish to the Debtor certificates of such comprehensive general public liability and property damage insurance in such form, with such companies, and for such periods as reasonably satisfactory to the Debtor.

7. Cooperation by Debtor. If and for so long as HIG is not in monetary default hereunder, during the Transition Period, the Debtor at HIG's expense shall cooperate with HIG in all respects with respect to the Equipment, including but not limited to, providing HIG with copies of any documentation reasonably requested by HIG and not intentionally taking any actions, or failing to take any actions, known by Debtor to be adverse to HIG's right to use, possess or control the Equipment.

8. Negotiation with Creditors During the Transition Period. HIG shall have the right to meet and negotiate with the Debtor's lessors with respect to the Equipment Leases regarding the transfer, termination, foreclosure, assignment or other disposition of the Equipment.

9. Representations and Warranties.

(a) Representations and Warranties of the Debtor. Subject to the approval by the Bankruptcy Court, the Debtor has all requisite corporate power and authority to execute, enter into, and carry out the terms and conditions of this Agreement and to perform its obligations hereunder. Subject to the approval by the Bankruptcy Court, this Agreement has been duly executed and delivered and is a legal, valid, and binding agreement of the Debtor,



enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium, or other laws and judicial decisions from time to time in effect which affect creditors' rights generally. HIG expressly acknowledges that the Debtor is not making any representation or warranty to HIG regarding the Equipment, including, without limitation, the condition thereof or HIG's right, if any, under the Equipment leases, to use, possess or control all or any portion of the Equipment.

(b) Representations and Warranties of HIG. HIG has all requisite corporate power and authority to execute, enter into, and carry out the terms and conditions of this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered and is a legal, valid, and binding agreement of HIG, enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium, or other laws and judicial decisions from time to time in effect which affect creditors' rights generally.

10. Indemnity.

(a) HIG shall not (i) do or permit to be done any act or thing upon or (ii) use or permit the use of the Equipment in any manner that will subject the Debtor to any liability or responsibility for injury, damage to persons or property or to any liability by reason of any violation of applicable law and shall exercise such control over the Equipment as to fully protect the Debtor and any partners, shareholders, officers, directors, employees, principals, agents and contractors, directly or indirectly, of the Debtor ("Indemnitees") against any such liability. HIG shall indemnify, defend, protect and hold harmless each and all of the Indemnitees from and against any and all Losses (as defined below) suffered by the Debtor from and after the Closing Date with respect to the Equipment, the Equipment leases, and/or this Agreement, (A) arising from any act, omission or negligence of HIG, its contractors, licensees, agents, servants, employees, invitees or visitors, (B) arising from any accident, injury or damage whatsoever caused to any person or to the property of any person and occurring during the expiration of the Transition Period, and (C) resulting from any breach, violation or nonperformance of any covenant, condition or agreement of this Agreement on the part of HIG to be fulfilled.

(b) For purposes of this Section, the term "Losses" means any and all losses, liabilities, damages, fines, suits, demands, costs and expenses of any kind or nature (including, without limitation, reasonable attorneys' fees and disbursements).

11. Default and Termination. Either Party shall have the right to terminate this Agreement upon ten (10) days' prior written notice of the other Party's breach or failure to comply with any of the obligations hereunder and if the defaulting Party has not cured such breach or complied with such obligations within such ten (10) day period; provided, however, that (i) termination of this Agreement will not terminate vested rights or relieve either Party from due performance of all obligations which by their nature continue after the termination of this Agreement and (ii) the terminating Party must provide written notice of termination at the end of the ten (10) day period if the breach has not been cured.

12. Miscellaneous.



(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect (to the extent permitted by law) to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(b) Expenses. Each Party shall bear its own costs and expenses with respect to the transactions contemplated hereby.

(c) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Debtor and HIG. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(d) Entire Agreement. This Agreement and the Appendixes hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party hereto may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that nothing herein shall prohibit the assignment of HIG's rights (but not its obligations) to any direct or indirect Subsidiary or Affiliate.

(f) Gender and Number. When the context of this Agreement requires, the general of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

(g) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if sent by hand delivery or overnight mail (and then two (2) Business days after it is sent by registered or certified mail, return receipt requested, postage prepaid), and addressed to the intended recipient as set forth below:



If to The Seller:

Lantis Eyewear Corporation
755 Secaucus Road
Secaucus, New Jersey 07094
Attn: President
Phone: (201) 766-7000
Facsimile: (201) 766-7710

Copy to:

Riker Danzig Scherer Hyland Perretti LLP
One Speedwell Avenue
Morristown, New Jersey 07962
Attn: Dennis J. O'Grady
Phone: (973) 538-0800
Facsimile: (973) 538-1984

and to:

Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attn: Andrew I. Silfen
Phone: (212) 484-3903
Facsimile: (212) 484-3990

If to HIG:

HIG Recovery Fund II, Inc.
c/o HIG Capital LLC
1001 Brickell Bay Drive
27th Floor
Miami, FL 33131
Attn: Charles Hanemann
Phone: (305) 379-2322
Facsimile: (305) 379-2013

Copy to:

Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, FL 33131
Attn: James P. S. Leshaw
Phillip J. Kushner
Phone: (305) 579-0500
Facsimile: (305) 579-0717

and to:

Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attn: Andrew I. Silfen
Phone: (212) 484-3903
Facsimile: (212) 484-3990



Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(j) Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or by electronic media or similar means shall be deemed to be their original signatures for all purposes.

(k) Incorporation of Recitals and Appendixes. All recitals and Appendixes to this Agreement are incorporated herein by reference and made a part hereof for all purposes.

(l) Headings. The section headings contained in this Agreement are inserted for convenience and reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[Remainder of page intentionally left blank.]



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

HIG RECOVERY FUND II, INC.

By: _____
Name:
Title:

LANTIS EYEWEAR CORPORATION

By: _____
Name:
Title:



APPENDIX A

Equipment

[To be determined prior to Closing Date.]



APPENDIX B

PAYMENTS AND FEES

Initial Payment: [insert amount equal to 4 months' worth of rent, charges and expense, under the Equipment leases].



ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT

This Assignment, Assumption and Release Agreement (this "Assignment"), dated July 20, 2004, is among HIG Recovery Fund II, Inc., a Delaware corporation, ("HIG" or "Tenant" as applicable), Lanfis Eyewear Corporation, a Florida corporation (the "Debtor"), and 777 Sinatra Drive Corp. (the "Landlord"), a New Jersey corporation. Reference is made to that certain Lease between the Landlord and the Debtor dated June 14, 2000 (the "Lease") for the Premises (as defined in the Lease) occupied by the Debtor at 755 Secaucus Road in Secaucus, New Jersey.

The Debtor is a debtor operating under the protection of chapter 11 of Title 11 of the U.S. Code (the "Bankruptcy Code") in a case styled as *In re Lanfis Eyewear Corporation Case No. 04-13589 (ALC)* in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Debtor has agreed to sell substantially all of its assets to HIG (the "Sale").

This Agreement sets forth the terms and conditions of a definitive assumption by, and assignment to, HIG of the Lease, subject to the following terms and conditions, and appropriate documentation in accordance with the terms of the Lease:

A. Debtor hereby assigns, conveys, sells, delivers and sets-over to HIG, all of Debtor's rights, title and interest in and to the Lease subject to the terms and conditions of this Agreement. The Landlord hereby acknowledges such assignment and assumption by HIG and agrees that HIG is a "Permitted Transferee" (as such term is defined in the Lease)

B. Notwithstanding anything to the contrary in the Lease, the Landlord and Debtor hereby agree that effective as of the closing of the Sale and Bankruptcy Court approval of this Agreement (the "Closing Date"):

1. HIG, as a Permitted Transferee, shall hereby become the Tenant under the Lease; and assume all of the obligations of the tenant under the Lease from and after the Closing Date; and

2. the Debtor and the Debtor's estate shall be released from all liabilities and obligations, whether past, present or future, under the Lease, except with respect to third party claims asserted against Debtor and/or Landlord arising out of or in any way related to Debtor's use, occupancy or lease of the Premises prior to the Closing Date; and

3. the Landlord shall hereby be released from all liabilities and obligations, whether past, present or future (other than claims for contribution, indemnification, or defense), with respect to Debtor and Debtor's use, occupancy and lease of the Premises; and

4. HIG agrees to accept the Premises in an "as is" condition and further agrees not to make any claims against Landlord or the Debtor, now or in the future, regarding the condition of the Premises.



C. Provided that the Debtor satisfies all Rent Obligations (as such term is defined in the Lease) through the Closing Date, the Landlord further agrees that it will not assert any claim whatsoever against the Debtor, its estate or any of its creditors (as it relates to the Debtor's use, occupancy or lease of the Premises), except with respect to claims not released hereunder for defense and/or indemnification related to third party claims referenced in Section B.2 above, if any.

D. The Landlord and the Debtor each hereby represent that, as of the date hereof, to the best of each party's knowledge, no third party claims arising out of the Lease or Debtor's use, occupancy or Lease of the Premises exist.

E. Prior to or on the Closing Date, the parties hereto agree to amend the Lease to provide that Tenant and Landlord shall mutually agree to terminate the Lease on March 31, 2005, if by December 31, 2004, HIG has not entered into a valid and binding assignment and assumption agreement (in a form satisfactory to Landlord) (the "HIG A&A") with a third party acceptable to Landlord to assume all obligations and liabilities of the Tenant under the Lease (an "Assignee") or, if by March 31, 2005, Landlord has not caused HIG to enter into a valid and binding assignment and assumption agreement (the "Landlord A&A") with an Assignee (pursuant to the terms as set forth herein below). HIG, at its own expense, hereby agrees to promptly retain a real estate broker (the "Broker") reasonably acceptable to the Landlord to identify potential Assignees. HIG shall be responsible for any and all costs or commissions associated with the retention of and or services rendered by the Broker. The Landlord shall not unreasonably withhold its approval of any Assignee procured by HIG and/or its real estate broker. Upon the identification of a mutually acceptable Assignee, the Landlord and HIG shall execute an appropriate assignment and assumption agreement with such Assignee on or prior to March 31, 2005. HIG shall promptly notify the Landlord of all prospective tenants who express a bona fide interest in the Lease or the Premises and for which a written letter of intent or term sheet has been prepared. HIG shall deliver copies of any such term sheets or letters of intent to Landlord. During the period between the execution of this Agreement and March 31, 2005, Landlord may enter into negotiations with prospective tenants for the Premises and enter into a binding agreement to lease the Premises to any such prospective tenant provided, that (i) Landlord must give HIG reasonable notice of such negotiations, and (ii) Landlord may not enter into any binding agreement with such prospective tenant without HIG's prior written consent prior to January 1, 2005. Landlord shall have the right to enter into any binding agreement with a prospective tenant, in its sole and absolute discretion, without notice to HIG or HIG's prior written consent at any time on or after January 1, 2005.

F. Any Assignee which has entered into the assignment and assumption agreement as described in paragraph E above must replace or otherwise support any letters of credit currently provided by HIG or its affiliates (the "HIG L/Cs") in respect of the Lease on terms acceptable to Landlord; provided that if (i) no HIG A&A is executed prior to or on December 31, 2004, and (ii) as of March 31, 2005, Landlord has not executed a Landlord A&A or executed a binding lease agreement for the Premises with a third party, then HIG hereby agrees that the Landlord may draw on the HIG L/Cs in their entirety and HIG waives all claims, right, title and interest in and to the HIG L/Cs, and the amounts advanced thereunder. Notwithstanding the preceding sentence, to the extent a HIG A&A is executed, or to the extent a Landlord A&A is executed, or to the extent Landlord executes a "new" lease agreement with a third party with

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TRADEMARK

REEL: 003105 FRAME: 0562

respect to the Premises on or before March 31, 2005, HIG and Landlord agree that Landlord shall be entitled to be made whole for any damages it sustains as a result of any such agreement by drawing upon the HIG L/Cs. Such damages shall include, but not be limited to, brokerage commissions, tenant construction work or allowances, rent abatements, a differential between the aggregate Rent payable during the remaining term of the Lease and the aggregate rent payable under any successor lease agreement or a differential between the Security Deposit under the Lease and any security deposit posted under any successor lease agreement. The parties agree that HIG shall amend the expiration date and draw provisions of the HIG L/Cs within seven (7) days of the Closing Date to be consistent with the terms of this Agreement and in form as depicted on Exhibit A attached herein. Should HIG fail to amend the HIG L/Cs within seven (7) days of the Closing Date, the parties agree that such failure will constitute a Default under the terms of the Lease and Landlord shall be entitled to draw upon the HIG L/Cs in their entirety. Upon the drawing down by the Landlord of the HIG L/Cs for any of the reasons stated above in this paragraph, the Landlord shall be deemed to have waived any claims against HIG in respect of the Lease, and HIG shall have no further obligations or liabilities in connection with the Lease except for third party claims and any and all damages to the Premises caused by Tenant's gross negligence or willful misconduct.

