

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	ASSIGNS THE ENTIRE INTEREST AND THE GOODWILL

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Discovery Toys, Inc.		01/22/2009	CORPORATION: CALIFORNIA

RECEIVING PARTY DATA

Name:	Discovery Toys, LLC
Street Address:	515 N State Street
Internal Address:	Suite 2650
City:	Chicago
State/Country:	ILLINOIS
Postal Code:	60654
Entity Type:	LIMITED LIABILITY COMPANY: DELAWARE

PROPERTY NUMBERS Total: 10

Property Type	Number	Word Mark
Registration Number:	1230031	DISCOVERY TOYS
Registration Number:	1230032	DISCOVERY TOYS
Registration Number:	1416127	MARBLEWORKS
Registration Number:	1438202	BOOMERINGS
Registration Number:	1566475	GATEWAY TO IMAGINATION
Registration Number:	1661824	
Registration Number:	1667712	WE BELIEVE THAT PLAY IS A CHILD'S WORK.. CHILDREN PLAY TO LEARN, TO GROW AND TO EXPERIENCE THE WORLD AROUND THEM
Registration Number:	1689143	
Registration Number:	1704326	A B SEAS
Registration Number:	1709412	PLAYFUL PATTERNS

CORRESPONDENCE DATA

900148814

**TRADEMARK
 REEL: 004105 FRAME: 0802**

OP \$265.00 1230031

Fax Number: (312)755-5720
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
Phone: 3127555700
Email: kprangley@ksc-law.com
Correspondent Name: Henry Krasnow
Address Line 1: 500 N Dearborn St Ste 200
Address Line 2: re: Discovery Toys
Address Line 4: Chicago, ILLINOIS 60654

NAME OF SUBMITTER:	Henry Krasnow
Signature:	/henry krasnow/
Date:	12/01/2009

Total Attachments: 26
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ASSET PURCHASE AGREEMENT

DISCOVERY TOYS, INC.

AS SELLER

AND

DISCOVERY TOYS, LLC

AS BUYER

ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") is made and entered into as of January __, 2009 (the "Effective Date"), by and among **Discovery Toys, Inc.**, a California corporation (the "Seller"), and **Discovery Toys, LLC**, a Delaware limited liability company (the "Buyer").

RECITALS

- A. Seller engages in a business consisting of the direct sale of toys (the "**Business**").
- B. Buyer wishes to acquire from Seller certain assets owned by Seller, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the following terms (which appear in this Agreement as capitalized terms) shall have the meanings specified below:

"**Accounts Payable**" shall mean the accounts payable outstanding on the Closing Date to vendors, suppliers, employees, independent consultants and educational consultants of the Seller.

"**Accounts Receivable**" shall have the meaning ascribed to such term in Section 2.1.2.

"**Affiliate**" shall mean, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, a Person (a "**Controlled Person**") shall be deemed to be "controlled by" another Person (a "**Controlling Person**") if the Controlling Person possesses, directly or indirectly, power to direct or cause the direction of the management and policies of the Controlled Person whether by contract or otherwise.

"**Agreement**" shall mean this Asset Purchase Agreement (together with all Exhibits referenced herein), as the same may from time to time be amended, modified or supplemented in accordance with the terms hereof.

"**Assignment and Assumption Agreement**" shall have the meaning ascribed to such term in Section 5.2.4.

"**Assumed Contracts**" shall mean, collectively, the Equipment Leases, the Real Property Leases, and the other contracts of the Seller specified on Exhibit 2.1.8.

"**Assumed Liabilities**" shall have the meaning ascribed to such term in Section 3.1.

"**Business**" shall have the meaning ascribed to such term in the Recitals of this Agreement.

"**Business Day**" shall mean any day other than a Saturday, Sunday or other day on which banks in the State of California are required or permitted to close.

"**Buyer**" shall have the meaning ascribed to such term in the preamble of this Agreement.

"**Claims**" shall mean, collectively, any and all rights, demands, claims, suits, actions and causes of action, whether known or unknown.

"**Closing**" shall have the meaning ascribed to such term in Section 5.1.

"**Closing Date**" shall have the meaning ascribed to such term in Section 5.1.

"**Credit Agreement**" shall mean the Revolving Credit and Security Agreement, dated as of June 1, 1999, between PNC Bank, National Association, as lender and as agent, and the Seller, as borrower, as amended, modified, supplemented, assigned and assumed from time to time in accordance with its terms. For purposes of this Agreement, the term "Credit Agreement" shall also include, where the context requires, all loan documents, notes and instruments related or executed pursuant to the foregoing, as well as all related collateral and security agreements, documents and filings.

"**Credit Indebtedness**" shall mean all amounts owing to the Lender pursuant to the Credit Agreement on the Closing Date, which amounts include all advances by Lender to Seller made by Lender on or after March 26, 2008 through the Closing Date (including any such advances that Seller thereupon lent upstream to EOS).

"**Damages**" shall have the meaning ascribed to such term in Section 11.2.

"**Effective Date**" shall have the meaning ascribed to such term in the preamble of this Agreement.

"**EOS**" shall mean EOS International, Inc., the sole shareholder of the Seller.

"**Equipment**" shall have the meaning ascribed to such term in Section 2.1.5.

"**Equipment Leases**" shall have the meaning ascribed to such term in Section 2.1.6.

"**Excluded Assets**" shall have the meaning ascribed to such term in Section 2.2.

"**Excluded Liabilities**" shall have the meaning ascribed to such term in Section 3.2.

"**Governmental Entity**" shall mean any (i) federal, state, local, municipal, foreign or other government; (ii) governmental or quasi-governmental authority of any nature (including

any governmental agency, branch, department, official, or entity and any court or other tribunal); or (iii) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitral tribunal.