G. HIG shall indemnify, defend, protect and hold harmless the Debtor and any partners, shareholders, officers, directors, employees, principals, agents and contractors, directly or indirectly, of the Debtor from and against any all losses, liabilities, damages, fines, suits, demands, costs and expenses of any kind or nature (including reasonable attorneys' fees and disbursements) incurred by the Debtor under or in any way related, directly or indirectly, to this Lease or this Agreement, including without limitation, the items described in Section B.2. hereof.

H. HIG hereby agrees that, upon reasonable telephonic notice to HIG, the Premises (as defined in the Lease) may be inspected by any potential Assignee or by Landlord at any time prior to March 31, 2005.

I. This Agreement shall be binding on the parties hereto upon the entry by the Bankruptcy Court of an appropriate order approving the Sale and this Agreement.

J. The validity of this Agreement, its construction, interpretation and enforcement, shall be determined under and according to the laws of the State of New Jersey without any reference to principles of conflicts of law. Each of the parties hereto hereby agrees that the Bankruptcy Court shall have exclusive jurisdiction to hear and determine any claims or disputes among the parties hereto pertaining directly or indirectly to this Agreement or to any matter arising therefrom. Each of the parties hereto hereby waives any objection which any of them may have to the venue of any action commenced in the Bankruptcy Court.

K. The parties may sign any number of copies of this Agreement. Each signed copy shall be an original, but all of them together represent the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.



Jul 22 04 01:17p

H.I.G. CAPITAL LLC

(415) 439-5525

p.5

07/22/2004 14:05

2125617560

STEVE CLARKE

PAGE 05

07/22/2004 10:54 FAX 201 348 4358

HARTZ MOUNTAIN IND

(415) 439-5525

P. 5

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[Remainder of page intentionally left blank.]



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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and attested, all as of the date first above written.

LANTIS EYEWEAR CORPORATION

By: _____

[Signature]
EVP, COO

HIG RECOVERY FUND INC.

By: _____

[Signature]

777 SINATRA DRIVE CORP.

By: _____

[Signature]
EVP, Administration
Lawrence Carr

by: [Signature]



TRADEMARK

EXHIBIT A page 1 of 4

SUNTRUST

IRREVOCABLE LETTER OF CREDIT F843159 PAGE 1

LETTER OF CREDIT NUMBER: F843159
ISSUANCE DATE: MAY 07, 2004

APPLICANT:
H.I.G. CAPITAL, LLC
1001 BRICKELL BAY DRIVE,
27TH FLOOR
MIAMI, FL 33131

BENEFICIARY:
777 SINATRA DRIVE CORPORATION
C/O HARTZ MOUNTAIN INDUSTRIES, INC.
400 PLAZA DRIVE
SECAUCUS, NJ 07094

FOR USD 1,256,250.00
(ONE MILLION TWO HUNDRED FIFTY SIX THOUSAND TWO HUNDRED FIFTY
00/100 U.S. DOLLARS)

DATE OF EXPIRATION: ~~DECEMBER 31, 2004~~ April 30, 2005
PLACE OF EXPIRATION: AT OUR COUNTERS

WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT NO. F843159
IN YOUR FAVOR FOR ACCOUNT OF THE ABOVE-REFERENCED APPLICANT
AVAILABLE BY YOUR DRAFTS DRAWN ON US PAYABLE AT SIGHT FOR ANY
SUM OF MONEY NOT TO EXCEED A TOTAL OF THE AMOUNT REFERENCED
ABOVE WHEN ACCOMPANIED BY THIS LETTER OF CREDIT AND THE
FOLLOWING DOCUMENTS:

BENEFICIARY'S DATED CERTIFICATE PURPORTEDLY SIGNED BY ONE OF ITS
OFFICIALS STATING: " THE DRAWER HEREUNDER IS ENTITLED TO DRAW
UPON THIS LETTER OF CREDIT PURSUANT TO THAT CERTAIN LEASE
AGREEMENT, DATED JUNE 14, 2000, BY AND BETWEEN 777 SINATRA DRIVE
CORPORATION, AS LANDLORD, AND LANTIS EYEWEAR CORPORATION AS
TENANT (THE "LEASE")" OK

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE
DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR
FROM THE EXPIRATION DATE HEREOF. OR ANY FUTURE EXPIRATION DATE,
UNLESS SIXTY (60) DAYS PRIOR TO ANY EXPIRATION DATE WE SEND
NOTICE TO YOU BY REGISTERED MAIL OR OVERNIGHT COURIER THAT WE
ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH

The Drawer hereunder
is entitled to draw
upon this letter
of credit pursuant
to that certain
Assignment
Assumption
Agreement, dated
July 2004,
by and among
777 Sinatra Drive
Corporation, Lantis
Eyewear Corporation
and HDG Recovery
Fund II, Inc.

and Release

CONTINUED ON NEXT PAGE



TRADEMARK

Jul 22 04 01:17p

H. I. G. CAPITAL LLC

(415) 439-5525

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07/22/2004 14:05

2125617560

STEVE CLARKE

PAGE 08

07/22/2004 10:54 FAX 201 348 4358

HARTZ MOUNTAIN IND

0008

EXHIBIT A page 2 of 4

SUNTRUST

IRREVOCABLE LETTER OF CREDIT #849159 PAGE 3
ADDITIONAL PERIOD.

ALL DRAFTS MUST REFERENCE THE NUMBER AND ISSUE DATE OF THIS CREDIT.

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 500.

WE HEREBY AGREE WITH YOU THAT ALL DRAFTS DRAWN IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED UPON PRESENTATION AND DELIVERY OF THE DOCUMENTS SPECIFIED ABOVE TO THE BELOW ADDRESS ON OR BEFORE DECEMBER 31, 2004.

SUNTRUST BANK INTERNATIONAL DIVISION
8600 N.W. 36TH STREET
5TH FLOOR
MIAMI, FLORIDA 33166

SINCERELY,

SUNTRUST BANK


AUTHORIZED SIGNATURE

307

MARLEN DACEY
ASST. VICE PRESIDENT
LETTERS OF CREDIT DEPT.

10/20/04 (0001)



TRADEMARK

REEL: 003105 FRAME: 0567

EXHIBIT A page 3 of 4

SUNTRUST

Lantis.

MAY 14, 2004

AMENDMENT TO IRREVOCABLE LETTER OF CREDIT FB43159

PAGE 1

BENEFICIARY:
777 SINATRA DRIVE CORPORATION
C/O HARTZ MOUNTAIN INDUSTRIES, INC.
400 PLAZA DRIVE
SECAUCUS, NJ 07094

APPLICANT:
[REDACTED]
1601 BRICKELL BAY DRIVE,
27TH FLOOR
MIAMI, FL 33131

OUR LETTER OF CREDIT NUMBER FB43159 DATED MAY 07, 2004
IS HEREBY AMENDED AS FOLLOWS:

AMENDMENT NUMBER 001

THIS LETTER IS NOW TRANSFERABLE.

**THIS LETTER OF CREDIT IS TRANSFERABLE. WE SHALL NOT RECOGNIZE ANY TRANSFER OF THE CREDIT UNTIL AN EXECUTED TRANSFER IN A FORM SATISFACTORY TO US IS FILED WITH US. NOTICE THEREOF IS ENDORSED HEREIN BY US, AND OUR CUSTOMARY CHARGES ARE PAID. FORMS FOR FILING TRANSFER INSTRUCTIONS WITH US ARE ATTACHED.

*PARTIAL DRAWINGS ARE PERMITTED.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.
THIS AMENDMENT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION 500, OR REVISION CURRENTLY IN EFFECT.

[Signature]

AUTHORIZED SIGNATURE
SUNTRUST BANK
307

MAIL ROOM
ASST. MGR.
LEF. 0-17 1111 110

10000 0000



TRADEMARK

REEL: 003105 FRAME: 0568

Jul 22 04 01:18p

H.I.G. CAPITAL LLC

(415) 439-5525

07/22/2004 14:05
Jul 22 04 10:23a

2125617568

STEVE CLARKE

07/22/2004 10:54 FAX 201 348 4368

HARTZ MOUNTAIN INT

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PAGE 10
0010

SunTrust

EXHIBIT A page 4 of 4

S. FLORIDA

FULL TRANSFER APPLICATION

TO BE USED WHEN THE LETTER OF CREDIT IS TRANSFERRED IN ITS ENTIRETY. THIS COMPLETED FORM WITH YOUR SIGNATURE VERIFIED BY YOUR BANK, THE TRANSFER FEE AND THE ORIGINAL LETTER OF CREDIT MUST BE PRESENTED AT THE TIME THE TRANSFER IS REQUESTED.

To: SunTrust Int'l Services
LETTER OF CREDIT
INTERNATIONAL DIVISION
8600 N.W. 36th St.
Miami, FL 33166

Date: _____

Re: Letter of Credit No. _____ Issued _____ Advice No.: _____
(if applicable)

The undersigned Beneficiary hereby irrevocably transfers all rights of the undersigned Beneficiary to draw under the above Letter of Credit in its entirety to the transferee designated below:

Name of transferee: _____ Address: _____

Advising Bank: _____
Address: _____

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The original of such Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it direct to the transferee via courier or teletransmission with your customary notice of transfer.

We remit transfer fee of USD _____ (1/4% of transfer amount or minimum \$250.00)

___ You are authorized to debit our SunTrust Acct. No. _____ for fee amount, or
___ Our check for fee amount is enclosed. In addition thereto we agree to pay to you on demand any expenses that may be incurred in connection with this transfer (telecommunications, postage, etc.).

Very truly yours, :

The signature with title as stated conforms with that on file with us and is authorized for the execution of such instruments.

(Beneficiary's Name)

(Bank Name)

By _____
Authorized Signature

By _____
Authorized Signature (Bank)



SCHEDULE A

Executory Contracts Not Assumed



Schedule A to Asset Purchase Agreement

Excluded Executory Contracts

1. Employment Agreement relating to Laurence Moellentine
2. Employment Agreement relating to Stuart Chizen
3. Employment Agreement relating to Scott Sennett
4. Employment Agreement relating to Bruce Bartley
5. Employment Agreement relating to Emile Lemay
6. Employment Agreement relating to Sylvio Duguay
7. Supply Agreement with Moulin Corp.
8. Real Property Lease with 777 Sinatra Drive Corp. (NJ Facility)
9. Real Property Lease relating to office located in Bentonville, Arkansas
10. Lease Number 4887239 with Pitney Bowes for mailing machine serial number 0002522
11. IBM Business Continuity and Recovery Services Agreement effective as of December 1, 2003
12. Lease with Siemens for Liebert 100KVA UPS leasing schedule number 759-0001722-000
13. Lease with Siemens of Hicom Model 80 EP Communications System leasing schedule number 629-0004126-00
14. Quest Total Advantage Agreement dated December 3, 2003
15. Raymond Leasing lease number 116321 for 9 forklifts
16. Raymond of New Jersey maintenance contract 609751
17. Tennant Financial lease number 4095159-001 for M6400 sweeper
18. CIT lease number 060-0002597-000 for Sensormatic equipment
19. CIT lease number 060-0000759-000 for Sensormatic equipment
20. CIT lease number 060-0000761-000 for Sensormatic equipment
21. Quench number 2210070 for rental of Innowave 240s
22. CIT Commercial Services Amended and Restated Credit Approved Receivables Purchasing Agreement, dated August 1, 2000, as supplemented and amended, most recently as of December 1, 2003 in the letter to the Seller dated November 18, 2003



SCHEDULE B

Leased Real Property



Schedule B to Asset Purchase Agreement

Leased Real Property

Lessor

Description and Location

777 Sinatra Drive Corp.
Hartz Mountain Industries, Inc.
400 Plaza Drive
Secaucus, NJ 07094

Offices and warehouse located at:
755 Secaucus Road
Secaucus, NJ 07904

Green 461 Fifth Lessee LLC
SL Green Realty Corp.
420 Lexington Avenue
New York, NY 10170

Offices and showrooms located at:
461 Fifth Avenue
New York, NY 10017

Ashland Properties
James McClelland
McClelland Consulting Engineers, Inc.
P.O. Box 34087
Little Rock, AR 72203-4087

Office located at:
Bentonville, AR



SCHEDULE C

Owned Real Property



Schedule C to Asset Purchase Agreement

Owned Real Property

None

3429381.2



7/21/04

TRADEMARK

REEL: 003105 FRAME: 0575

SCHEDULE D

Permitted Encumbrances



Schedule D to Asset Purchase Agreement

Permitted Encumbrances

None, other than those Permitted Encumbrances as defined in the Asset Purchase Agreement

3429381.2



7/21/04

TRADEMARK

REEL: 003105 FRAME: 0577

SCHEDULE E
Assumed Obligations



TRADEMARK
REEL: 003105 FRAME: 0578

Schedule E to Asset Purchase Agreement

Assumed Obligations

[Seller intends to insert list of all trade accounts payable and accrued expenses as of the Closing Date]

3429381.2



7/21/04

Schedule D to Asset Purchase Agreement

Permitted Encumbrances

None, other than those Permitted Encumbrances as defined in the Asset Purchase Agreement

3429381.2



7/21/04

TRADEMARK

REEL: 003105 FRAME: 0580

SCHEDULE E

Assumed Obligations



TRADEMARK

REEL: 003105 FRAME: 0581

Schedule E to Asset Purchase Agreement

Assumed Obligations

[Seller intends to insert list of all trade accounts payable and accrued expenses as of the Closing Date]

3429381.2



7/21/04

TRADEMARK

REEL: 003105 FRAME: 0582

SCHEDULE F

Excluded Assets

Schedule F to Asset Purchase Agreement

Excluded Assets

1. Lease relating to office located in Bentonville, Arkansas
2. See also Schedule A

3429381.2



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REEL: 003105 FRAME: 0584

Disclosure Schedule—Exceptions to Representations and Warranties



TRADEMARK
REEL: 003105 FRAME: 0585

Disclosure Schedule
to Asset Purchase Agreement

This Disclosure Schedule is to be read in its entirety. Nothing in this Disclosure Schedule is intended to broaden the scope of any representation or warranty contained in the Asset Purchase Agreement. The disclosure of any item, explanation, exception or qualification in this Disclosure Schedule is disclosure of that item for all purposes for which disclosure is required under the Asset Purchase Agreement and is disclosed in all appropriate sections of the Disclosure Schedule irrespective of whether any cross-reference is made or whether or not a response is provided with respect to any representation or warranty. Capitalized terms used and not otherwise defined in this Disclosure Schedule shall have the meaning assigned to them in the Asset Purchase Agreement.

- 3(a) Organization of the Seller. Seller is the owner of one hundred percent (100%) of the stock of Ottawa Rima – Netherlands; and Ottawa Rima – Netherlands is the owner of two or more subsidiaries.
- 3(b) Contracts. Seller has received written notice from Moulin Holdings (H.K.) Company Limited of an alleged default under a certain Supply Agreement between the parties.
- 3(d) Noncontravention. To the Knowledge of Seller, subject to the approval and entry of the Sale Order by the Bankruptcy Court, (i) no filing with, and no permit, authorization, consent or approval of any Governmental Entity is necessary for the consummation by the Seller of the transactions contemplated by the Agreement, (ii) no constitution, statute, rule, regulation, injunction, judgment, order, decree, ruling, charge or other restriction of any Governmental Entity or court is being violated as a result of consummation by the Seller of the transactions contemplated by the Agreement, and (iii) assuming all necessary notices and consents are obtained prior to the Closing, no further consents will be necessary.
- 3(e) Financial Statements. Except as set forth in the updated balance sheet of the Seller dated May 25, 2004 (the "Balance Sheet"), the Profit and Loss Projection and the loan/cash flow through July 31, 2004, copies of which have been provided to Buyer, since the date of the Balance Sheet, there has been no change in the condition of Seller which could reasonably be expected to have a Material Adverse Effect.
- 3(f) Title to Assets. As a result of a certain agreement with The CIT Group/Commercial Services, Inc. relating to factoring of the K-Mart accounts receivable, Seller has relinquished its rights to the accounts receivable from K-Mart. In addition, Seller does not have title or other rights to the Seller's 401(k) plan, in which all of the Seller's employees are fully vested. In addition, Seller does not have title to certain Intellectual Property as to which it has been granted a license pursuant to certain license agreements as more fully described on Schedule 3(n)(i)(c) attached hereto and made a part hereof.
- 3(g) Taxes. Potential claim for use taxes as previously disclosed to the Buyer.



TRADEMARK

REEL: 003105 FRAME: 0586

- 3(h) No Material Adverse Change. See response to Section 3(e), above.
- 3(i) Employee Benefits. Since Buyer/Secured Lender would not permit Seller to retain Employment Benefit counsel, Seller hereby disclaims and makes no representation or warranty with respect to 3(i).
- 3(k) Legal Proceedings; Orders. Seller is aware of a threat by a former employee to bring a discrimination claim in New Jersey Superior Court against Seller. In addition, there is a pending proceeding in New Jersey Superior Court (Docket No. HUD-L-2850) brought by another former employee of the Seller alleging wrongful termination under the New Jersey Law Against Discrimination (the "LAD Lawsuit"). Seller is a defendant in two cases alleging personal injury. They were brought by Francis Varga and by Byron White. In addition, the Seller was notified by letter dated June 8, 2004 of a possible personal injury claim by Lecann Kestle-Lee. Finally, there is a pending proceeding by Lantis Eyewear Europe B.V. that has filed for bankruptcy in the Netherlands; Lantis Eyewear Germany GmbH that is in liquidation proceedings in Germany. See response to Section 3 (n)(iii), below.
- 3(l) Absence of Certain Changes and Events. Other than (i) the proposed payment of stay bonuses to certain key employees pursuant to the proposed Bankruptcy Court Order and (ii) the limited dismantling of equipment by McCombs-Wall commenced on or about July 1, 2004 in anticipation of the sale of same, Seller has conducted its business in the Ordinary Course of Business except where such failure could not reasonably be expected to result in a Material Adverse Effect.
- 3(m) The Acquired Assets are covered by the Seller's insurance policies to the extent described in such policies.
- 3(n) Intellectual Property Assets.

(i)(A) See Schedule 3(n)(i)(A). In addition, we have been informed by the Buyer/Secured Lender's counsel that there are two other Canadian trademarks in addition to those listed on the attached schedule. They are TMA 582705, Family Optics, and TMA 575206, Lantis Eyewear. Inasmuch as Buyer/Secured Party will not permit Seller to further consult with its Intellectual Property counsel, Seller cannot make any representations or warranties with respect to such trademarks.

(i)(B) See Schedule 3(n)(i)(B).

(i)(C) See Schedule 3(n)(i)(C).

(iii) An action was brought in August, 2000, by Leegin Creative Leather Products, Inc., against the Seller and three of its customers for unspecified damages arising out of an infringement of a copyright design that allegedly was on the temples of sunglasses sold by the Seller to the other defendants plus an amount for interest. The



Seller agreed to indemnify its customers for any costs and damages incurred by them as a result of the lawsuit, and had undertaken to defend those companies in the lawsuit. This action was subsequently settled.

- 3(p) OSHA; Environmental Matters. See Par. 3(k) above, as to the LAD Lawsuit which was brought under state law, as opposed to federal law.



SCHEDULE 3(n)(i)(A)

Patents, Registered Trademarks, Trademark Applications, Registered Copyrights

A) Patents

Patent Number	Name
D426,998	Eyewear display panel
D436,265	Eyewear merchandising unit
D421,450	Eyewear
D404,056	Eyewear
D402,682	Eyewear
D402,306	Temple piece for eyewear

B) Registered Trademarks and Pending Trademark Applications

Country	Mark	Registration (RN)/Application (SN)
United States	METROPOLITAN	RN 2,108,854
United States	MISCELLANEOUS DESIGN (Road)	RN 2,386,754
United States	LENSES FOR DRIVING and Design	RN 2,248,788
United States	EDITOR'S CHOICE	RN 1,877,501
United States	FAMILY OPTICS	RN 1,900,378
United States	UNITED VISION	RN 2,739,080
United States	V AND DESIGN	RN 2,292,154
United States	GO-GO'S	RN 2,188,237
United States	SOLAR ECLIPSE	RN 2,109,357
United States	WHAT YOU DON'T SEE CAN HURT YOU	RN 1,482,191
United States	SOLARVISION	RN 1,758,076
United States	FX and Design	RN 2,201,103
United States	ZEOLYTE	RN 2,169,581
United States	S and Design	RN 2,080,959
United States	MISCELLANEOUS DESIGN (Solar Eclipse)	RN 1,600,582
United States	SOLARGENICS	RN 1,449,476
United States	SOLARGENICS	RN 1,527,659
United States	AMBERTEK	RN 2,350,634
United States	CYBEROPTICS	RN 2,466,024
United States	EYE.D	RN 2,423,797
United States	EYE.D.OLQGY	SN 78/221,323
United States	PRIVATE ISSUE	RN 2,396,313
United States	SAFTEY ZONE	RN 2,392,657



United States	BOOKMATES	RN 2,654,667
United States	EASY-FLEX	RN 2,672,509
United States	COMFORT-SOFT	RN 2,759,175
United States	FX KIDS	RN 2,580,994
United States	GREENSEEKER	RN 2,263,386
United States	AUTOBAHN	RN 2,727,629
United States	US1	RN 2,432,122
United States	SUCCESS	RN 2,432,121
United States	CLIQUE	RN 2,472,007
United States	INTRIGUE	RN 2,409,292
United States	PLAYERS	RN 2,358,446
Canada	SOLARGENICS	TMA 553,169 (Registered)
Canada	GREENSEEKER	TMA 532,504 (Registered)
European Union	SOLARGENICS	959,312 (Registered)
United States	VERTICAL	SN 76576027

3442545.7

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TRADEMARK

REEL: 003105 FRAME: 0590

SCHEDULE 3(d)(1)(B)

The corporate name of the Seller, and all commercial and technical trade secrets, unregistered designs, drawings, blueprints, specifications, technology, computer and electronic data processing programs and software, databases, confidential information, proprietary rights, and all other rights in and to or interests in the same, Seller's web site and the content thereon, internet domain names, internet addresses and URLs and other internet related assets, slogans, trade dress, inventions, methods, technology, and practices and processes which are owned by Seller and which are material to the operation of Seller's business(es) as currently conducted.



SCHEDULE 3(n)(i)(C)

Licenses

Intellectual Property Licenses:

AHG Licensing, Inc. (Havana Jack's Café, Caribbean Joe, La Cabana) (Sun & Optical)
BHPC Marketing, Inc. (Sun & Optical)
Levi Strauss & Co. (Dockers) (Sun & Optical)
Outdoor Life Network, LLC (Gravity Games) (Sun & Optical)*
Eagle Eyewear, Inc. (John Lennon) (Sun & Optical)
Jones Investment Co., Inc. (Sun)
Jordache Enterprises, Inc. (Optical)
Dualstar Entertainment Group, LLC (Mary Kate & Ashley Sunglasses Domestic)
Dualstar Entertainment Group, LLC (Mary Kate & Ashley Optical Domestic)
Dualstar Entertainment Group, LLC (Mary Kate & Ashley Sunglasses Canada)
Dualstar Entertainment Group, LLC (Mary Kate & Ashley Optical Canada)
Mudd, LLC (Mudd Jeans - Sun & Optical), (Girls - Sun)
Nintendo of America Inc. (Optical)
Licensing Partners International, LLC (PGA Tour Sun & Optical)
Hearst Magazine, a division of Hearst Brand Development (Seventeen Sun & Optical)*
Stanley Blacker, Inc. (Sun)

Software licenses:

J.D. Edwards/Peoplesoft for "World"
DSI-Data Systems International for "DC Link"
Kewill for "Clippership"
Create Print for "Forms 400"
Citrix for "Thin Client"
Inovis for "IP Net"
Business Integrated Group for "Bar Code World"
Various licenses to use Microsoft "Office", "Outlook" and operating systems; UNIX; OS400;
and, McAfee anti virus software

*The license agreement relating to this license has expired, and a new agreement has not yet been finalized. The parties are currently negotiating the terms of another agreement and continue to operate as if the license had not expired.