"Included Assets" shall have the meaning ascribed to such term in Section 2.1.

"Indemnified Party" shall have the meaning ascribed to such term in Section 11.4.

"Indemnifying Party" shall have the meaning ascribed to such term in Section 11.4.

"Intercompany Payables" shall mean any amounts owed as of the Closing Date to EOS or any Affiliate of EOS.

"Intercompany Receivables" shall mean any amounts owing as of the Closing Date from EOS or any Affiliate of EOS to Seller.

"Liabilities" shall mean, as to any Person, all debts, adverse claims, liabilities, commitments, responsibilities, Taxes, and obligations of any kind or nature whatsoever, direct, indirect, absolute or contingent, of such Person, whether accrued, vested or otherwise, whether known or unknown and whether or not actually reflected, or required to be reflected, in such Person's balance sheets or other books and records.

"Lender" shall mean Draupnir, LLC, as lender under the Credit Agreement, and any successor lender thereunder.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind whatsoever (including any conditional sale or other title retention agreement or any lease in the nature thereof).

"Permitted Liens" shall mean the Liens in favor of the Lender and any other Liens to which the Buyer has consented to in writing.

"Person" shall mean any natural person, corporation, partnership, limited liability company, trust, joint venture, association, company, estate, unincorporated organization or government or any agency or political subdivision thereof.

"Prepaid Deposits" shall have the meaning ascribed to such term in Section 2.1.1.

"Purchase Price" shall have the meaning ascribed to such term in Section 4.

"Real Property Leases" shall have the meaning ascribed to such term in Section 2.1.7.

"Seller" shall have the meaning ascribed to such term in the preamble of this Agreement.

"Tax" or "Taxes" shall mean 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), franchise,

capital stock, excise, value added, payroll, employees, income withholding, social security, unemployment or other tax, and any penalty, addition to tax and interest on the foregoing.

“**Transaction Agreements**” shall mean this Agreement, as well as the bill of sale, various assignments and agreements and instruments specified in Section 5.

“**Transfer Tax**” or “**Transfer Taxes**” shall mean any federal, state, county, local, foreign and other sales, use, transfer, conveyance, documentary transfer, stamp, recording or other similar tax, fee or charge imposed upon the sale, transfer or assignment of property or any interest therein or the recording thereof, and any penalty, addition to tax or interest with respect thereto, but such term shall not include any tax on, based upon or measured by, the net income, gains or profits from such sale, transfer or assignment of the property or any interest therein.

“**WARN Act**” shall mean the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101 *et seq.*

1.2 Rules of Construction. For purposes of this Agreement: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural; (b) any reference in this Agreement to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such contract, instrument, release, or other agreement or document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in this Agreement to an existing document or exhibit means such document or exhibit as it may have been or may be amended, modified or supplemented; (d) if this Agreement’s description of the terms of an exhibit is inconsistent with the terms of the exhibit, the terms of the exhibit shall control; (e) unless otherwise specified, all references in this Agreement to sections and exhibits are references to sections and exhibits of or to this Agreement; (f) unless the context requires otherwise, the words “herein,” “hereunder” and “hereto” refer to this Agreement in its entirety rather than to a particular section or subsection of this Agreement; (g) any phrase containing the term “include” or “including” shall mean including without limitation; and (h) all of the exhibits referred to in this Agreement shall be deemed incorporated herein by such reference and made a part hereof for all purposes.

2. PURCHASE AND SALE OF ASSETS.

2.1 Purchase of Assets. Upon the terms and subject to the conditions set forth herein, on the Closing Date, Seller shall sell, transfer and assign to Buyer, and Buyer shall purchase from Seller, free and clear of all Liens other than the Permitted Liens, all assets owned by Seller that are related to and used in the Business, other than the Excluded Assets (as defined in Section 2.2 below), as the same are constituted on the Closing Date (collectively, the “**Included Assets**”). Without limiting the generality of the foregoing, the Included Assets shall include:

2.1.1 all cash, certificates of deposit and other cash collateral of the Seller, other than the excess amount described in Section 2.2.1 hereof (the foregoing, excluding such excess

amount, the “Cash”), and the prepaid deposits of Seller (collectively, the “Prepaid Deposits”);

2.1.2 the accounts receivable, costs in excess of billings, and unbilled revenues of Seller (collectively, the “Accounts Receivable”);

2.1.3 the prepaid expenses of the Business (other than the Prepaid Deposits);

2.1.4 the inventory or raw materials, purchased parts and work-in-process owned by Seller;

2.1.5 the furniture, fixtures, equipment, computers, machinery, vehicles, supplies and other tangible personal property owned by Seller including those items listed on *Exhibit 2.1.5* attached hereto that are in Seller’s possession on the Closing Date (collectively, the “Equipment”), and, to the extent transferable, all warranties, if any, express or implied, existing for the benefit of Seller from third parties relating to the Equipment;

2.1.6 the contracts and agreements (including all amendments thereto), as listed on *Exhibit 2.1.6* attached hereto, to which Seller is a party for the lease of equipment, vehicles or other personal property (collectively, the “Equipment Leases”);

2.1.7 the contracts and agreements (including all amendments thereto) to which Seller is a party for the lease of real property (collectively, the “Real Property Leases”);

2.1.8 all contracts and agreements (including all amendments thereto) to which Seller is a party, in each case as listed on *Exhibit 2.1.8* attached hereto (collectively, the “Assumed Contracts”), including all rights, demands, claims, actions and causes of action that Seller may have under the Assumed Contracts (excluding any Excluded Assets);

2.1.9 all of the patents and patent applications owned by Seller (collectively, the “Patent Rights”);

2.1.10 all copyrights, copyright applications, trademarks, service marks and trade names or other trade designations owned by Seller (collectively, the “Copyrights and Trademarks”);