EXHIBIT "B"
to Sale Order



TRADEMARK

REEL: 003105 FRAME: 0593

TRANSITION SERVICES AGREEMENT

THIS TRANSITION SERVICES AGREEMENT (this "Agreement") is made as of [____], 2004 by and among HIG Recovery Fund II, Inc., a Delaware corporation or its designee ("HIG"), and Lantis Eyewear Corporation, a New Jersey corporation (the "Debtor"). HIG and the Debtor are referred to collectively herein as the "Parties" and each a "Party".

WITNESSETH

WHEREAS, HIG and the Debtor have entered into that certain Amended and Restated Asset Purchase Agreement dated as of May 25, 2004 (as amended, restated, supplemented or otherwise modified from time to time, the "Asset Purchase Agreement");

WHEREAS, on August __, 2004, the Bankruptcy Court approved the sale to HIG of substantially all of the Debtor's assets pursuant to the Sale Order;

WHEREAS, the Debtor owns or leases certain equipment (the "Equipment") as set forth in Appendix A hereto; and

WHEREAS, in order to promote a smooth transition of the Debtor's business, upon the terms and conditions of this Agreement, the Debtor is willing to grant HIG the right to use and possess and/or control the use and possession of the Equipment during the Transition Period (as hereinafter defined).

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Asset Purchase Agreement.
2. Grant to HIG. Subject to the terms and conditions of this Agreement, the Debtor hereby grants to HIG to the full extent of its right, title and interest in the Equipment, the exclusive right to use and possess and/or control the use and possession of the Equipment and the services related thereto, during the Transition Period (as defined herein). HIG may delete Equipment from Schedule A from time to time.
3. Effectiveness; Transition Period. This Agreement shall become effective on the Closing Date and shall remain in effect until the earlier of (a) 120 days after the Closing Date and (b) the later of (i) the effective date of any plan of reorganization or liquidation (the "Plan Effective Date") and (ii) the date after the Plan Effective Date to which the Bankruptcy Court has extended the Debtor's time to assume or reject the leases to which the Equipment is subject (the later of (i) and (ii), the "Assumption/Rejection Date") (the "Transition Period"). This Agreement may be extended for up to an additional 90 days at HIG's option upon ten days prior written notice to the Debtor given on or prior to the 110th day after the Closing Date, provided that this Agreement may not be extended past the Assumption/Rejection Date except by further order of the Bankruptcy Court. Notwithstanding anything contained herein to the contrary, upon



the expiration or termination of any Equipment lease, any and all rights granted by the Debtor to HIG with respect to any such Equipment shall simultaneously terminate and HIG shall immediately return such equipment to the Debtor. The Debtor covenants that it will not voluntarily terminate any Equipment lease during the Transition Period provided that HIG is not in material default under this Agreement.

4. Fees. HIG shall pay to the Debtor in lawful money of the United States of America, by check drawn on a bank or trust company which is a member of The New York Clearing House Association, addressed to the Debtor at the address set forth herein or at such other place as the Debtor may designate, all without notice or demand and without setoff or deduction whatsoever on the Closing Date, the "Initial Payment" described on Appendix B and on the first day of each calendar month thereafter during the Transition Period or any extension thereof, the fees, charges or rent then due under the Equipment leases.

5. Incorporation of Equipment Leases. HIG covenants and agrees not to do or suffer or permit anything to be done that would result in a default or breach under or termination of any Equipment Leases, the terms of which are hereby incorporated by reference. HIG hereby covenants and agrees to comply with all terms and conditions of the Equipment Leases so long as it has possession or control of the Equipment that is the subject of the Equipment Leases. HIG shall maintain and repair the equipment subject to the Equipment Lease to the extent required by the Equipment Leases.

6. Insurance. HIG will obtain and keep in full force and effect any and all insurance required to be maintained under the Equipment leases and Facilities Leases, in each case, with HIG named as the insured thereunder, and the Debtor named as additional insured thereunder. On the Closing Date, HIG will furnish to the Debtor certificates of such comprehensive general public liability and property damage insurance in such form, with such companies, and for such periods as reasonably satisfactory to the Debtor.

7. Cooperation by Debtor. If and for so long as HIG is not in monetary default hereunder, during the Transition Period, the Debtor at HIG's expense shall cooperate with HIG in all respects with respect to the Equipment, including but not limited to, providing HIG with copies of any documentation reasonably requested by HIG and not intentionally taking any actions, or failing to take any actions, known by Debtor to be adverse to HIG's right to use, possess or control the Equipment.

8. Negotiation with Creditors During the Transition Period. HIG shall have the right to meet and negotiate with the Debtor's lessors with respect to the Equipment Leases regarding the transfer, termination, foreclosure, assignment or other disposition of the Equipment.

9. Representations and Warranties.

(a) Representations and Warranties of the Debtor. Subject to the approval by the Bankruptcy Court, the Debtor has all requisite corporate power and authority to execute, enter into, and carry out the terms and conditions of this Agreement and to perform its obligations hereunder. Subject to the approval by the Bankruptcy Court, this Agreement has been duly executed and delivered and is a legal, valid, and binding agreement of the Debtor,



enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium, or other laws and judicial decisions from time to time in effect which affect creditors' rights generally. HIG expressly acknowledges that the Debtor is not making any representation or warranty to HIG regarding the Equipment, including, without limitation, the condition thereof or HIG's right, if any, under the Equipment leases, to use, possess or control all or any portion of the Equipment.

(b) Representations and Warranties of HIG. HIG has all requisite corporate power and authority to execute, enter into, and carry out the terms and conditions of this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered and is a legal, valid, and binding agreement of HIG, enforceable in accordance with its terms, except as such enforcement may be limited by general equitable principles or by applicable bankruptcy, insolvency, moratorium, or other laws and judicial decisions from time to time in effect which affect creditors' rights generally.

10. Indemnity.

(a) HIG shall not (i) do or permit to be done any act or thing upon or (ii) use or permit the use of the Equipment in any manner that will subject the Debtor to any liability or responsibility for injury, damage to persons or property or to any liability by reason of any violation of applicable law and shall exercise such control over the Equipment as to fully protect the Debtor and any partners, shareholders, officers, directors, employees, principals, agents and contractors, directly or indirectly, of the Debtor ("Indemnitees") against any such liability. HIG shall indemnify, defend, protect and hold harmless each and all of the Indemnitees from and against any and all Losses (as defined below) suffered by the Debtor from and after the Closing Date with respect to the Equipment, the Equipment leases, and/or this Agreement, (A) arising from any act, omission or negligence of HIG, its contractors, licensees, agents, servants, employees, invitees or visitors, (B) arising from any accident, injury or damage whatsoever caused to any person or to the property of any person and occurring during the expiration of the Transition Period, and (C) resulting from any breach, violation or nonperformance of any covenant, condition or agreement of this Agreement on the part of HIG to be fulfilled.

(b) For purposes of this Section, the term "Losses" means any and all losses, liabilities, damages, fines, suits, demands, costs and expenses of any kind or nature (including, without limitation, reasonable attorneys' fees and disbursements).

11. Default and Termination. Either Party shall have the right to terminate this Agreement upon ten (10) days' prior written notice of the other Party's breach or failure to comply with any of the obligations hereunder and if the defaulting Party has not cured such breach or complied with such obligations within such ten (10) day period; provided, however, that (i) termination of this Agreement will not terminate vested rights or relieve either Party from due performance of all obligations which by their nature continue after the termination of this Agreement and (ii) the terminating Party must provide written notice of termination at the end of the ten (10) day period if the breach has not been cured.

12. Miscellaneous.



(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect (to the extent permitted by law) to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New York.

(b) Expenses. Each Party shall bear its own costs and expenses with respect to the transactions contemplated hereby.

(c) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Debtor and HIG. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(d) Entire Agreement. This Agreement and the Appendixes hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations by or between the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. No Party hereto may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party; provided, however, that nothing herein shall prohibit the assignment of HIG's rights (but not its obligations) to any direct or indirect Subsidiary or Affiliate.

(f) Gender and Number. When the context of this Agreement requires, the general of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

(g) No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the Parties and their respective successors and permitted assigns.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given if sent by hand delivery or overnight mail (and then two (2) Business days after it is sent by registered or certified mail, return receipt requested, postage prepaid), and addressed to the intended recipient as set forth below:



If to The Seller:

Lantis Eyewear Corporation
755 Secaucus Road
Secaucus, New Jersey 07094
Attn: President
Phone: (201) 766-7000
Facsimile: (201) 766-7710

Copy to:

Riker Danzig Scherer Hyland Perretti LLP
One Speedwell Avenue
Morristown, New Jersey 07962
Attn: Dennis J. O'Grady
Phone: (973) 538-0800
Facsimile: (973) 538-1984

and to:

Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attn: Andrew I. Silfen
Phone: (212) 484-3903
Facsimile: (212) 484-3990

If to HIG:

HIG Recovery Fund II, Inc.
c/o HIG Capital LLC
1001 Brickell Bay Drive
27th Floor
Miami, FL 33131
Attn: Charles Hanemann
Phone: (305) 379-2322
Facsimile: (305) 379-2013

Copy to:

Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, FL 33131
Attn: James P. S. Leshaw
Phillip J. Kushner
Phone: (305) 579-0500
Facsimile: (305) 579-0717

and to:

Arent Fox PLLC
1675 Broadway
New York, New York 10019
Attn: Andrew I. Silfen
Phone: (212) 484-3903
Facsimile: (212) 484-3990



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Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

(j) Counterparts; Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures of the Parties transmitted by facsimile or by electronic media or similar means shall be deemed to be their original signatures for all purposes.

(k) Incorporation of Recitals and Appendixes. All recitals and Appendixes to this Agreement are incorporated herein by reference and made a part hereof for all purposes.

(l) Headings. The section headings contained in this Agreement are inserted for convenience and reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[Remainder of page intentionally left blank.]



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

HIG RECOVERY FUND II, INC.

By: _____
Name:
Title:

LANTIS EYEWEAR CORPORATION

By: _____
Name:
Title:



APPENDIX A

Equipment

[To be determined prior to Closing Date.]



TRADE MARK

APPENDIX B
PAYMENTS AND FEES

Initial Payment: [insert amount equal to 4 months' worth of rent, charges and expense, under the Equipment leases].



EXHIBIT "D"
to Sale Order



TRADEMARK
REEL: 003105 FRAME: 0603

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

LANTIS EYEWEAR CORPORATION,

Debtor.

Chapter 11

Case No. 04-13589 (ALG)

**AMENDED NOTICE OF CURE AMOUNTS IN
CONNECTION WITH THE ASSUMPTION AND
ASSIGNMENT OF UNEXPIRED LEASES AND
EXECUTORY CONTRACTS**

PLEASE TAKE NOTICE that on May 26, 2004, the above-captioned debtor and debtor-in-possession ("Lantis" or the "Debtor") filed an Expedited Motion for an Order Pursuant to 11 U.S.C. §§ 105, 363 and 365 and Fed. R. Bankr. P. 2002 and 6004: (A) Authorizing and Scheduling an Auction for the Sale of Substantially All of the Debtor's Assets Free and Clear of All Liens, Claims and Encumbrances; (B) Approving Bidding Procedures Governing Auction Sale; (C) Approving the Form and Manner of Notice of the Sale Pursuant to Fed. R. Bankr. P. 2002 and 6004; and (D) Fixing Procedures for Determination of Cure Amounts with Respect to Executory Contracts and Unexpired Leases (the "Bidding Procedures Motion") with the United States Bankruptcy Court for the Southern District of New York. An order granting the Bidding Procedures Motion was entered on June 10, 2004 (the "Bidding Procedures Order").