2.1.11 to the extent transferable, the insurance policies listed on *Exhibit 2.1.11* attached hereto (as well as any refunds or claims relating to such policies);

2.1.12 all telephone numbers, electronic mail addresses, domain names and websites used by Seller in the conduct of the Business;

2.1.13 all intellectual property rights of Seller, including, without limitation, all patent rights, and rights of Seller in and to the names, trademarks, service marks, and trade names containing or utilizing the corporate name of Seller;

2.1.14 all licenses, permits, authorizations, certificates of occupancy, franchises and approvals of any nature issued by any Governmental Entity to Seller in respect of the

Business, or otherwise obtained by Seller for the Business from any Governmental Entity, to the extent transferable under applicable law;

2.1.15 to the extent transferable, warranty rights provided by suppliers, manufacturers or contractors relating to the Included Assets;

2.1.16 subject to Section 8.2.1, all books, records, databases, information and data pertaining to the Business currently used or useful in connection with the Included Assets, whether in written, electronic, visual or other form, including management information systems or software owned by Seller, engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, personnel and employment records, customer lists, vendor lists, catalogs, research material, URLs, source codes, technical information, trade secrets, technology, know-how, specifications, designs, drawings, processes and quality control data, if any, or any other intangible property and applications for the same, but excluding any of the books, records, files or papers related solely to the Excluded Assets;

2.1.17 the capital stock and other securities of Discovery Toys Canada, Inc.; and

2.1.18 the Business as a going concern and all of the goodwill associated with the Business, and all other assets, properties, and rights owned by Seller and used in the conduct of the Business and not otherwise listed as or included in Excluded Assets under Section 2.2.

2.2 Excluded Assets. Anything to the contrary in Section 2.1 notwithstanding, the Included Assets shall not include the following assets of Seller (collectively, the “**Excluded Assets**”):

2.2.1 to the extent the aggregate of any cash, certificates of deposit or other cash collateral of the Business on the Closing Date exceeds the aggregate amount due and owing under the Credit Indebtedness on the Closing Date, the amount of such excess;

2.2.2 the Intercompany Receivables

2.2.3 any contracts, agreements or leases to which Seller is a party and that are not one of the Assumed Contracts;

2.2.4 any and all rights of and consideration payable to Seller under this Agreement and any agreement entered into pursuant hereto;

2.2.5 Seller’s income and franchise tax records and income and franchise tax returns;

2.2.6 any Claims for refund or credit of any type with respect to Taxes arising or accruing for periods prior to the Closing Date, including any Federal or state income or franchise tax refunds and any and all net operating loss carryforwards; and

2.2.7 all assets, rights and properties of Seller relating to its corporate governance and administration, including corporate minute books, corporate seals and

stockholder records; provided, however, that a copy of all such records and documents shall be provided to Buyer.

2.3 Tax Allocation; Taxes on Sale.

2.3.1 Tax Allocation. The Purchase Price shall be allocated among the major asset classes and among the individual assets within each major asset class as reasonably determined by Buyer. The Seller and Buyer shall follow and use such allocation as determined by Buyer in all income, sales, registration and other tax returns, filings and other related reports made by them to any governmental entities, including the reports required to be filed under Section 1060 of the Code.

2.3.2 Taxes. Any sales and/or use tax that is owed with respect to the sale of the tangible personal property assets included within the Included Assets will be the responsibility of Buyer.

3. ASSUMPTION OF LIABILITIES.

3.1 Liabilities to Be Assumed by Buyer. Upon the terms and subject to the conditions set forth herein, upon the transfer of the Included Assets on the Closing Date, Buyer shall assume and pay when due and discharge the following Liabilities (collectively, the "Assumed Liabilities"):

3.1.1 the Credit Indebtedness and all obligations of Seller under the Credit Agreement;

3.1.2 Liabilities for the Accounts Payable (other than Intercompany Payables);

3.1.3 Liabilities resulting from the ownership of the Included Assets and the operation of the Business by Buyer after the Closing;

3.1.4 Liabilities under the Assumed Contracts;

3.1.5 Liabilities related to the termination of employment after the Closing by Buyer of any Person who becomes an employee of Buyer, including any Liabilities arising under the WARN Act; and

3.1.6 Liabilities for any and all Transfer Taxes due as a result of the transactions contemplated by this Agreement.

3.2 Excluded Liabilities. Except as otherwise set forth in this Agreement, Buyer shall not assume, and shall be deemed not to have assumed, any Liabilities of Seller except for the Assumed Liabilities, and, as between Seller and Buyer, Seller shall be solely liable with respect to all Liabilities of Seller other than the Assumed Liabilities (collectively, the "Excluded Liabilities"), including without limitation all liabilities relating to employees of the Seller.

3.3 Bulk Sales Law. Buyer hereby waives compliance with the bulk sales law of any state or other jurisdiction that might be applicable to the transaction contemplated in this Agreement; provided, however, that nothing in this Section shall prevent Buyer from asserting as a bar or defense to any action or proceeding brought under that law that it is not applicable to the sale contemplated under this Agreement.

4. PURCHASE PRICE.

The purchase price to be paid by the Buyer to the Seller in consideration for the sale, assignment, transfer and conveyance of the Included Assets shall consist of the following (collectively, the "**Purchase Price**"): (1) the release of the Seller by the Lender from all of the Credit Indebtedness and the consent by the Lender to the sale and transfer by the Seller to the Buyer of the Included Assets and the Assumed Liabilities; (2) the assumption by the Buyer of the Assumed Liabilities (including the Credit Indebtedness); and (3) the payment by the Buyer of legal fees of the Seller related to the transactions contemplated by this Agreement, up to but in no event exceeding \$40,000.

5. CLOSING.

5.1 Time and Place of Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall occur simultaneously with the execution of this Agreement by the Buyer and the Seller. The Closing shall take place at a location designated by Buyer at 10:00 a.m. local time, or at such other mutually convenient location and time as may be agreed upon by the parties. The actual date of the Closing is referred to herein as the "**Closing Date**". The Closing shall be deemed to have occurred at 12:01 a.m. on the Closing Date.

5.2 Closing Deliveries of Seller to Buyer. Subject to the conditions set forth in this Agreement, at the Closing, Seller shall deliver to Buyer:

5.2.1 a bill of sale as to all personal property constituting Included Assets, duly executed by Seller, providing for the transfer of such personal property to Buyer free and clear of all Liens except the Permitted Liens, which bill of sale shall be substantially in the form of *Exhibit 5.2.1* attached hereto;

5.2.2 a trademark assignment as to all trademarks included in the Included Assets, duly executed by Seller, providing for the sale and transfer of Seller's rights therein to Buyer and free and clear of all Liens except the Permitted Liens, which trademark assignment shall be substantially in the form of *Exhibit 5.2.2* attached hereto;

5.2.3 a patent assignment as to all patent rights included in the Included Assets, duly executed by Seller, providing for the sale and transfer of Seller's rights therein to Buyer and free and clear of all Liens except the Permitted Liens, which patent assignment shall be substantially in the form of *Exhibit 5.2.3* attached hereto;

5.2.4 an assignment and assumption agreement, duly executed by Seller, assigning Seller's interests in the Assumed Contracts to Buyer, which assignment agreement shall be substantially in the form of *Exhibit 5.2.4* attached hereto (the "Assignment and Assumption Agreement");

5.2.5 an assignment and assumption agreement, duly executed by Seller, assigning Seller's interests in, and delegating Seller's obligations and liabilities under, the Credit Agreement to Buyer, which assignment and assumption agreement shall be substantially in the form of *Exhibit 5.2.5* attached hereto (the "Credit Assumption Agreement and Release"), together with the Release attached thereto from EOS, Inc., duly executed by EOS, Inc.;

5.2.6 all of the certificates representing 100% of the issued and outstanding capital stock of Discovery Toys Canada, Inc., together with (1) an assignment separate from certificate, or other appropriate transfer document, in blank, duly executed by an authorized officer of the Seller, effecting the transfer of such capital stock to Buyer, and (2) from each director and officer of such entity, an executed letter resigning from such position;

5.2.7 estoppel certificates or other evidence, satisfactory to the Buyer, that the Seller does not owe any amounts under, and is not in breach of any of such party's obligations under, any material equipment lease and services agreement;

5.2.8 a certificate as to the good standing of Seller in the State of California, issued by the Secretary of State of California no more than 30 days prior to the Closing Date;

5.2.9 a certificate of the Secretary or Assistant Secretary of Seller dated the Closing Date certifying: (i) that attached thereto is a true and complete copy of each of the following: (1) the Articles of Incorporation of the Seller; (2) the Bylaws of the Seller; (3) resolutions duly adopted by the Board of Directors of Seller authorizing (I) the execution, delivery and performance of this Agreement and any other documents required or contemplated hereunder and (II) the transactions contemplated hereby and thereby; (4) resolutions duly adopted by the sole Shareholder of Seller authorizing (I) the execution, delivery and performance of this Agreement and any other documents required or contemplated hereunder and (II) the transactions contemplated hereby and thereby; (5) resolutions of the Board of Directors of EOS authorizing the transactions contemplated hereby; (6) resolutions duly adopted by the Board of Directors of the Seller approving the change of the Seller's name; (7) resolutions duly adopted by the sole Shareholder of the Seller approving the change of the Seller's name; and (8) a Certificate of Amendment to the articles of incorporation of the Seller, duly executed by the appropriate officers of the Seller, changing the name of the Seller effective as of the Closing, with such Certificate of Amendment to be in appropriate form for filing with the California governmental authorities; (ii) as to the incumbency and specimen signature of each officer of Seller executing this Agreement or any other document delivered by it in connection herewith or therewith; and (iii) that the consent of EOS, as sole shareholder of Seller, has been duly obtained;

5.2.10 all records of the business of the Seller, including without limitation, the minute book and corporate tax and business records of Discovery Toys Canada, Inc.; and

5.2.11 the Cash by wire transfer in immediately available funds to such account of the Buyer as the Buyer shall specify.

5.3 Closing Deliveries of Buyer. Subject to the conditions set forth in this Agreement, at the Closing, Buyer shall deliver (or cause to be delivered) to Seller:

5.3.1 the Assignment and Assumption Agreement, duly executed by the Buyer, pursuant to which Buyer shall assume all Assumed Liabilities;

5.3.2 the Credit Assumption Agreement and Release, duly executed by the Buyer and the Lender, pursuant to which: (1) the Buyer assumes all of the obligations of the Seller under the Credit Agreement; and (2) the Lender (i) releases the Seller from all of its obligations under the Credit Agreement, and (ii) consents to the transactions contemplated hereby, including the transfer of the Included Assets to Buyer;

5.3.3 a certificate as to the good standing of Buyer in the State of Delaware, issued by the Secretary of State of Delaware no more than 30 days prior to the Closing Date; and

5.3.4 a certificate of the Secretary or Assistant Secretary of Buyer dated the Closing Date certifying (i) that attached thereto is a true and complete copy of resolutions duly adopted by the Member of Buyer authorizing the execution, delivery and performance of this Agreement and any other documents required or contemplated hereunder, and (ii) as to the incumbency and specimen signature of each officer of Buyer executing this Agreement or any other document delivered by it in connection herewith or therewith.

6. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller hereby represents and warrants to Buyer as follows, except as set forth in the Disclosure Schedule attached hereto as *Exhibit 6*:

6.1 Corporate Organization; Good Standing; Power; Ownership. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of California. Seller has all requisite corporate power and authority to own or lease its properties and to carry on its business (including the Business) as it is now being conducted. EOS owns directly all of the issued and outstanding shares of capital stock of the Seller.

6.2 Authorization; Enforceability. Seller has all requisite corporate power and authority to execute, deliver and perform each of the Transaction Agreements to which it is a party and to consummate the transactions contemplated thereby. The execution, delivery and performance of such Transaction Agreements by Seller and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of Seller. This Agreement has been, and on the Closing Date each of the other of such Transaction Agreements shall have been, duly executed and delivered by Seller and this Agreement

constitutes, and on the Closing Date each of such other Transaction Agreements shall constitute, the valid and binding legal obligation of Seller enforceable in accordance with its terms and conditions.

6.3 Title to Included Assets. Seller owns good and marketable title, free and clear of all Liens, to all of the Included Assets, except for Permitted Liens. Upon completion of the sale contemplated by this Agreement, the Buyer shall have: (i) ownership of the Included Assets free and clear of all Liens other than the Permitted Liens and (ii) no liabilities or obligations other than the Assumed Liabilities.

6.4 Governmental Consents. No approval, consent, order or authorization of, or registration, declaration or filing with, any court or governmental authority is required in connection with the execution, delivery and performance by the Seller and Buyer of the Transaction Agreements and the documents contemplated hereby to which such party is a party or the consummation by such party of the transactions contemplated hereby and thereby.

6.5 No Conflict. Except for the consent of the Lender pursuant to the Credit Assumption Agreement and Release, neither the execution and delivery of this Agreement and any of the documents contemplated hereby by each the Seller and Buyer that is a party thereto nor the consummation of the transactions contemplated hereby and thereby by such party will: (1) violate, or result in a violation of the constituent documents of such party or any laws applicable to such party; (2) violate, or be in conflict with, or constitute a default (or an event which, with the giving of notice or lapse of time or both, would constitute a default) under, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any contract to which such party is a party or by which such party, any of its assets or any of the Included Assets may be bound; (3) except as provided in this Agreement, cause any of the Included Assets to be reassessed or revalued by any taxing authority or other governmental Authority; or (4) result in the imposition or creation of any Lien upon or with respect to any of the assets owned or used by the Seller or any of the Included Assets.

6.6 No Brokers or Finders. The Seller has not engaged or authorized any broker, finder, investment banker or other third party to act on its behalf, directly or indirectly, as a broker, finder, investment broker or in any other like capacity in connection with this Agreement or the transactions contemplated hereby, nor has the Seller consented to or acquiesced in anyone so acting, and the Seller knows of no claim for compensation from any such broker, finder, investment banker or other third party for so acting or of any basis for such a claim.

7. REPRESENTATIONS AND WARRANTIES OF BUYER.

Buyer hereby represents and warrants to Seller as follows:

7.1 Company Organization; Good Standing; Power. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer has all requisite company power and authority to own or lease its properties and to carry on its business as it is now being conducted.

7.2 Authorization; Enforceability. Buyer has all requisite company power and authority to execute, deliver and perform the Transaction Agreements to which it is a party and to consummate the transactions contemplated thereby. The execution, delivery and performance of such Transaction Agreements by Buyer and the consummation of the transactions contemplated thereby have been duly and validly authorized by all necessary action on the part of Buyer. This Agreement has been, and on the Closing Date each of such other Transaction Agreements will have been, duly executed and delivered by Buyer and this Agreement constitutes, and on the Closing Date each of such other Transaction Agreements will constitute, the valid and binding legal obligation of the Buyer enforceable in accordance with its terms and conditions.

7.3 Governmental Consents. No approval, consent, order or authorization of, or registration, declaration or filing with, any court or governmental authority is required in connection with the execution, delivery and performance by the Buyer of this Agreement and the documents contemplated hereby to which it is a party or the consummation by it of the transactions contemplated hereby and thereby (other than certain filings with federal government authorities with respect to any trademark and patent assignments).

7.4 No Conflict. Except for the consent of the Lender pursuant to the Credit Assumption Agreement and Release, neither the execution and delivery of this Agreement and any of the documents contemplated hereby by the nor the consummation of the transactions contemplated hereby and thereby by the Buyer will: (1) violate, or result in a violation of the constituent documents of the Buyer or any laws applicable to it; or (2) violate, or be in conflict with, or constitute a default (or an event which, with the giving of notice or lapse of time or both, would constitute a default) under, or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any contract to it is a party or by which it, any of its assets may be bound.

7.5 No Brokers or Finders. The Buyer has not engaged or authorized any broker, finder, investment banker or other third party to act on its behalf, directly or indirectly, as a broker, finder, investment broker or in any other like capacity in connection with this Agreement or the transactions contemplated hereby, nor has the Buyer consented to or acquiesced in anyone so acting, and the Buyer knows of no claim for compensation from any such broker, finder, investment banker or other third party for so acting or of any basis for such a claim.

7.6 Basis for Transaction. Buyer acknowledges that it is acquiring the Included Assets based solely upon: (1) the representations of the Seller set forth in Section 6 and (2) the independent investigations and findings of Buyer, and not in reliance upon any information provided by Seller or Seller's agents or representatives other than the representations in Section 6, it being acknowledged that Buyer and its Affiliates has been actively involved in the day-to-day operations of the Business since March 26, 2008. Seller shall not be liable or bound in any manner by any verbal or written statements, representations or information pertaining to the Included Assets, furnished by any agent, employee, or other person representing or purporting to represent Seller, other than the representations by the Seller in Section 6 and in the Transaction Agreements delivered pursuant to Section 5.2. The provisions of this Section shall survive the

Closing or earlier termination of this Agreement.