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REEL: 003105 FRAME: 0604

PLEASE TAKE FUTURE NOTICE that on May 26, 2004, the Debtor filed a Motion for an Order Pursuant 11 U.S.C. §§ 105(a), 363, 365 and 11466(c) and Fed. R. Bankr. P. 2002, 6004 and 6006: (A) Approving the Sale of Substantially All the Debtor's Assets, Free and Clear of All Liens, Claims and Encumbrances to HIG Recovery Fund II, Inc.; (B) Authorizing the Sale, Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale; (C) Making a Determination of Cure Amounts with Respect to Executory Contracts and Unexpired Leases in Connection with Such Sale; and (D) Granting Other Related Relief (the "Sale Motion").

PLEASE TAKE FURTHER NOTICE that on July 15, 2004, at 11:00 a.m. (prevailing Eastern Time) or as soon thereafter as counsel can be heard, the Bankruptcy Court will hold a hearing (the "Sale Hearing") on the Sale Motion to consider whether to enter an order approving the sale of substantially all of the Debtor's assets (the "Sale") to HIG Recovery Fund II, Inc. or other successful bidder (the "Purchaser").

PLEASE TAKE FURTHER NOTICE that as set forth in the Sale Motion, as part of the Sale, the Debtor intends to assume and assign to the Purchaser certain of the Debtor's unexpired leases and executory contracts effective as of the Closing Date of the Sale free and clear of all liens, claims, encumbrances and interests upon satisfaction of the cure amounts (the "Cure Amounts") required under section 365(b)(1)(A) of title 11, United States Code, §§ 101 et seq. (the "Bankruptcy Code"). Attached hereto as Exhibit A are the unexpired leases and executory contracts that the Debtor may seek to assume, assign and sell to the Purchaser (the "Assumed Executory



Contracts”) and the corresponding Cure Amounts for each of the Assumed Executory Contracts.

PLEASE TAKE FURTHER NOTICE that any objections to the Cure Amounts must: (i) be in writing and set forth the basis for the objection and the amount the objecting party asserts as the Cure Amount, (ii) be filed with the clerk of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004 as to be received no later than 4:00 p.m. prevailing Eastern Time on July 6, 2004 and served on: (a) counsel for the Debtor: Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, attn.: Dennis J. O’Grady, Esq., email: dogrady@riker.com and William G. Connolly, III, Esq., email: wconnolly@riker.com; (b) the Debtor: Lantis Eyewear Corporation, 755 Secaucus Road, Secaucus, New Jersey 07094, attn: Paul E. Gricus, Chief Financial Officer, email: pgricus@lantiseyewear.com; (c) counsel for Stalking Horse: Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com and Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166, attn.: Thomas Weber, Esq., email: webert@gtlaw.com; (d) counsel for the Committee: Arent Fox PLLC, 1675 Broadway, New York New York, Attn: Andrew I. Silfen, Esq. And Schuyler G. Carroll, Esq., email: silfen.andrew@arentfox.com and carroll.schuyler@arentfox.com; and (d) the Investment Banker: Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, attn: Saul Burian, email: SBurian@HLHZ.com; (e) the Office of the United States Trustee,



33 Whitehall Street, 21st Floor, New York, New York 10004; and (f) any party filing a notice of appearance.

PLEASE TAKE FURTHER NOTICE that any objections to the relief requested in the Sale Motion (other than as to Cure Amounts) must: (i) be in writing and set forth the basis for the objection and the amount the objecting party asserts as the Cure Amount, (ii) be filed with the clerk of the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004 as to be received no later than 4:00 p.m. prevailing Eastern Time on July 6, 2004 and served on: (a) counsel for the Debtor: Riker, Danzig, Scherer, Hyland & Perretti LLP, One Speedwell Avenue, Morristown, New Jersey 07962-1981, attn.: Dennis J. O'Grady, Esq., email: dogrady@riker.com and William G. Connolly, III, Esq., email: wconnolly@riker.com; (b) the Debtor: Lantis Eyewear Corporation, 755 Secaucus Road, Secaucus, New Jersey 07094, attn: Paul E. Gricus, Chief Financial Officer, email: pgricus@lantiseyewear.com; (c) counsel for Stalking Horse: Greenberg Traurig, P.A., 1221 Brickell Avenue, Miami, Florida 33131, attn: James P.S. Leshaw, Esq., email: leshawj@gtlaw.com and Greenberg Traurig LLP, 200 Park Avenue, New York, New York 10166, attn.: Thomas Weber, Esq., email: webert@gtlaw.com; (d) counsel for the Committee: Arent Fox PLLC, 1675 Broadway, New York New York, Attn: Andrew I. Silfen, Esq. And Schuyler G. Carroll, Esq., email: silfen.andrew@arentfox.com and carroll.schuyler@arentfox.com; and (d) the Investment Banker: Houlihan Lokey Howard & Zukin, 685 Third Avenue, 15th Floor, New York, New York 10017, attn: Saul Burian, email: SBurian@HLHZ.com; (e) the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004; and (f) any party filing a notice of appearance.



PLEASE TAKE FURTHER NOTICE that any person or entity that receives this Notice and fails to file a timely objection shall be deemed to have agreed to the cure amount set forth in the Cure Notice and to the Debtor's assumption of the Assumed Executory Contract and sale and assignment of the Assumed Executory Contract in connection with the sale and shall be forever barred from objecting to the Cure Amount or from asserting against the Debtor or the Purchaser any other claim arising prior to the assumption and assignment of the Assumed Executory Contracts.

PLEASE TAKE FURTHER NOTICE that this notice provides only a partial summary of the relief sought in the Bidding Procedures Motion and the Sale Motion and granted pursuant to the Bidding Procedures Order. Copies of the Sale Motion, the Bidding Procedures Motion and Bidding Procedures Order are available for inspection by accessing the Bankruptcy Court's website at <http://www/nysb.uscourts.gov/> or by visiting the Office of the Clerk of the Bankruptcy Court, United States Bankruptcy Court, Southern District of New York, One Bowling Green, New York, NY 10004-1408, between 9:30 a.m. and 12:00 noon and 1:30 p.m. and 4:00 p.m. Copies may also be obtained by faxing a written request to Debtor's counsel, Riker, Danzig, Scherer, Hyland & Perretti LLP, (Attention: Alex J. Kress, Esq., One Speedwell Avenue, Morristown, New Jersey 07962-1981, fax: (973) 538-1984.



PLEASE TAKE FURTHER NOTICE that the Sale Hearing may be adjourned, from time to time, without further notice other than an announcement in open court of such adjournment or on the Court's calendar on the date scheduled for the Sale Hearing.

Dated: New York, New York
July 6, 2004

RIKER, DANZIG, SCHERER, HYLAND
& PERRETTI LLP

By: s/ J. Alex Kress
Dennis J. O'Grady, Esq. (DO-7430)
J. Alex Kress, Esq. (JK-7189)
Courtney A. Schael, Esq. (CS-1295)
Jeffrey M. Sponder, Esq. (JS-5127)
One Speedwell Avenue
Morristown, NJ 079262-1981
Telephone: (973) 538-0800
Fax: (973) 538-1984

-and-

RIKER, DANZIG, SCHERER, HYLAND
& PERRETTI LLP
500 Fifth Avenue
Suite 4920
New York, New York 10110
(212) 302-6574

Attorneys to Debtor and Debtor-in-Possession

3436561.1



Number	Vendor	Proposed Cure Amount (Total Unpaid as of July 15, 2004)
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EQUIPMENT LEASES - OPERATING

102190	Pitney Bowes	3,029.55
102190	Pitney Bowes	13,923.77
103439	Dell	1,003.06
103384	Citicorp Vendor Finance	27,025.85
103384	Citicorp Vendor Finance	1,585.01
287221	Raymond Leasing	20,293.62
203990	Raymond Of NJ	9,885.80
309787	Tennant Financial	2,414.38
277807	GMAC	3,118.20
102268	Siemens	4,167.64
102268	Siemens	5,782.34
102268	Siemens	9,524.10
102268	Siemens	7,774.86
102268	Siemens	2,231.34
102411	Xerox	10,440.16
102411	Xerox	2,534.56
102411	Xerox	2,534.56
102411	Xerox	1,799.96
102411	Xerox	2,534.56
102411	Xerox	2,534.56
102411	Xerox	449.60
270772	CIT (The CIT Group)	56,448.12
270772	CIT (The CIT Group)	12,600.21
270772	CIT (The CIT Group)	2,889.58
270772	CIT (The CIT Group)	616.15
279724	Canon	844.20
279724	Canon	12,249.31
282293	Canon	4,850.50
101809	Audi	3,658.95
270865	Marlin Leasing	514.05
279777	Quench	0.00

REAL ESTATE LEASES

SL Green Management	22,670.02
Ashland Properties	0.00
777 Sinatra Drive Corp	0.00



LICENSES

AHG	0
BHPC	0
Dockers	0
Gravity Games	0
Halston	0
John Lennon	0
Jones New York	0
Jones New York Optical/Int'l	0
Evan Picone	0
Jones NY Sun Dom/Int'l	17,255
Joneswear Sun/Optical	66,662
Jordache	0
Mary Kate & Ashley Sun	0
Mary Kate & Ashley Optical	0
Mary Kate & Ashley Canada Sun	0
Mary Kate & Ashley Canada Optical	0
Mudd Jeans & Girls	0
Nintendo	0
Oscar DeLaRenta	0
PGA	12,500
Seventeen Sun	0
Seventeen Optical	0
Stanley Blacker	0
Styl-Rite (Halston)	51,375



In re:

LANTIS EYEWEAR CORPORATION,

Debtor.

Chapter 11

Case No. 04-13589 (ALG)

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a), 363, 365 AND 1146(c) AND
FED. R. BANKR. P. 2002, 6004 AND 6006 (A) APPROVING SALE OF
SUBSTANTIALLY ALL THE DEBTOR'S ASSETS, FREE AND CLEAR
OF ALL LIENS, CLAIMS AND ENCUMBRANCES TO HIG RECOVERY
FUND II, INC.; (B) AUTHORIZING THE SALE, ASSUMPTION AND
ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; (C) MAKING DETERMINATION OF CURE
AMOUNTS WITH RESPECT TO EXECUTORY CONTRACTS AND
UNEXPIRED LEASES; (D) APPROVING SETTLEMENT AND
COMPROMISES; AND (E) GRANTING RELATED RELIEF**

Upon the motion of Lantis Eyewear Corporation, the above-captioned debtor and debtor-in-possession ("Lantis" or the "Debtor"), dated May 25, 2004 (Docket No. 33) (the "Sale Motion"), seeking entry of an Order, pursuant to sections 105(a), 363, 365 and 1146(c) of title 11 of the United States Code, §§ 101 et seq. (the "Bankruptcy Code") and rules 2002, 6004 and 6006 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"): (a) approving that certain Amended and Restated Asset Purchase Agreement, dated as of May 25, 2004, as amended and restated as of July 29, 2004, between the Debtor and HIG Recovery Fund II, Inc., ("HIG" or the "Buyer," as applicable), a copy of which is annexed hereto as Exhibit A (the "Purchase Agreement"), (b) authorizing the Debtor to consummate a sale of the Acquired Assets,¹ free and clear of all liens, claims and encumbrances other than the liens created by the Buyer (collectively, "Liens"), with such liens to transfer, affix, and attach to the proceeds of such

¹ Unless otherwise stated, capitalized terms used but not defined herein shall have the meaning given in the Purchase Agreement.



sale, pursuant to the terms and conditions of (i) the Purchase Agreement, (ii) that certain Transition Services Agreement dated as of July 29, 2004, between the Debtor and HIG (as amended, supplemented or otherwise modified, the "Transition Services Agreement"), a copy of which is annexed hereto as Exhibit "B," and (iii) that certain Assignment, Assumption and Release Agreement dated July 20, 2004, between and among the Debtor, HIG, and 777 Sinatra Drive Corp. (as amended, supplemented or otherwise modified, the "Secaucus Assignment Agreement"), a copy of which is annexed hereto as Exhibit "C," all as more fully set forth in the Sale Motion, (c) authorizing the sale, assumption and assignment of certain executory contracts and unexpired leases in accordance with the terms of the Purchase Agreement (collectively, the "Assumed Executory Contracts") in connection with such sale, (d) making determinations of cure amounts with respect to the Assumed Executory Contracts, (e) approving settlement and compromises, and (f) granting related relief; and consideration of the Sale Motion, the relief requested therein, and the responses thereto, being a core proceeding in accordance with 28 U.S.C. § 157(b); and adequate notice of the Sale Motion having been given pursuant to Rule 2002(i) by service upon the United States Trustee, the Statutory Committee of Unsecured Creditors, the Debtor's twenty (20) largest creditors, all persons requesting notice pursuant to Rule 2002, all counterparties to the executory contracts to be assumed and assigned pursuant to the Sale Order as well as by publication in the National edition of The Wall Street Journal and the equity holders having had actual knowledge of the sale; and no further notice is required under the circumstances and the appearances of all interested parties and all responses and objections to the Sale Motion, if any, having been duly noted at the hearing on the Sale Motion held on July 15, 16 and 21, 2004 (the "Sale Hearing"); and upon the record of the Sale Hearing,



TRADEMARK

REEL: 003105 FRAME: 0613

the Sale Motion, all responses and objections, and the testimony given at the Sale Hearing; and after due deliberation and sufficient cause appearing therefor, the Court hereby

FINDS AND DETERMINES² THAT:

A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014.

B. Notice of the Sale Motion, the Auction, and the Sale Hearing has been given in accordance with Bankruptcy Rules 2002(i), 4001 and 6004 and 6006 and this Court's June 10, 2004, Order (A) Authorizing and Scheduling an Auction for the Sale of Substantially all of the Debtor's Assets Free and Clear of all Liens, Claims and Encumbrances; (B) Approving Bidding Procedures that will Govern the Sale; (C) Approving the Form and Manner of Notice of the Sale and (D) Fixing Procedures for Determination of Cure Amounts with Respect to Executory Contracts and Unexpired Leases (Docket No. 72) (the "Bidding Procedures Order") as amended by this Court during the Sale Hearing. Notwithstanding anything to the contrary contained in the Bidding Procedures Order, the foregoing notice was made in accordance with Bankruptcy Rule 2002(i) and was reasonably calculated to provide notice to all creditors of the Debtor, affected parties and to all prospective bidders and constitutes adequate notice of the Sale Motion and the Sale Hearing, and no other or further notice of the Sale Motion, the Sale Hearing or the entry of this Order (the "Sale Order") need be given.

C. A reasonable opportunity has been afforded any interested party to make a higher and better offer for the Acquired Assets.

² Findings of fact shall be construed as, and constitute, conclusions of law and conclusions of law shall be construed as, and constitute, findings of fact when appropriate. FED. R. BANKR. P. 7052. Statements made by the Court from the bench at the hearing shall constitute additional conclusions of law and findings of fact, as appropriate.



D. Exigent circumstances and sound business reasons exist for the Debtor's sale of the Acquired Assets pursuant to the Purchase Agreement. There is a need by the Debtor to consummate the sale as rapidly as possible. Among other things, the Debtor's continuing loss of cash and the need to sell the Debtor's business quickly to preserve employees' jobs and the value of the Debtor's business. Additionally, the Debtor is at risk of losing additional customers and employees if its business is not sold quickly. Entry into the Purchase Agreement and consummation of the transactions contemplated thereby constitute the exercise by the Debtor of sound business judgment and such acts are in the best interests of the Debtor, its estate and creditors.

E. The Purchase Agreement represents the highest and best offer received by the Debtor for the Acquired Assets, and the Buyer was determined by the Debtor to be the Successful Bidder (as defined in the Bidding Procedures Order). The Debtor complied with all provisions of the Bidding Procedures Order.

F. The sale consideration to be realized by the Debtor pursuant to the Purchase Agreement is fair and reasonable.

G. The transactions contemplated by the Purchase Agreement are undertaken by the Debtor and the Buyer at arm's length, without collusion and in good faith within the meaning of the Bankruptcy Code § 363(m), and such parties are entitled to the protections of Bankruptcy Code § 363(m).

H. The Transition Services Agreement and the Secaucus Assignment Agreement are an integral part of the sale and are fair and reasonable under the circumstances.



I. A sale of the Acquired Assets other than one free and clear of Liens would adversely affect the Debtor's estate and would be of substantially less benefit to the Debtor's estate.

J. The decision to sell, assume and assign each Assumed Executory Contract is based on the reasonable exercise of the Debtor's business judgment and is in the best interests of the Debtor's estate.

K. The Buyer has demonstrated adequate assurance of future performance with respect to each of the Assumed Executory Contracts.

L. The sale of the Acquired Assets is a prerequisite to the Debtor's ability to confirm and consummate a plan of liquidation. The sale contemplated under the Purchase Agreement is a sale in contemplation of and an integral part of such plan.

M. As of the Petition Date, the Debtor was liable to HIG Recovery in the approximate amount of \$99,100,000 including principal, interest, fees and costs (the "HIG Claim"). For purposes of HIG's ability to credit bid pursuant to Bankruptcy Code § 363(k), the HIG Claim is an allowed claim secured by a fully enforceable, non-avoidable, properly perfected security interest in substantially all of the Debtor's assets, including but not limited to the Acquired Assets, not subject to challenge in any respect by the Debtor, the Committee or any other party in interest.

N. The Debtor believes that the estate is and will continue to be administratively solvent.

O. Stuart Chizen will serve as a member of the Debtor's board of directors and the initial wind down officer and HIG has agreed to fund the wind down officer to the extent of \$100,000.



P. The Buyer is entitled to credit bid all or a portion of the HIG Claim at the Auction in accordance with Bankruptcy Code § 363(k).

Q. The Debtor and the Committee believe that the settlements and compromises provided under this Order (the "Settlement") are reasonable and in the best interests of the creditors of the Debtor's estate, the Debtor's estate and all other affected parties.

R. The Debtor, the Debtor's current officers and directors and the Committee have the authority to enter into the Settlement.

S. Pursuant to Rule 9019(a) of the Federal Rules of Bankruptcy Procedure and relevant legal authorities, the Settlement is fair and equitable and is above the lowest point in the range of reasonableness.

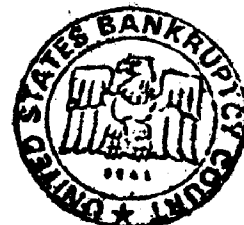
T. If the Settlement is not approved, the prospect of complex and protracted litigation exists against certain of the settling parties, the outcome of which is uncertain.

U. The benefits for the Debtor's estate and creditors of the Debtor's estate offered by the Settlement without the expense and delay of further litigation outweigh any potential benefits if the claims asserted in the objection are pursued and advances the orderly, economical and expeditious administration of this case.

V. The Debtor, the Committee, HIG, and the Debtor's current officers and directors all support the Settlement.

W. Competent and experienced counsel for proponents of the Settlement recommend its acceptance.

X. The nature and breadth of the releases to be effected pursuant to the Settlement are fair and reasonable and supported by the consideration to be paid or distributed under the Settlement.



Y. The Settlement is the product of arm's-length, non-collusive bargaining among the settling parties and has been reached in good faith and, when consummated in accordance with this Order and the Settlement, will have been consummated in good faith.

Z. The Equity Give-Up (as defined herein) does not constitute estate property under section 541 of the Bankruptcy Code and shall constitute a non-estate asset.

AA. All objections (including all of the objections of the Committee (the "Committee's Objections")) to the Sale Motion have been resolved to the satisfaction of this Court, the Debtor, the Committee, such objector and the Buyer, or have otherwise been overruled.

For all of the foregoing reasons and after due deliberation, the Court ORDERS, ADJUDGES, AND DECREES THAT:

1. The Sale Motion (as supplemented on the record), the Purchase Agreement, the Transition Services Agreement and the Secaucus Assignment Agreement, and the transactions contemplated thereby are hereby approved. In the event of a conflict between provisions of this Order and the Purchase Agreement, the Transition Services Agreement, the Secaucus Assignment Agreement and the Sale Motion, the provisions of this Order shall govern.

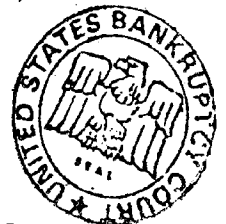
2. Pursuant to Bankruptcy Code § 363(b), the Debtor is authorized and directed to sell the Acquired Assets (including the Assumed Executory Contracts) to the Buyer upon the terms and subject to the conditions set forth in the Purchase Agreement and this Order, with such modifications as may be agreed to by HIG, the Debtor and Committee, which shall be filed with the Court and which are consistent



with this Order and the Purchase Agreement and do not materially adversely affect the Debtor or Debtor's estate.

3. The Buyer is hereby authorized to credit bid the HIG Claim pursuant to Bankruptcy Code § 363(k) in accordance with the Purchase Agreement. The Debtor and the Buyer are hereby authorized to take all actions and execute and deliver all documents, instruments and agreements (including but not limited to general releases of the Buyer) that the Debtor and the Buyer deem necessary or appropriate to implement and effect the transactions contemplated by the Purchase Agreement as such may be amended by the parties thereto with the consent of the Committee (provided that such modifications shall be filed with the Court and are consistent with this Order and the Purchase Agreement and do not materially adversely affect the Debtor or Debtor's estate), including but not limited to bills of sale, assignment documents, deeds and transition service agreements. Notwithstanding anything in the Purchase Agreement to the contrary, except as agreed to by the Buyer, the Debtor and Committee, the Closing Date shall occur no later than August 31, 2004 and the Termination Date (as defined in the Purchase Agreement) shall be September 2, 2004.

4. Pursuant to Bankruptcy Code § 363(f), the sale of the Acquired Assets to the Buyer shall be free and clear of all Liens (other than Liens created by the Buyer or Permitted Encumbrances (as defined in the Purchase Agreement)), with all such Liens to attach to the net proceeds of the Sale in the order of their priority, with the same force, validity and effect which they now have as against such Acquired Assets, subject to any claims or defenses the Debtor may possess, whether known or unknown, including, but not limited to, any of the Debtor's creditors, vendors,



suppliers, employees, executory contract counterparties, lessors, customers or users of goods manufactured or sold by the Debtor, and the Buyer shall not be liable in any way (under any theory of successor liability or otherwise) for any claims that any of the foregoing or any other third party may have against the Debtor by virtue of the purchase and sale provided for herein; provided further that, and except as expressly provided in the Purchase Agreement and this Order, the free and clear delivery of the Acquired Assets shall include, but not be limited to, all asserted or unasserted, known or unknown, employment related claims, payroll taxes, employee contracts, employee seniority accrued while employed with the Debtor and successor liability, with any and all valid and enforceable Liens thereon, including those asserted by any lender of the Debtor, transferred, affixed, and attached to the net proceeds of such sale, with the same validity, priority, force, and effect as such Liens had upon the Acquired Assets immediately prior to the Closing (as defined in the Purchase Agreement); provided, however, that the Acquired Assets are subject solely to the setoff and/or recoupment claims, whether accrued before or after the Petition Date, of Jones Retail Corporation and Jones Investment Co., Inc. (the "Jones Setoff Claims") and as specifically provided in the Purchase Agreement, and no other valid and enforceable setoff and/or recoupment rights of any creditor shall be adversely affected, except to the extent permitted by applicable law.

5. If any person or entity that has filed financing statements, mortgages, mechanic's liens, lis pendens, or other documents or agreements evidencing Claims (as defined in the Purchase Agreement) against or interests in the Debtor or the Acquired Assets that are junior or subject to the Liens of Buyer and shall not have



delivered to the Debtor prior to the Closing Date (as defined in the Purchase Agreement), in proper form for filing and executed by the appropriate parties, after due request therefor, termination statements, instruments of satisfaction, releases of all Claims or interests which the person or entity has with respect to the Debtor or the Acquired Assets or otherwise, then upon the Closing and simultaneously with receipt by the Debtor of the Purchase Price and Additional Cash Payment (as defined in the Purchase Agreement) and with the receipt by counsel for the Committee of the Equity Give-Up: (a) the Debtor is hereby authorized and directed to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to the Acquired Assets at no cost to the Debtor, and (b) the Buyer is hereby authorized to file, register, or otherwise record a certified copy of this Sale Order, which, once filed, registered, or otherwise recorded, shall constitute conclusive evidence of the release of all Claims against or interests in the Acquired Assets.

6. Effective as of the Closing, the sale of the Acquired Assets by the Debtor to the Buyer shall constitute a legal, valid, and effective transfer of the Acquired Assets and shall vest the Buyer with all right, title, and interest of the Debtor in and to the Acquired Assets free and clear of all Liens (other than the Jones Setoff Claims) pursuant to Bankruptcy Code § 363(f). Such transfer shall be deemed made by the Debtor "as is" and "where is" without representations or warranties, except as specifically set forth in the Purchase Agreement.

7. The sale of the Acquired Assets to the Buyer pursuant to the Purchase Agreement will constitute transfers for reasonably equivalent value and fair consideration under the Bankruptcy Code and the laws of all applicable jurisdictions,



including, but not limited to, the laws of the State of New Jersey and the State of New York.

8. The Buyer is hereby found to be a good-faith purchaser pursuant to Bankruptcy Code § 363(m) and hereby is granted all of the protections provided thereunder.

9. The Debtor is authorized and directed to assign and transfer to the Buyer all of the Debtor's rights, title and interest (including common law rights) to all of the Debtor's intangible property to be assigned and transferred to the Buyer under the Purchase Agreement.

10. All objections and responses concerning the Sale Motion are resolved in accordance with the terms of this Sale Order and as set forth in the record of the Sale Hearing and to the extent any such objection or response was not otherwise withdrawn, waived, or settled, they are, and all reservations and rights therein are, overruled and denied except to the extent set forth in this Sale Order.

11. The Buyer has not assumed or otherwise become obligated for any of the Debtor's liabilities other than as expressly set forth in the Purchase Agreement, the Transition Services Agreement and the Secaucus Assignment Agreement, and the Buyer has not purchased any of the Excluded Assets.

12. Subject to full payment of the Cure Amounts as hereinafter set forth, the sale, assumption and assignment to Buyer of each Assumed Executory Contract is approved pursuant to Bankruptcy Code §§ 363(b), (f) and (m) and 365(a) and (f).



13. At Closing or as soon as is practicable thereafter, the Buyer shall fund and/or pay to the counterparties, if any, to the Assumed Executory Contracts cure amounts ("Cure Amounts") in the amounts set forth on the schedule to the Cure Notice attached hereto as Exhibit D; provided, however, that (i) the "Cure Amount" with respect to the License Agreement, dated May 19, 1995, between Jones Investment Co., Inc. and the Debtor (as amended, the "Jones Agreement") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall accrue under the Jones Agreement through the Closing Date, whether arising before or after the Petition Date; (b) interest on any payment made beyond its due date under the Jones Agreement; and (c) Jones' reasonable attorneys' fees and expenses not to exceed \$25,000 (collectively, with the amounts relating to the Jones Agreement set forth in Exhibit D, the "Jones Cure Amount"); (ii) the "Cure Amount" with respect to the Dualstar Contracts (as defined herein) shall include (a) all amounts then accrued under the Dualstar Contracts as of the Closing Date, whether or not such amounts are then payable, (b) interest at the rate of ten percent (10%) *per annum* on any amounts paid or payable to Dualstar after the date required for the payment thereof in accordance with the Dualstar Contracts until the Closing Date, and (c) all reasonable legal fees and expenses not to exceed \$40,000 incurred by Dualstar as a consequence of or in connection with (x) the Debtor's default under the Dualstar Contracts, (y) the chapter 11 case of Debtor, and (z) the Sale Motion (the "Dualstar Cure Amount"); (iii) the "Cure Amount" due to Levi Strauss & Company ("LS&CO") in connection with those agreements between LS&CO and the Debtor (the "LS&CO Agreements") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall



accrue under the LS&CO Agreements through the Closing Date, and (b) reasonable attorneys' fees and expenses not to exceed \$7,500 incurred by LS&CO as a consequence of or in connection with the chapter 11 case of Debtor (the "LS&CO Cure Amount"); and (iv) the "Cure Amount" due to AHG Licensing, Inc. ("AHG") pursuant to that certain License Agreement dated June 23, 2003, with the Debtor (the "AHG Agreement") shall include, in addition to the amounts set forth in Exhibit D, (a) such unpaid amounts as shall accrue under the AHG Agreement through the Closing Date, and (b) reasonable attorneys' fees and expenses not to exceed \$7,500 incurred by AHG as a consequence of or in connection with the chapter 11 case of Debtor (the "AHG Cure Amount") (the Jones Cure Amount, the Dualstar Cure Amount, the LS&CO Cure Amount and the AHG Cure Amount, together, the "Licensor Cure Amounts") (the Jones Agreement, the Dualstar Contracts, the LS&CO Agreements Cure and the AHG Agreement, together, the "Licensor Agreements"). The "Dualstar Contracts" are defined herein to mean each of those trademark licenses (the "Dualstar Contracts") granted to Debtor by Dualstar Entertainment Group LLC and Dualstar Consumer Products LLC (collectively, "Dualstar") identified on Exhibit E hereto. The Cure Amounts in Exhibit D and the Licensor Cure Amounts shall be deemed the entire cure obligation of the Debtor due and owing pursuant to Bankruptcy Code § 365(b) on the Closing Date. The Buyer shall fund and/or pay the Cure Amounts as provided under the Purchase Agreement and shall have no other liability for any amounts under any Assumed Executory Contract to the extent arising before the Closing Date, except as provided in the Purchase Agreement.



14. The Buyer shall assume the costs, obligations and liabilities of the Debtor arising from and after the Closing Date with respect to each Assumed Executory Contract and shall assume obligations accruing thereunder prior to the Closing only with respect to the Licensor Agreements and to the extent expressly provided for in the Purchase Agreement. Upon assumption and assignment of any Assumed Executory Contract, the Debtor and the Debtor's estate shall be relieved of any liability for breach of such Assumed Executory Contract occurring after such assignment pursuant to Bankruptcy Code § 365(k).

15. The Buyer has provided adequate assurance of its future performance under each Assumed Executory Contract and the proposed assumption and assignment of the Assumed Executory Contracts satisfies the requirements of the Bankruptcy Code including, inter alia, Bankruptcy Code §§ 365(b)(1) and (3) and 365(f) to the extent applicable; provided, however, notwithstanding the foregoing and paragraphs K and 12 hereof, the assumption and assignment of the Dualstar Contracts is approved on the condition that Buyer and Dualstar shall meet and confer with respect to the adequate assurance of future performance which Buyer intends to provide to Dualstar, and either (a) Dualstar expressly consents to such assumption and assignment, or (b) if Dualstar does not so consent, this Court, after an evidentiary hearing, authorizes such assumption and assignment, in which instance, all rights, claims and contentions of the parties are expressly reserved, including, but not limited to, the contention of Dualstar that in accordance with Section 365(c) of the Bankruptcy Code, the Dualstar Contracts are not subject to assumption and assignment.



16. The Assumed Executory Contracts are valid and binding, in full force and effect and, except as provided in this Sale Order, enforceable in accordance with their terms.

17. There shall be no rent accelerations, assignment fees, increases, or any other fees charged to the Buyer as a result of the sale and assignment of the Assumed Executory Contracts.

18. Any provision in any Assumed Executory Contract that purports to declare a breach or default as a result of a change of control in respect of the Debtor is unenforceable and all Assumed Executory Contracts shall remain in full force and effect. No sections or provisions of any Assumed Executory Contract that purports to (i) prohibit, restrict, or condition the Debtor's assignment of the Assumed Executory Contract; (ii) authorize the cancellation, termination or modification of any Assumed Executory Contract based on the filing of a bankruptcy case, the financial condition of the Debtor, or similar circumstances; or (iii) provide for additional payments, penalties, charges, or other financial accommodations in favor of the non-debtor third party to the Assumed Executory Contracts upon the occurrence of the conditions set forth in subsections (i) and (ii) above, shall have any force and effect with respect to the sale and assignment authorized by this Sale Order, and such provisions constitute unenforceable anti-assignment provisions under Bankruptcy Code § 365(f) and/or are otherwise unenforceable under Bankruptcy Code § 365(e).

19. Each Assumed Executory Contract is in full force and effect and, upon Closing in compliance with the terms and conditions of this Order, and except as provided for in the Purchase Agreement, no monetary or non-monetary default will



exist thereunder, or event or occurrence which would constitute a default with the passage of time, giving of notice, or both, with respect to any material term, condition, covenant, payment obligation or other obligations thereunder whether prepetition or postpetition in nature, other than any event of default existing as a result of the filing of this bankruptcy case and monetary cure amounts which shall be cured at the Closing.

20. The Cure Amounts (including, without limitation, the Jones Cure Amount), concerning the Assumed Executory Contracts, shall be in full and complete satisfaction of the Debtor's and Buyer's obligations existing as of the Closing or arising by reason of the Closing, including but not limited to any assignment fee, default, or breach under, or any claim or pecuniary loss, or condition to assignment, existing as of the Closing or such other date as to when such contract is assumed and assigned or arising under or related to Assumed Executory Contracts.

21. The Assumed Executory Contracts, upon sale and assignment to the Buyer, shall be deemed valid and binding, in full force and effect in accordance with their terms, subject to the provisions of this Sale Order and, pursuant to Bankruptcy Code § 365(k), the Debtor shall be relieved from any further liability, except for any cure obligations as herein provided.

22. Pursuant to Bankruptcy Code §§ 363(b), (f) and (m) and 365(a), (b) and (f), the assumption, assignment and sale to the Buyer of the Assumed Executory Contracts by the Debtor shall be effected by this Sale Order, effective as of Closing.

23. Immediately upon entry of this Sale Order, in connection with the New Jersey Facility, the Debtor, together with the Buyer, without cost to the Debtor, may disassemble and move all distribution-related equipment in the New Jersey Facility

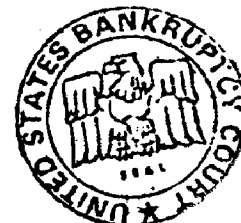


which constitute Acquired Assets; provided, however, that until the Closing the Acquired Assets shall remain property of the Debtor and, if the Closing does not occur, the Acquired Assets shall be returned to the Debtor at the Buyer's sole expense.

24. The Assumed Executory Contracts, together with any amendments and modification of such Assumed Executory Contracts, constitute the Assumed Executory Contracts that are being assumed by and assigned to the Buyer by the Debtor.

25. Pursuant to the Purchase Agreement, the Buyer shall reallocate and share proceeds of the sale by paying \$2,000,000 in cash in respect of the Equity Give-Up to be held by counsel to the Committee in a segregated interest-bearing account or invested in treasury bills or other direct obligations of, or obligations guaranteed by, the United States of America, or a money market fund which invests primarily in direct obligations of the U.S. Treasury and securities issued or guaranteed by U.S. agencies or authorities. It is the intent of the parties that the Equity Give-Up will be held by counsel to the Committee in trust for and for the benefit of the Creditor Beneficiaries and that the Equity Give-Up will not be distributed except as provided by further Order of this Court or in a manner set forth in a liquidation trust agreement and/or plan of liquidation approved by this Court. The Equity Give-Up may be adjusted upwards in accordance with the Purchase Agreement. All interest and income received in respect of investments of the Equity Give-Up shall constitute part of the Equity Give-Up. Nothing herein shall prejudice the right of the Committee to argue that the Equity Give-Up was reallocated for the sole benefit of the Creditor Beneficiaries.

26. The term "Creditor Beneficiary" or "Creditor Beneficiaries" shall mean any holder of an allowed and timely filed prepetition non-priority general



unsecured Claim against the Debtor or Debtor's estate other than HIG, the officers and directors of the Debtor and any "insider" of the Debtor (as such term is defined in Bankruptcy Code § 101). The Creditor Beneficiaries shall be entitled to receive a *pro rata* share of the Equity Give-Up. "*Pro rata*" shall mean with reference to any distribution on account of the Equity Give-Up, the proportion of the allowed claims of such Creditor Beneficiary to the aggregate of all allowed claims of Creditor Beneficiaries plus any reserve for disputed claims or claims not yet allowed to this Chapter 11 case, as determined by the Committee. Up to \$175,000 of the Equity Give-Up may be used by the Committee or its designee to pay fees and expenses of professionals of the Committee or such designee with respect to services performed and related expenses with the maintenance, administration and distribution of the Equity Give-Up and any costs related to the maintenance, administration and distribution of the Equity Give-Up may be paid from the Equity Give-Up.

27. In consideration for the release of claims set forth herein, including, but not limited to, the resolution of the Committee Objection, the Lender and certain of the Individual Releasees have agreed to pay, or cause to be paid, to the Debtor, the sum of \$550,000 to be paid to the Debtor on or before the Closing Date in the manner set forth in the Purchase Agreement (the "Settlement Payment") for use for general corporate purposes including the costs of administering the Chapter 11 case or otherwise distributed as provided under the Bankruptcy Code.

28. As provided in the Purchase Agreement, effective as of the Closing Date, all Claims against the Debtor, the Debtor's estate or property of the Debtor and the Equity Give-Up by the Individual Releasees (as defined in the Purchase Agreement)



are hereby waived and released by such Individual Releasees and all such Claims are hereby disallowed and expunged in their entirety. Such Individual Releasees shall be forever barred from asserting all such claims against the Debtor, the Debtor's estate or property of the Debtor or the Equity Give-Up. Such Individual Releasees hereby release the Debtor and the estate from any and all rights, claims, actions or demands of every kind and nature, in law or equity, or otherwise, and known and unknown.

29. Effective as of 12:01 a.m. on the day after the Closing Date, the Debtor shall be deemed to have rejected the Debtor's prepetition employment and severance agreements with those employees having pre-petition employment contracts with the Debtor (as defined in the Purchase Agreement, the "Waiving Employees"). The employment agreements between Buyer and (i) Laurence J. Moellentine ("Moellentine"), and (ii) Stuart Chizen ("Chizen") are hereby deemed void as of March 8, 2004, and shall give rise to no claim against HIG, the Debtor, the Debtor's estate, property of the Debtor or the Equity Give-Up. Notwithstanding the foregoing, the entry of this Order is without prejudice to the rights of Moellentine and Chizen to enter into new employment agreements with Buyer; provided that such agreements shall become effective only on or after the Closing Date. At Closing, the Waiving Employees shall deliver waivers and releases of any and all claims for rejection damages and any other Claims against the Debtor, the Debtor's estate or Debtor's properties and the Waiving Employees shall be forever barred from asserting such claims against the Debtor, the Debtor's estate, property of the Debtor or the Equity Give-Up. Pursuant to Section 365(a) of the Bankruptcy Code, the rejection of the employment agreements is hereby approved.



30. Effective as of the Closing Date, the Tax Indemnification Agreement dated March 15, 2004, between the Buyer and Murray Pottruck, Daniel Bernstein, Paul Gricus, Stuart Chizen and Laurence Moellentine, shall remain in full force and effect but, to the extent that any tax obligation covered by the Tax Indemnification Agreement is asserted and allowed against the Debtor and that such liability is in an amount sufficient to cause a diminution of the Equity Give-Up, Buyer shall immediately pay the allowed amount of such tax obligation to or for the benefit of the Debtor and the Debtor's bankruptcy estate and not to the parties indemnified pursuant to the Tax Indemnification Agreement. But, in no event, shall Buyer's obligation to the Debtor and the parties indemnified pursuant to the Tax Indemnification Agreement exceed \$100,000 in the aggregate.

31. At any time after the Closing Date, without further order from the Court, the Debtor may abandon or reject any of its presently existing executory contracts or leases which are not (a) assumed by Buyer, (b) continued and included on the schedule to the Transition Services Agreement or (c) assigned to the Buyer pursuant to the Secaucus Assignment Agreement (the "Excluded Contracts"), by obtaining the Committee's consent and serving upon (i) the non-Debtor party to such Excluded Contract, (ii) HIG and (iii) Buyer, a notice by overnight express mail to such parties' last known address available to the Debtor (and its counsel, if known) that such Excluded Contract shall be deemed rejected and/or abandoned as of five (5) business days following the service of such notice, absent a written objection. Such notice shall also provide for (a) a ten (10) day period within which such non-Debtor party may file an objection to such rejection, (b) the return by the Debtor of any such personal



property or possession of such leasehold to the landlord, or (c) the personal property or leasehold may be abandoned. Claims arising out of the rejection of a lease or contract under this paragraph must be filed with this Court on or before thirty (30) days after the effective date of the rejection. This Order is without prejudice to the Debtor's right to file a subsequent motion to assume and assign any Excluded Contracts or seek other or different relief regarding such lease or contract.

32. The Debtor and the Committee shall promptly file a joint plan of liquidation and disclosure statement consistent with the terms of this Order and the Purchase Agreement. The Debtor's time within which to file a plan and solicit acceptances of such plan pursuant to section 1121(d) of the Bankruptcy Code is hereby modified to allow the Committee to share the exclusive periods and be permitted to file a separate or joint plan of liquidation with the Debtor.

33. This Order constitutes a compromise settlement of disputed claims among the Debtor, the Debtor's officers and directors, the Buyer, and the Committee and shall not be deemed or construed to be an admission of liability by either party at any time for any purpose. The parties warrant that they own and have not assigned, sold, transferred or otherwise disposed of any claim or any interest in any claim against the other released in this Order.

34. Pursuant to the Purchase Agreement, the Buyer has the right to credit a portion of the HIG Claim (not to exceed \$20,000,000) against the Purchase Price (except with respect to the Equity Give-Up) for the Acquired Assets pursuant to Section 363(k) of the Bankruptcy Code.



35. In accordance with the Purchase Agreement, at Closing, all Claims arising under the Credit Agreement or otherwise, whether arising under contract, at law or in equity, including, but not limited to, the Replacement Liens, Superiority Claims, Diminution Claims and Post-Petition Advances and the remaining unsecured deficiency portion of the HIG Claim, without duplication, (but not including claims arising under the Purchase Agreement, or other documents or instruments executed in connection with the Closing, if any), shall be replaced with the Subordinated Note (in form and substance reasonably acceptable to the Debtor and the Committee), as provided in the Purchase Agreement, which shall be deemed an unsecured claim against the Debtor subordinate and junior to the rights and claims of any other creditor or claimant of the Debtor or Debtor's estate. On the Closing Date, the liens and security interests securing the HIG Claim shall be deemed terminated and extinguished. HIG, HIG Capital Management, Inc., HIG Capital LLC, and their officers, directors, executives and advisors, hereby waive and release any right or entitlement to recover or receive any distribution from the Equity Give-Up or any distribution or dividend with respect to this proceeding including, but not limited to, the Excluded Assets, Additional Cash Payment or Avoidance Actions.

36. In consideration of the Buyer's payment of the Purchase Price, effective as of the Closing Date:

(i) each of the General Releasees are hereby released from all claims (as defined in Bankruptcy Code § 101(5)) that the Debtor, its affiliates, the Committee, on behalf of itself and the estate of the Debtor, or any party claiming through any of the foregoing, may have against the General Releasees, regardless of whether such claim accrued before or after the Petition Date through the Closing Date, except that the Buyer's obligations and agreements, including its obligation to make payments and fund, pursuant to the Cash Collateral Stipulation and pursuant to the



Purchase Agreement, this Order, the Transition Services Agreement, and the Secaucus Assignment Agreement, shall not be released; provided, however, nothing in this paragraph releases Buyer's obligations or agreements under this Order, the Purchase Agreement, the Transition Services Agreement, or the Secaucus Assignment Agreement;

(ii) each of the Individual Releasees (other than Individual Releasees that have not delivered an Estate Release) shall be fully released with respect to all Claims and defenses that the Debtor, the Committee) and its members (solely in their role and capacity as members of the Committee, any party in interest or any party claiming through any of the foregoing may have against them through the Closing Date (other than claims against Buyer arising under the Purchase Agreement); and

(iii) each of HIG, HIG Capital Management Inc., HIG Capital LLC, and PNC Bank, N.A., the Individual Releasees and, as provided under the Purchase Agreement, the Waiving Employees, hereby releases and waives all Claims against the Debtor, the Debtor's estate, property of the Debtor, and the Committee, its members (solely in their role and capacity as members of the Committee) and the Equity Give-Up.

37. The Debtor, HIG, HIG Capital Management Inc., HIG Capital LLC, and PNC Bank, N.A., Individual Releases, hereby agree that each of them shall not consent to, support, participate in or otherwise take or omit to take any action inconsistent with or in derogation of this Order and the Purchase Agreement.

38. This Court shall retain jurisdiction to interpret and enforce the provisions of the Purchase Agreement, the Bidding Procedures Order and this Sale Order in all respects, including, but not limited to, any claims of entities that seek to enforce Excluded Obligations against the Buyer or the Acquired Assets, and further to hear and determine any and all disputes between the Debtor and/or the Buyer, as the case may be, and any non-debtor party to, among other things, any Assumed Executory Contracts concerning, inter alia, the Debtor's sale, assumption and assignment thereof to the Buyer under the Purchase Agreement; provided, however, that in the event the Court abstains from exercising or declines to exercise such jurisdiction or is without



jurisdiction with respect to the Purchase Agreement, Bidding Procedures Order, or this Sale Order, such abstention, refusal, or lack of jurisdiction shall have no effect upon, and shall not control, prohibit, or limit the exercise of jurisdiction of any other court having competent jurisdiction with respect to any such matter.

39. The provisions of this Sale Order are non-severable and mutually dependent.

40. This Sale Order shall inure to the benefit of and shall be binding on the Buyer, the Debtor and affected parties , and their respective successors and assigns, including, but not limited to, any chapter 11 or chapter 7 trustee that may be appointed in the Debtor's case and shall be binding upon any trustee, party, entity or fiduciary that may be appointed in connection with this case or any other or further cases involving the Debtor, whether under chapter 7 or chapter 11 of the Bankruptcy Code.

41. Pursuant to Bankruptcy Code § 1146(c), the transactions contemplated by the Purchase Agreement, including, but not limited to, the transfer of the Acquired Assets to the Buyer, recordation of evidence thereof, the granting mortgages and security interests in the Acquired Assets by the Buyer, and the recordation of evidence thereof by the Buyer or grantee of such mortgages and security interests are determined to be under or in contemplation of a plan to be confirmed under Bankruptcy Code § 1129 in that the net proceeds of the sale of the Acquired Assets are essential and required to fund a chapter 11 plan for the Debtor, and therefore, are exempt from any transfer, stamp or similar tax or any so-called "bulk-sale" law in all necessary jurisdictions arising as a result of or in connection with the Debtor's sale and transfer of the Acquired Assets to the Buyer.



42. Each and every federal, state, and local governmental agency or department is hereby directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the Purchase Agreement and this Sale Order.

43. The requirement under Southern District of New York Local Bankruptcy Rule 9013-1(b) to file a memorandum of law in support of the Sale Motion is waived.

44. This Sale Order shall be effective and enforceable immediately upon entry and its provisions shall be self-executing, and the automatic stay of orders (i) authorizing the sale, use, or lease of property of the estate, as set forth in Bankruptcy Rule 6004(g) and (ii) authorizing the assumption and assignment of an executory contract or unexpired lease, as set forth in Bankruptcy Rule 6006(d), shall not apply to this Sale Order.



45. All entities who are presently, or on the Closing Date may be, in the possession of some or all of the Acquired Assets are hereby directed to surrender possession of the Acquired Assets to the Buyer on the Closing Date.

SO ORDERED in the Southern District of New York, this ____ day of August 2004.

ALLAN L. GROPPER, U.S.B.J.



EXHIBIT LIST

Exhibit A	Purchase Agreement
Exhibit B	Transition Services Agreement
Exhibit C	Secaucus Assignment Agreement
Exhibit D	Cure Notice with Schedule of Cure Amounts
Exhibit E	Dualstar Contracts

SCHEDULES

Schedule 1	Officer's Waived Claims
Schedule 2	Rejected Employment Agreements



EXHIBIT E

- (i) Renewal and Third Amendatory Agreement (dated March 1, 2004) of Premium Vendor Engagement Agreement dated September 18, 2000 (for the term January 1, 2004 through December 31, 2005 in the United States only);
- (ii) Renewal Agreement (dated August 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in Canada only);
- (iii) Renewal Agreement (dated August 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in the United States only);
- (iv) Renewal Agreement (dated October 1, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term January 1, 2004 through December 31, 2004 in Canada only);
- (v) Second Amendment (dated as of November 15, 2003) of Premium Vendor Engagement Agreement dated October 23, 2002 (for the term November 15, 2003 through September 30, 2004 in the United States only for prescription quality (RX) sunglasses).