8. COVENANTS OF PARTIES.

8.1 Covenants of Seller. Seller covenants and agrees with Buyer as follows:

8.1.1 Taxes. Seller shall be responsible for all Taxes relating to the Included Assets or the operation of the Business which accrue prior to the Closing Date.

8.1.2 Termination of Seller's Employees. Effective as of the Closing, all employees of Seller will be terminated by Seller. The Seller shall be responsible for all accrued and contingent vacation, sick leave, severance, commissions or other employee payments or benefits and will indemnify, defend and hold the Buyer and its respective officers, directors and employees, from any liability resulting from the failure of the Seller to pay terminated employees accrued vacation, sick leave, severance, commissions or other employee payments or benefits that become payable by reason of their termination.

8.1.3 Turnover of Accounts Receivable. Following the Closing, the Seller shall deliver to the Buyer the proceeds of any Accounts Receivable and any other funds received by Seller, such delivery to occur within three business days of such receipt. The Seller shall provide a weekly settlement to the Buyer of any Accounts Receivable or other funds collected by the Seller. The Seller currently has arrangements and agreements with certain third party providers who, on behalf of the Seller, handle, collect and deposit into the Seller's account payments made to Seller through credit card charges. The Seller confirms that such arrangements and agreements, as well as such collections, are part of the Included Assets. The Seller shall take all actions necessary to complete the assignment to the Buyer of such arrangements and agreements and the Seller hereby authorizes the Buyer to take all actions necessary with such third party providers so that, upon the Closing, all collections, deposits and remittances by such third party providers shall be on behalf and for the account of the Buyer.

8.1.4 Change of Seller's Name. Immediately following the Closing, the Seller shall cease, and shall cause each of its Affiliates, to use the name "Discovery Toys" or any derivative thereof in connection with any business activity and, upon the completion of the Closing, the Seller shall: (1) cause, and authorizes the Buyer to cause, the Certificate of Amendment to the articles of incorporation of the Seller to be filed with the Secretary of State of California to remove the word "Discovery Toys" or any derivative thereof and (2) cause all of the Affiliates of EOS to effect comparable filings to remove the word "Discovery Toys" or any derivatives thereof from the names or d/b/a's of such Affiliates.

8.2 Covenants of Buyer. Buyer covenants and agrees with Seller as follows:

8.2.1 Post-Closing Access to Books, Records and Personnel. For the period from the Closing Date to the later of five years from the Closing Date, Buyer shall keep and preserve all books, records, files, information and data transferred to Buyer hereunder. Buyer hereby acknowledges that it shall grant to Seller and its respective attorneys, accountants and authorized agents, from and after the Closing Date, during normal business hours, access, as

promptly as practicable but in any event no later than five days after receiving notice, to any records related to Seller's operation of the Business prior to the Closing Date and access to Buyer's personnel (at no cost to Seller) upon the request of any of Seller.

8.2.2 Utilities. Buyer shall notify the gas, water, telephone and electric utility companies that Buyer shall be responsible for the payment of all obligations incurred before and after the Closing Date with respect to the operation of the Business.

8.2.3 Taxes. Buyer shall be responsible for all Taxes relating to the Included Assets or the operation of the Business which accrue on and after the Closing Date.

8.2.4 Hiring of Employees. Immediately after the Closing, Buyer may offer employment to persons employed by Seller immediately prior to the Closing who wish to become employees of Buyer; provided, however, that Buyer shall have no obligation to offer employment to any persons once employed by the Seller. No later than the day prior to the Closing, the Buyer shall provide to Seller a list of employees of Seller to whom the Buyer intends Buyer to offer employment following the Closing. Within 10 days following the Closing Date, Buyer will provide to Seller a list of employees of Seller that have been employed by Buyer following the Closing.

8.2.5 Turnover of Excluded Assets. Following the Closing, Buyer shall deliver to Seller any Excluded Assets (or proceeds thereof) received by Buyer.

8.3 Post-Closing Arrangements Regarding Payables. The Buyer and the Seller understand that, as of the Closing Date, a number of checks written on the Seller's bank accounts shall be outstanding and not yet presented for payment. The Buyer and the Seller shall make arrangements with the Seller's bank such that, upon presentation of each such check, the Seller's bank shall provide the Buyer with sufficient information regarding the presented check that will enable the Buyer to determine whether such check is an Assumed Liability. If the Buyer determines that any such check is an Assumed Liability, then the Buyer shall promptly fund the Seller's account to cover such presented check.

9. CONDITIONS TO OBLIGATIONS OF PARTIES.

9.1 Conditions Precedent to Obligations of Parties. The respective obligations of Buyer and Seller to close under this Agreement shall be subject to the satisfaction at or prior to the Closing Date that no preliminary or permanent injunction or other order issued by, and no proceeding or order by or before, any Governmental Entity in the United States or by any United States Governmental Entity nor any law or order promulgated or enacted by any United States Governmental Entity shall be in effect or pending that materially delays, restrains, enjoins or otherwise prohibits or seeks to restrain, enjoin or otherwise prohibit this Agreement or the transactions contemplated hereby.

9.2 Condition Precedent to Obligations of Seller. The obligation of Seller to close under this Agreement is subject to the satisfaction (or waiver by Seller) at or prior to the Closing

Date of each of the following additional conditions:

9.2.1 Deliverables. The Seller shall have received from Buyer, in form and substance reasonably satisfactory to Seller and its counsel, the documents described in Section 5.3 hereof, as well as such other agreements, documents, certificates, and instruments contemplated or required to be executed and delivered by Buyer hereunder and incident to the transactions contemplated by this Agreement.

9.2.2 D & O Insurance. The Seller shall be satisfied that director and officer insurance policy relating to the directors and officers of the Seller and EOS shall have been reinstated, at the expense of the Buyer, through the Closing Date.

9.3 Conditions Precedent to Obligations of Buyer. The obligation of Buyer to close under this Agreement is subject to the satisfaction (or waiver by Buyer) at or prior to the Closing Date of each of the following additional conditions:

9.3.1 Deliverables. Buyer shall have received from Seller, in form and substance reasonably satisfactory to Buyer and its counsel, the documents described in Section 5.2 hereof, as well as such other agreements, documents, certificates, and instruments contemplated or required to be executed and delivered by Seller hereunder and incident to the transactions contemplated by this Agreement.

9.3.2 Satisfactory Due Diligence. In its sole judgment, the Buyer is satisfied with the results of its due diligence investigation of the Business.

9.3.4 Payment of Cash. The Buyer shall have received in the account specified in Section 5.2.11 the Cash.

10. TERMINATION.

10.1 Termination of Agreement. This Agreement may be terminated (by written notice specifying the provision hereof pursuant to which such termination is made) and the transactions contemplated hereby abandoned at any time prior to the Closing:

10.1.1 by mutual written consent of Seller and Buyer; or

10.1.2 by either Seller or Buyer if the Closing Date shall not have occurred on or before March 31, 2009; provided, however, that if the Closing shall not have occurred on or before March 31, 2009, due to a breach of this Agreement by Seller or Buyer, the breaching party may not terminate this Agreement pursuant to this Section 10.1.2; or

10.1.3 by Seller or Buyer, if the other such party materially breaches any of its obligations under this Agreement, unless such breach shall be cured within 10 Business Days after such other party shall have received notice of such breach in accordance with the terms hereof.

10.2 Effect of Termination. If this Agreement is terminated pursuant to Section 10.1, then: (1) this Agreement shall forthwith become wholly void and of no further force and effect, and (2) there shall be no liability on the part of Buyer or Seller in respect of such termination, except the following shall survive any such termination: the obligations which are expressly stated as surviving as set forth in this Agreement.

11. INDEMNIFICATION.

11.1 Survival. All representations and warranties of Seller and Buyer contained in Sections 6 and 7 of this Agreement shall expire on the Closing Date, after which no claims based on any alleged breach thereof may be asserted; provided, however, that the covenants and agreements of the parties hereto shall survive the Closing in accordance with their terms. This Section 11.1 shall not limit any covenant or agreement of the parties contained in this Agreement that by its terms contemplates performance after the Closing.

11.2 Indemnification by Seller. Seller shall indemnify and hold harmless Buyer and their Affiliates, and their respective officers, directors, members and shareholders, from and against any claim, demand, loss, Liability, cost, interest, penalty, expense or damage, including reasonable attorneys' fees and expenses, of any kind or nature whatsoever (collectively, "**Damages**"), which Buyer or any of their Affiliates, and their respective officers, directors, members and shareholders, may incur as a result of any breach of any representation, warranty or covenant contained in Sections 6 or 8.1.

11.3 Indemnification by Buyer. Buyer shall indemnify and hold harmless Seller and its Affiliates, and its officers, directors, and shareholders, from and against any and all Damages which Seller or any of its Affiliates, and their officers, directors, and shareholders, may incur as a result of (i) any breach by Buyer after Closing of their covenants contained herein which survive the Closing, (ii) the ownership or operation of the Included Assets or the Business from and after the Closing Date, and (iii) failure of Buyer to discharge or satisfy any of the Assumed Liabilities.

11.4 Procedure for Indemnification. A party claiming indemnification under this Agreement (the "**Indemnified Party**") shall promptly notify the other party (the "**Indemnifying Party**") in reasonable detail outlining any claim, demand, action or proceeding for which indemnification will be sought under this Agreement; and, if such claim, demand, action or proceeding is a third party claim, demand, action or proceeding, then the Indemnifying Party shall have the right, at its expense, to assume the defense thereof using counsel reasonably acceptable to the Indemnified Party. The Indemnified Party shall have the right to participate, at its own expense, with respect to any such third party claim, demand, action or proceeding for which the Indemnifying Party has assumed the defense. In connection with any such third party claim, demand, action or proceeding, the parties shall cooperate with each other and provide each other with access to relevant books and records in their possession. No such third party claim, demand, action or proceeding shall be settled without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed. So long as the Indemnifying Party is reasonably contesting any such claim in good faith, the Indemnified Party shall not pay or settle any such claim. Notwithstanding the foregoing, the Indemnified Party

shall have the right to pay or settle any such claim, provided that in such event the Indemnified Party shall waive any right to indemnity therefor by the Indemnifying Party. If the Indemnifying Party does not notify the Indemnified Party within 30 days after receipt of the Indemnified Party's written notice of a claim of indemnity hereunder that the Indemnifying Party elects to undertake the defense thereof, the Indemnified Party shall have the right to contest, settle or compromise the claim in the exercise of its exclusive discretion at the expense of the Indemnifying Party. The Indemnified Party shall, however, notify the Indemnifying Party in writing of any compromise or settlement of any such claim.

12. MISCELLANEOUS.

12.1 Notices. All notices hereunder must be in writing and shall be sufficiently given for all purposes hereunder if properly addressed and delivered personally by documented overnight delivery service, by certified or registered mail, return receipt requested, or by facsimile or other electronic transmission service at the address, facsimile number or other electronic transmission address, as the case may be, set forth below. Any notice given personally or by documented overnight delivery service is effective upon receipt. Any notice given by registered mail is effective upon receipt, to the extent such receipt is confirmed by return receipt. Any notice given by facsimile transmission or other electronic transmission service is effective upon transmission, to the extent that receipt is confirmed, either verbally or in writing by the recipient. Any notice which is refused, unclaimed or undeliverable because of an act or omission of the party to be notified, if such notice was correctly addressed to the party to be notified, shall be deemed communicated as of the first date that said notice was refused, unclaimed or deemed undeliverable by the postal authorities, or overnight delivery service. Any "copy to" notice to be given as set forth below is a courtesy copy only; and a notice given to such person is not sufficient to effect giving a notice to the principal party, nor does a failure to give such a courtesy copy of a notice constitute a failure to give notice to the principal party.

If to Seller:

Discovery Toys, Inc.
c/o McGuggan, LLC
365 South Street
Morristown, NJ 07960
ATTN: William S. Walsh
Facsimile No.: (973) 644-4551

With a copy to:

Morgan Miller Blair, A Law Corporation
1331 N. California Boulevard, Suite 200
Walnut Creek, California 94596
ATTN: George S. Cabot, Esq.
Facsimile No.: (925) 274-7512

If to Buyer:

Discovery Toys, LLC
515 North State Street
Suite 2650
Chicago, Illinois 60610
ATTN: Jeremy Hobbs
Facsimile No.: (312) 527-3964

With a copy to:

Krasnow Saunders Cornblath LLP
500 North Dearborn Street, Suite 200
Chicago, Illinois 60654
ATTN: Henry C. Krasnow, Esq.
Facsimile No.: (312) 245-7467

The addresses given above may be changed by notice given in the same manner as is provided for the giving of notices hereunder.

12.2 Entire Agreement; Amendment; Waiver. This Agreement and all other agreements, exhibits, and schedules referred to in this Agreement constitute the final, complete, and exclusive statement of the terms of the agreement between the parties as to the subject matter hereof, and supersedes all prior and contemporaneous agreements, representations and understandings of the parties, including any letters of intent between the parties. No course of prior dealing among the parties, no usage of trade, and no parol or extrinsic evidence of any nature shall be used to supplement, modify or vary any of the terms hereof. This Agreement may be altered, amended or modified in whole or in part at any time only by a writing signed by all the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

12.3 Governing Law. This Agreement shall be construed and interpreted, and the rights of the parties shall be determined, in accordance with the substantive laws of the State of California, without regard to choice or conflict of law principles of that or any other jurisdiction.

12.4 Exclusive Jurisdiction. Each party to this Agreement hereby consents to the exclusive jurisdiction of the state and federal courts sitting in Los Angeles County, California in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. Each party further agrees that personal jurisdiction over it may be effected by service of process by registered or certified mail addressed as provided in Section 12.1 of this Agreement, and that when so made shall be as if served upon such party

personally within the State of California.

12.5 Expenses. Each party shall bear its own costs, fees and expenses, including legal, accounting and due diligence fees, incurred in connection with the transactions contemplated by this Agreement.

12.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be as effective as delivery of a manually executed counterpart of this Agreement.

12.7 Headings. All captions and section headings used in this Agreement are for convenience of reference only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement.

12.8 Invalidity. If any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction or arbitrator, the validity and enforceability of the remaining provisions, or portions thereof, will not be affected, unless its invalidity or unenforceability will defeat an essential business purpose of this Agreement.

12.9 No Third Party Beneficiaries. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the parties and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.10 Further Assurances. At any time from time to time after the Closing, upon reasonable request of the other, each party hereto shall do, execute and acknowledge and deliver such further acts, assignments, transfers, conveyances and assurances as may be reasonably required for the more complete consummation of the transactions contemplated herein.

12.11 Assignment; Binding Effect. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without prior written consent of the other parties; provided, however, that the Buyer may assign all of its rights and interests hereunder to any entity controlled directly or indirectly by Lender. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns and heirs.

12.12 Specific Performance. Each of the Buyer and the Seller hereto acknowledges that such other party would be irreparably damaged in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, each of such parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically

this Agreement and the terms and provisions thereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which the parties may be entitled, at law, in equity or pursuant to this Agreement.

12.13 Preparation of Agreement. The parties hereto hereby acknowledge that (i) they have jointly and equally participated in the drafting of this Agreement and all other agreements contemplated hereby, (ii) they have been adequately represented and advised by legal counsel with respect to this Agreement and the transactions contemplated hereby, and (iii) no presumption shall be made that any provision of this Agreement shall be construed against either party by reason of such role in the drafting of this Agreement and any other agreement contemplated hereby.

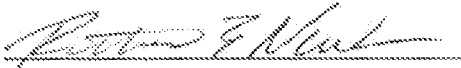
12.14 Post-Closing Cooperation. Following the Closing, Seller and Buyer shall cooperate fully with each other so that each party has access to the business records, contracts and other information existing at the Closing Date and relating in any manner to the Included Assets, the Assumed Liabilities, or the conduct of the Business. In addition, from and after the Closing Date, Seller and Buyer shall cooperate in the processing and handling of all claims made as to insurance policies insuring Seller prior to the Closing Date.

[Signature Page Follows.]

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed and delivered by the parties effective as of the Effective Date.

SELLER:

Discovery Toys, Inc., a California corporation

By: 
Name: *Richard Newton*
Title: *President*

BUYER:

Discovery Toys, LLC, a Delaware limited liability company

By: _____
Name:
Title:

IN WITNESS WHEREOF, this Asset Purchase Agreement has been duly executed and delivered by the parties effective as of the Effective Date.

SELLER:

Discovery Toys, Inc., a California corporation

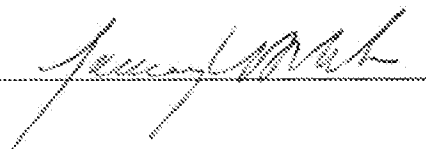
By: _____

Name:

Title:

BUYER:

Discovery Toys, LLC, a Delaware limited liability company

By:  _____

Name:

Title: