

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	Stock Purchase Agreement		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Diane Products, Inc.		12/02/2002	CORPORATION: NEW JERSEY
RECEIVING PARTY DATA			
Name:	Fromm International, Inc.		
Street Address:	603 Dempster		
City:	Mount Prospect		
State/Country:	ILLINOIS		
Postal Code:	60056		
Entity Type:	CORPORATION: ILLINOIS		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Registration Number:	0949766	DIANE	
CORRESPONDENCE DATA			
Fax Number:	3128637477		
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent via US Mail.</i>			
Phone:	312.201.3977		
Email:	tmapps@goldbergkohn.com		
Correspondent Name:	Oscar L. Alcantara, Goldberg Kohn Ltd.		
Address Line 1:	55 East Monroe Street		
Address Line 2:	Suite 3300		
Address Line 4:	Chicago, ILLINOIS 60603		
ATTORNEY DOCKET NUMBER:	3781.501		
NAME OF SUBMITTER:	Oscar L. Alcantara		
Signature:	/Oscar L. Alcantara/		

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Date:

05/15/2012

Total Attachments: 36

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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "**Agreement**") is entered into on December 2, 2002, by and between Fromm International, Inc., an Illinois corporation (the "**Purchaser**"), and David and Lya Neumann, individuals who are residents of New Jersey (collectively, the "**Sellers**").

BACKGROUND

The Sellers are the sole record and beneficial owners of one hundred percent (100%) of the issued and outstanding shares of capital stock (the "**Shares**") of Diane Products, Inc., a New Jersey corporation (the "**Company**"). The Company is engaged in the business of selling beauty supplies to professional distributors of beauty supplies. The Sellers desire to sell, and the Purchaser desires to purchase, the Shares, for the consideration and on the terms and conditions hereinafter set forth.

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

1. Sale and Transfer of the Shares; Closing.

1.1. The Closing. The closing of the purchase and sale of the Shares (the "**Closing**") will take place on December 4, 2002, provided that Sellers have received the ISRA Clearance Document described in Section 1A.1 below at a time mutually agreed upon by the parties. The Closing shall take place either by facsimile transmission of closing documents or in person at the offices of Lindabury, McCormick & Estabrook, counsel to Sellers.

1.2. The Shares. Subject to the terms and conditions set forth in this Agreement, at the Closing, the Purchaser hereby agrees to purchase the Shares from the Sellers, and the Sellers hereby agree to sell, transfer, convey, assign and deliver the Shares to the Purchaser, free and clear of all liens, claims, security interests, mortgages, pledges, encumbrances and charges of any kind whatsoever (collectively, "**Liens**").

1.3. The Purchase Price. In full consideration for the sale of the Shares, and the other agreements of the Sellers and the Purchaser hereunder, the Purchaser agrees to pay to the Sellers the net book value of the Company's assets as reflected on its balance sheet as of the close of business on the day immediately prior to the Closing (the "**Closing Balance Sheet**") (i.e. the book value of the Company's assets less the value of the Company's liabilities) plus REDACTED, collectively, the "**Purchase Price**"), subject to adjustment in accordance with Section 1.6 below. The Purchase Price adjustment described in Section 1.6(c) below relating to Taxes shall be calculated by Eisner, LLP, the Sellers' accountant, subject to approval by the Purchaser. A detailed example of the calculation of the Purchase Price, subject to adjustment as provided in Section 1.6 below, based upon the December 31, 2001 balance sheet is attached hereto as Schedule 1.3. The Purchase Price shall be payable as follows:

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(a) All but [REDACTED] of the Purchase Price shall be paid to the Sellers in proportion to their respective ownership of the Company, at the Closing by confirmed federal funds wire transfer of immediately available funds; and

(b) The remaining [REDACTED] shall be paid at the Closing to the law firm of Lindabury, McCormick & Estabrook, attorneys for the Sellers, to be held in escrow for ninety (90) days after the Closing to be used as the initial source for the Purchaser to satisfy any indemnification claims which it may have pursuant to this Agreement. During such ninety (90) day period, all undisputed indemnification claims by the Purchaser shall be promptly paid from such escrow funds. At the end of such ninety (90) day period, all escrow funds which are not the subject of an undisputed or a disputed indemnification claim shall be promptly paid to the Sellers in proportion to their respective ownership of the Company.

Notwithstanding the foregoing, up to [REDACTED] of the Purchase Price may be paid by cash or by check drawn on the Purchaser's account.

1.4. Allocation of Purchase Price; Inventory Book-Up. The Purchaser and the Sellers agree that the Purchase Price will be allocated to the assets and liabilities of the Company for all purposes (including taxes and financial accounting) in a manner consistent with the values set forth on the Closing Balance Sheet. Such allocation shall be made by Purchaser's accountant, subject to approval of the Sellers and the Sellers' accountant. The Closing Balance Sheet shall reflect a book-up of the Company's inventory to its current fair market value, which shall be based upon the Company's profit margin for its inventory as reflected in its financial statements prepared in connection with the Closing. The Purchaser, Sellers and the Company will file all tax returns (including amended returns and claims for refunds) and information reports in a manner consistent with such values.

1.5. Excluded Liabilities. The Sellers agree that as of Closing, the liabilities set forth on Schedule 1.5 hereof (the "Excluded Liabilities") shall have been paid in full by the Company.

1.6. Purchase Price Adjustments

(a) Physical Inventory. On the first business day following the Closing, the Purchaser shall take a physical inventory of the Company's inventory in order to verify the quantity and the value of the Company's inventory. Such physical inventory shall be taken at the Company's current facility at 330 Fairfield Road, Fairfield, New Jersey, and the Sellers shall have the right to have one or more representatives present during such physical inventory. The Purchase Price shall be increased or decreased, as appropriate, in order to reflect any difference between the value of the Company's inventory listed on the Closing Balance Sheet and the valuation resulting from

the physical inventory taken by the Purchaser, subject to approval of the Sellers and the Sellers' accountants.

(b) Customer Incentive Payments. The parties acknowledge and agree that three key customers of the Company are given a 5% incentive in the form of a year end credit. The Sellers shall be responsible for and shall accrue on the Closing Balance Sheet the portion of the year-end incentive payments which is attributable to the period of time up to and including the Closing. The Purchaser's portion of such incentive payments together with any adjustment to the Sellers' portion of such incentive payments shall be determined by the Company within ten (10) days of December 31, 2002. The Purchase Price shall be increased or decreased, as the case may be, by the adjustment, if any, to the Sellers' portion of such incentive payments. If such adjustment results in an increase in the Purchase Price, Purchaser shall promptly pay such increase to the Sellers, and if such adjustment results in a decrease to the Purchase Price, the Sellers shall promptly pay such decrease to the Purchaser. The Purchaser agrees to issue and deliver credits to such three key customers equal to 5% of 2002 calendar year net sales on or before January 10, 2003.

(c) Taxes. The Purchase Price shall be increased by the estimated amount (as determined by Sellers' accountant) necessary to compensate the Sellers in full for the extra income tax cost to the Sellers as a result of (i) the inventory book-up described in Section 1.4 above and Section 338(h)(10) Election (i.e., the after-tax proceeds to the Sellers shall be the same after the inventory book-up and Section 338(h)(10) Election as they would have been had the inventory book-up not been made) and (ii) the accrual of the customer incentive payments as described in Section 1.6(b) above (i.e., the after-tax proceeds to the Sellers shall be the same after the accrual as they would have been had such accrual not occurred and had such incentive payments been paid in full immediately prior to the Closing). Because the actual amount necessary to compensate the Sellers in full for the extra cost to the Sellers of the inventory book-up and Section 338(h)(10) Election (as hereinafter defined) cannot be determined until the federal and state tax returns reflecting such book-up and election is filed, the parties agree that upon filing of the federal and state tax returns reflecting the inventory book-up and Section 338(h)(10) Election (as hereinafter defined), the Purchase Price set forth in Section 1.3 of this Agreement shall be increased or decreased so that the Sellers are compensated in full for such book-up and election.

(d) Payment of the Adjusted Purchase Price. Any increase in the Purchase Price on account of any item described in Section 1.6(a) through (c) shall be promptly paid by the Purchaser to the Sellers upon determination thereof. Any decrease in the Purchase Price on account of any item described in Section 1.6(a) through (c) shall be promptly paid to Purchaser out of the escrow funds held pursuant to Section 1.3(b) above or, if there shall not be

sufficient escrow funds remaining, shall be promptly paid by the Sellers to the Purchaser upon determinate thereof.

1.7. 338(h)(10) Election and Related Tax Covenants.

(a) The parties shall make a timely election under Section 338(h)(10) of the Internal Revenue Code (and any corresponding elections under state or local tax law) to (i) treat the assets of the Company for tax purposes as having been sold to Purchaser on the date of the Closing and (ii) report all gains and losses from the sale pursuant to this Agreement on the tax return of the Sellers for the tax period up to and including the Closing (the "**Section 338(h)(10) Election**"). The Section 338(h)(10) Election shall be made on IRS Form 8023 prepared by the Purchaser's accountant, subject to the review and approval of the Sellers and the Sellers' accountant before filing, and shall be filed with the appropriate tax authorities no later than the 15th day of the 9th month following the Closing. The Sellers and the Purchaser shall execute IRS Form 8023 or any other appropriate form as may reasonably be deemed necessary by the Purchaser or its tax advisors to properly effect and evidence the Section 338(h)(10) Election.

(b) The Sellers shall be liable for and shall pay, and shall hold each of the Company and the Purchaser harmless from and indemnify each of them from and against all taxes of the Company properly attributable to all taxable years or periods up to and including the Closing, except to the extent that the Purchase Price is increased pursuant to Section 1.6(c) above. Notwithstanding the foregoing, the Purchase Price set forth in Section 1.3 above shall be increased to compensate Sellers in full for the extra cost to the Sellers of the inventory book-up, Section 338(h)(10) Election, and the accrual of customer incentive payments.

(c) The Sellers shall prepare or cause to be prepared in a manner consistent with past custom and practice (unless otherwise required by applicable law) and timely file or cause to be filed with the appropriate taxing authorities all tax returns of the Company required to be filed for all taxable years or periods ending on or before the Closing. The Sellers shall timely prepare, at Purchaser's expense, the W-2s, W-3, 941, and 940 (and comparable State information/tax returns) for calendar year 2002; upon approval of same by the Purchaser, the Purchaser shall timely mail such W-2s (and comparable State information returns) to the proper recipients thereof and shall cause an officer of the Company to sign and timely file such W-3, 941, and 940 (and comparable State tax returns). The Purchaser will give the Sellers access to such records, computer equipment and software as necessary to prepare the foregoing items. The Purchaser agrees that it shall cause the Company not to hire any new employees between the date of the Closing and December 31, 2002. The Sellers shall permit the Purchaser to review and comment upon each such tax return described in the preceding sentence (including any

amended tax returns) prior to filing. The Sellers further agree to make any changes to such tax returns as reasonably requested by the Purchaser provided that such changes will not materially and adversely affect the tax liability or indemnification obligation of the Sellers.

(d) Without the prior consent of the Sellers, which consent shall not be unreasonably withheld, neither the Company nor the Purchaser shall, for any taxable year or period ending prior to the Closing, file any amended tax return, make or change any tax election, change any annual accounting period, adopt or change any method of tax accounting, enter into any closing agreement, settle any tax claim, surrender any right to claim a tax refund or consent to any extension or waiver of the limitations period applicable to any tax claim, if any such action would materially increase the tax liability or indemnification obligation of the Sellers.

1.8. Transfer Taxes. The cost of any transfer taxes or other taxes, if any, payable on account of the sale of the Shares shall be paid by the Sellers.

1A. Conditions Precedent to Closing.

1A.1 ISRA Compliance. The Sellers shall cause the Company to undertake in good faith to obtain, within twenty-one (21) days from and after its execution of this Agreement, approval for this transaction from the New Jersey Department of Environmental Protection under the Industrial Site Recovery Act, N.J.S.A. 13:1K-6 et seq. ("ISRA"), in the form of the issuance by the New Jersey Department of Environmental Protection of an "ISRA Clearance Document" consisting of any one of: (i) a Non-applicability determination; (ii) a de minimus quantity exemption; (iii) a Negative Declaration; or (iv) a No Further Action Letter. Both the Sellers' and the Purchaser's obligation to complete the transactions contemplated herein shall be contingent upon the Seller's timely delivery of an ISRA Clearance Document to the Purchaser.

2. Closing Deliveries.

2.1. Deliveries by the Sellers. At the Closing, the Sellers shall deliver the following documents, in form and substance reasonably satisfactory to the Purchaser, to the Purchaser:

(a) Certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers), for transfer to the Purchaser free and clear from all Liens;

(b) A general release of claims against the Company, executed by each Seller;

(c) The Closing Balance Sheet, along with a certification of each of the Sellers that such the Closing Balance Sheet is true, correct and complete in all material respects, is consistent with the books and records of the Company

(with the exception of the inventory book-up described in **Section 1.4** above), and fairly presents the Company's financial condition, assets and liabilities as of its respective date and the results of operations and cash flows for the periods described thereby;

(d) A counterpart signature page to that certain escrow agreement dated as of the Closing by and between the Purchaser, the Seller and the Escrow Agent (as defined therein) substantially in the form of that attached hereto as **Exhibit A** (the "Escrow Agreement");

(e) The Sellers shall deliver to the Purchaser (i) a copy of the Company's Articles of Incorporation, including all amendments thereto, certified by the Treasurer of the State of New Jersey as of the Closing Date or any of the ten preceding business days, (ii) a certificate from the Treasurer of the State of New Jersey (and each other state in which the Company is qualified to do business as a foreign corporation) to the effect that the Purchaser is in good standing in New Jersey (or such other state, as applicable), and (iii) a copy of the bylaws of the Company, certified by an officer of the Company as being true and correct and in effect on the Closing Date;

(f) Certification that no action or proceedings (including bankruptcy proceedings) have been instituted or threatened against the Sellers or the Company before a court or other government body or by any public authority, and that no claim has been asserted or threatened to be asserted against the Sellers or the Company to restrain or prohibit any of the transactions contemplated hereby;

(g) Copies of all necessary written consents and transfer documents, if any, obtained in connection with the sale of the Shares;

(h) Resignations from each of the directors and officers of the Company as directors and officers of the Company;

(i) Certification that all employment agreements of officers and directors of the Company have been terminated without any further obligation due from the Company;

(j) A list of all operating and other bank accounts of the Company, together with documentation of the removal of all existing signatories as signatories for such accounts;

(k) All items necessary for the Purchaser to operate the Company following the Closing, including, without limitation, all files, records, and other documents and data, in any form or medium, relating to the Company (except that the Sellers shall be entitled to keep the Company's tax returns and

supporting records; provided that the Purchaser shall be provided with reasonable access to all such returns and records and the right to have same copied in New Jersey); and

(l) Such other documents or instruments as the Purchaser has reasonably requested in order to effectuate the transactions contemplated hereby.

2.2. Deliveries by the Purchaser. At the Closing, the Purchaser shall deliver the following documents, in form and substance reasonably satisfactory to the Sellers, to the Sellers:

(a) Payment of the Purchase Price in accordance with Section 1.2 above;

(b) The Purchaser shall deliver to the Sellers (i) a copy of the Purchaser's Articles of Incorporation, including all amendments thereto, certified by the Secretary of State of Illinois as of the Closing Date or any of the ten preceding business days, (ii) a certificate from the Secretary of State of Illinois to the effect that the Purchaser is in good standing in Illinois, (iii) a copy of the bylaws of the Purchaser, certified by an officer of the Purchaser as being true and correct and in effect on the Closing Date, and (iv) a copy of resolutions, certified as of the Closing Date by an officer of the Purchaser, adopted by the Board of Directors of the Purchaser and authorizing the execution and delivery by the Purchaser of this Agreement and the other documents hereunder to which the Purchaser is a party, the performance by the Purchaser of its obligations hereunder and thereunder and the consummation by the Purchaser of the transactions contemplated hereby and thereby;

(c) Certification that no action or proceedings (including bankruptcy proceedings) have been instituted or threatened against the Purchaser before a court or other government body or by any public authority, and that no claim has been asserted or threatened to be asserted against the Purchaser to restrain or prohibit any of the transactions contemplated hereby;

(d) A counterpart signature page to the Escrow Agreement signed by the Purchaser

(e) Purchaser shall cause the Company to maintain sufficient cash in the account(s) upon which Company checks have been drawn prior to Closing to pay such checks when presented for payment; and

(f) Such other documents or instruments as the Sellers have reasonably requested in order to effectuate the transactions contemplated hereby.

3. Representations and Warranties of the Sellers.

As a material inducement for the Purchaser to enter into and perform its obligations under this Agreement, the Sellers hereby jointly and severally represent and warrant to the Purchaser that, except as otherwise provided, as of the date of this Agreement and as of the Closing:

3.1. Organization and Good Standing. The Company is a corporation, duly organized, validly existing and in good standing under the laws of the State of New Jersey. The Company is qualified to do business as a foreign corporation and in good standing in all other states in which the nature of the Company's operations require it to qualify, except where failure to so qualify would not, individually or in the aggregate, have a material adverse effect on the operations or financial condition of the Company. The Company has all requisite power and authority to own and operate its properties and assets, to carry on its business as now conducted. The copies of the Company's articles of incorporation and bylaws which will be furnished by the Sellers to the Purchaser at the Closing and are true, correct and complete (including, without limitation, all amendments made to either such document at any time prior to the Closing).

3.2. Ownership of the Company and Its Assets. The Company is owned and operated by the Sellers directly, and no other person or entity has any direct or indirect ownership interest in the Company (including, without limitation, any options, warrants, rights or similar arrangements) or the right to acquire any such direct or indirect ownership interest. The Company's assets are owned directly by the Company, and no other person or entity has any direct or indirect ownership interest in such assets or the right to acquire any such direct or indirect ownership interest. Neither the Sellers nor any other person or entity is a party to any agreement or proxy with respect to the voting or restricting the transfer of shares of the capital stock of the Company.

3.3. Capitalization. The authorized capital stock of the Company consists of REDACTED shares (i.e., the Shares) are issued and outstanding. The Sellers are the record and beneficial owners and holders of the Shares, free and clear of all Liens, and shall transfer the Shares to the Purchaser hereunder free and clean of all Liens. All of the outstanding equity securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. Neither the Shares nor any other securities of the Company were issued or transferred in violation of the Securities Act of 1933 or any other applicable legal requirements.

3.4. Subsidiaries; Investments. The Company has no subsidiaries. Except for an overnight sweep into the Hamilton Fund, the Company has no current investments outstanding in any entities or with any persons and has no agreements or commitments to make any such investments.

3.5. Legal Capacity; Authorization; Binding Effect. Each Seller has the unrestricted and absolute power, legal capacity and authority to execute, deliver and perform

this Agreement and each other document being executed in connection herewith to which he or she is a party. This Agreement constitutes a valid and binding obligation of each of the Sellers, enforceable against each Seller in accordance with its terms.

3.6. No Violation. The execution, delivery and performance by the Sellers of this Agreement and the other documents contemplated hereby do not and will not:

(a) With or without the giving of notice or the passage of time, or both, conflict with or result in the breach or termination of, or default under, any material contract, license, permit, authorization, agreement or other instrument to which the Company is a party or by which any of its assets is bound, except where such breach, termination or default will not, individually or in the aggregate, have a material adverse effect on the operations or financial condition of the Company;

(b) Violate any order, writ, injunction, regulation, statute or decree of any court, administrative agency, or governmental body specifically applicable to the Company; or

(c) Contravene, violate or conflict with (i) any provision of the articles of incorporation or bylaws of the Company, (ii) any resolution adopted by the board of directors or the shareholders of the Company, or (iii) any legal requirements applicable to the Company.

3.7. Consents. No consent, approval, order or authorization of, or declaration, filing or registration with, any person or governmental authority is required to be made or obtained by the Sellers in connection with the authorization, execution, delivery or performance of this Agreement or the documents contemplated hereby, other than such as will have been made or obtained as of the Closing.

3.8. The Company's Assets.

(a) Except as set forth on Schedule 3.8 attached hereto, the Company owns good and marketable title in and to all of its assets, free and clear of all Liens other than the Permitted Liabilities. The liens set forth on Schedule 3.8 shall be released at or prior to Closing.

(b) All of the Company's machinery and equipment are in all material respects in good condition and repair, except for reasonable and ordinary wear and tear, and are usable in the ordinary course of business.

(c) All items of finished goods which are included in inventory are of a quantity and quality readily usable and saleable in the ordinary course of business except for obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Closing Balance Sheet. All items of inventory are in the Company's possession except for packaging materials stored at vendors' warehouses in

Wisconsin and Florida, and, the Company is not in possession of any inventory not owned by the Company, including goods already sold.

(d) The accounts receivable, except to the extent of the allowance for cancellations and doubtful accounts, if any, reflected in the Closing Balance Sheet, are bona fide receivables, arose out of arms' length transactions in the normal and usual practices of the Company, and are recorded correctly on the applicable books and records of the Company. The Company, over the past three years, has historically had accounts receivable collection rates of approximately 99.5% within 120 days after invoicing. To the knowledge of the Sellers, there is no reason to believe that current accounts receivable collection rates will materially vary from the above historical collection rates. In addition, the Company has the right with respect to certain salespersons to offset delinquent accounts receivable against commissions otherwise due such salespersons.

(e) The Company has never owned any real property.

3.9. Assumed Contracts.

(a) Schedule 3.9 attached hereto lists all of the material contracts, agreements, and commitments arising out of or relating to the operation of the Company (the "Assumed Contracts"). At the Closing, the Sellers will deliver to the Purchaser true, correct and complete copies of each Assumed Contract, together with all amendments thereto. Sellers shall cause the Company to terminate its line of credit and any other financial obligations to the Bank of New York at or prior to Closing.

(b) To the best of the Sellers' knowledge, (i) as of the date of this Agreement only (no representation or warranty is made as of the Closing date), no Assumed Contract has been materially breached or canceled by the other party, (ii) the Company has in all material respects performed all the obligations required to be performed in connection with the Assumed Contracts, (iii) the Company is not in receipt of any claim of default under any Assumed Contract, and (iv) no event has occurred which with or without the giving of notice or the passage of time, or both, would constitute a default by the Company under any Assumed Contract and, to the best of the Sellers' knowledge, no event has occurred which with or without the giving of notice or the passage of time, or both, would constitute a default by any other party to any Assumed Contract. Notwithstanding the foregoing, Sellers make no representation or warranty that independent contractors with whom the Company has certain Manufacturer-Manufacturer's Representative Agreements will not terminate such agreements either before Closing or after Closing.

3.10. Suppliers and Customers.

(a) To the best of Sellers' knowledge, in the last twelve (12) months, no supplier to or customer of the Company (except for JINNY Beauty Supply, Chicago, Illinois, to whom the Company had sales of [REDACTED] calendar year 2001 which is securing its merchandise through the importation of its own private label) has canceled, terminated or otherwise modified its relationship, or, to the best of the Sellers' knowledge, threatened to cancel, terminate or otherwise modify, its relationship with the Company, which cancellation, termination or modification, either individually or in the aggregate, will have a material adverse effect on the operations or financial condition of the Company. The Company has not received written notice and has no knowledge that any such supplier or customer intends to terminate, cancel or otherwise modify its relationship with the Company on account of the sale of the Shares or otherwise. For purposes of this Section 3.10(a), the term "material" shall mean more than 1% of sales.

(b) The Company had sales of [REDACTED] or the period January 1, 2002 through November 18, 2002.

(c) Except for Daly Realty, Inc., the landlord of the Company's current facility, neither the Sellers nor any of their affiliates have any direct or indirect interest in any competitor, supplier or customer of the Company or in any entity from whom or to whom the Company leases any real or personal property or in any other entity with whom the Company has any business relationship.

(d) The Company is not party to any agreement which prohibits the Company or its assignee from freely engaging in business anywhere in the world.

3.11. Intellectual Property.

(a) All trade names, trademarks or service marks used or useful in connection with the operation of the Company, and all forms, derivatives and graphic presentations thereof having any material value to the operation of the Company (collectively, the "Tradenames") are set forth on Schedule 3.11 attached hereto. To the best of Sellers' knowledge, the Company has the exclusive right to the use of its Tradenames as a corporate or assumed business name in the states in which such Tradenames are used, and Schedule 3.11 sets forth all registrations (including the jurisdictions thereof) of each Tradename as a trademark, servicemark or assumed name.

(b) To the best of the Sellers' knowledge, the Company has the right to use, free and clear of any claims or rights of any third party, all Tradenames, trade secrets, customer lists, know-how and any other intellectual property,

proprietary information, trade secrets and other confidential information necessary for or otherwise used in connection with the operation of the Company's business (collectively, the "**Intellectual Property**"). The Company has not licensed any other person or entity to use any of the Intellectual Property. To the best of the Sellers' knowledge, the Company is not directly or indirectly infringing, misappropriating or otherwise making any unlawful or wrongful use of any intellectual property, proprietary information or confidential information of any third party, including, without limitation, any past or present employee of or contractor to the Company.

(c) No claim by any third party contesting the validity, enforceability, use or ownership of any of the Intellectual Property (including, without limitation, any infringement claim) has been made in writing, is currently outstanding or, to the best of the Sellers' knowledge, is threatened and, to the best of the Sellers' knowledge, there is no reasonable basis for any such claim.

3.12. Financial Statements. The Sellers have furnished the Purchaser, or will furnish to the Purchaser at the Closing, with true, correct and complete copies of the following financial statements (collectively, the "**Financial Statements**") of the Company:

(a) reviewed balance sheets and the related statements of income and changes in financial position of the Company as at and for the fiscal years ended December 31, 2000 and December 31, 2001;

(b) an internally prepared balance sheet for the Company dated October 11, 2002, covering the period from January 1, 2002 to September 30, 2002; and

(c) an internally prepared Closing Balance Sheet.

Each of the Financial Statements is true, correct and complete in all material respects, is consistent with the books and records of the Company (with the exception of the inventory book-up on the Closing Balance Sheet described in Section 1.4 above), and fairly presents the Company's financial condition, assets and liabilities as of its respective date and the results of operations and cash flows for the periods described thereby. The reviewed Financial Statements were prepared in accordance with generally accepted accounting principles, consistently applied. The internally prepared Financial Statements were prepared in accordance with past practices of the Company for internally prepared interim and year end financial statements, consistently applied, except for adjustments provided for in this Agreement.

3.13. Books and Records. The minute books, stock record books, and other records of the Companies, all of which will be provided to the Purchaser at the Closing, are true, correct and complete, and have been maintained in accordance with sound business practices, except where failure to so maintain such books and records would not, individually or in the

aggregate, have a material adverse effect upon the Company. The Company has maintained all of its books and records in accordance with all applicable legal requirements, except where failure to so maintain such books and records would not, individually or in the aggregate, have a material adverse effect upon the Company.

3.14. Absence of Undisclosed Liabilities. As of the Closing, the Company will not have any material debts, liabilities or obligations of any nature affecting the Company (whether accrued, absolute, contingent, direct, indirect, perfected, inchoate, unliquidated or otherwise and whether due or to become due) arising out of transactions entered into on or prior to the Closing, or any transaction, series of transactions, action or inaction occurring on or prior to the Closing, or any state of facts or condition existing on or prior to the Closing (regardless of when such liability or obligation is asserted), including, without limitation, liabilities or obligations for governmental charges or penalties, interest or fines thereon or in respect thereof, except as and to the extent clearly and accurately reflected and accrued for or reserved against in the Closing Balance Sheet.

3.15. Conduct of the Company's Business; No Material Adverse Changes. Except as set forth in Section 5.1, since December 31, 2001, the Company has conducted its business only in the ordinary course of business consistent with past custom and practice and has incurred no liabilities other than in the ordinary course of business consistent with past custom and practice. During such time, except as set forth on Schedule 3.15 attached hereto, there has been no material adverse change, either individually or in the aggregate, in the Company's assets or the condition (financial or otherwise), operating results, employee or customer relations, business activities or business prospects of the Company. Without limiting the foregoing, since December 31, 2001, the Company has not:

(a) Sold, transferred, or otherwise disposed of any of its properties or assets (real, personal or mixed, tangible or intangible), except in the ordinary course of business and consistent with past practice, and except for two automobiles, and except for write-offs to reconcile the depreciation schedule by removing assets previously disposed of; or

(b) Taken or omitted to take any action, which could be reasonably anticipated, either individually or in the aggregate, to have a material adverse effect upon the Company or the condition (financial or otherwise), operating results, employee or customer relations, business activities or business prospects of the Company.

3.16. Employees and Benefits.

(a) Schedule 3.16 attached hereto contains a true, correct and complete list of all current employment agreements, consulting agreements, benefit plans and other benefit obligations maintained or contributed to by the Company during the twelve (12) months immediately preceding the Closing.

(b) All of the agreements, plans and other benefit obligations listed on Schedule 3.16 shall be terminated prior to the Closing; provided, however, the Horizon Blue Cross Blue Shield of New Jersey medical insurance premium has been paid prior to the Closing through January 21, 2003, and such medical plan shall expire on such date. Neither the Purchaser nor the Company shall have any post-Closing obligation to pay or provide severance or bonus payments, consulting or non-competition payments, continuation of life insurance benefits or any other payments or benefits of any kind, except as required by COBRA (Internal Revenue Code § 4980B *et seq.* and ERISA § 601 *et seq.* with respect to any former shareholder, director or employee of the Company, and the Sellers (and not the Purchaser or the Company) shall have the sole responsibility for all such payments, liabilities, expenses or obligations.

3.17. Insurance. Schedule 3.17 attached hereto sets forth and briefly describes each insurance policy maintained by the Company. All of such insurance policies are in full force and effect and the Company is not and has never been in default with respect to its obligations under any such insurance policies.

3.18. Bank Accounts. Schedule 3.18 attached hereto sets forth a true, complete and correct list of the names of all banks and other financial institutions in which the Company has an account or safe deposit box, which list includes a description of such accounts, the account numbers and the names of all individuals authorized to draw thereon or have access thereto. At the Closing, Sellers shall deliver to Purchaser a list of all outstanding checks drawn on any such account (the "List of Outstanding Checks").

3.19. Taxes.

(a) The Company has filed or caused to be filed on or before the due dates therefor (including applicable extensions) all tax returns required by law to be filed by the Company, either separately or as a member of a group of corporations. The Company has paid or provided for the payment of all taxes that are or may become due from the Company whether pursuant to such tax returns, any assessment, or otherwise. All taxes that the Company is or was required by law to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper governmental authority or other person.

(b) Schedule 3.19 attached hereto contains a complete and accurate list of all audits by governmental authorities for taxable years of the Company December 31, 2001, 2000, and 1999, and describes the nature and outcome of each audit. All deficiencies proposed as a result of such audits have been paid, reserved against, settled, or, as described in Schedule 3.19, are being contested in good faith by appropriate proceedings. Schedule 3.19 describes all adjustments to the income tax returns filed by the Company or any consolidated group of which the Company is a member for the taxable years

end December 31, 2001, 2000, and 1999, and the resulting deficiencies proposed by any governmental authorities. Except as described in Schedule 3.19, neither the Company nor either Seller has given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other person) of any statute of limitations relating to taxes. Neither the Company nor either Seller is, nor is expected to become, a party to any pending or threatened action or proceeding, assessment or collection of taxes related to the Company.

(c) Sellers have delivered or made available to Purchaser true, correct and complete copies of all Company tax returns filed for taxable years ended December 31, 2001, 2000, and 1999. The charges, accruals, and reserves with respect to taxes on the Company's financial statements are adequate (determined in accordance with generally accepted accounting procedures) and are at least equal to the Company's liability for taxes. There exists no proposed tax assessment against the Company except as disclosed in such financial statements or in Schedule 3.19.

(d) All tax returns filed by (or that include on a consolidated basis) the Company are true, correct, and complete in all material respects. There is no tax sharing agreement that will require any payment by the Company after the date of this Agreement.

(e) The Company has previously made a valid election under Section 1362 of the Internal Revenue Code and any corresponding state or local tax provisions to be an S-corporation for the past ten (10) years. The Company has not voluntarily terminated such election, and such election has not been involuntarily terminated, in any taxable year subsequent to the year in which such election was made. The Company has no liability under Section 1374 of the Internal Revenue Code, and the transactions contemplated by this Agreement will not cause the Company to incur any such liability.

3.20. Litigation. There are no actions, suits, proceedings, orders, investigations, inquiries or claims pending or, to the best of the Sellers' knowledge, threatened against or affecting the Company or either Seller's interest in the Company, at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality. The Company is not the subject of any governmental investigations or inquiries. To the best of the Sellers' knowledge, there is no substantive basis for any of the foregoing.

3.21. Compliance with Laws. Neither the Company nor the Sellers (i) are in violation of any law, regulation or requirement applicable to it or them (including, without limitation, all environmental laws and safety requirements), (ii) have received notice of any spending or threatened action, suit, proceeding or investigation of any kind whatsoever or (iii) are aware of a substantive basis for any of the foregoing, which, individually or in the aggregate, might reasonably be expected to have a material adverse effect upon the financial

condition, operating results, or business prospects of the Company. In addition, the Company is not directly subject to or affected by any order, judgment, decree or ruling of any court or governmental agency.

3.22. Licenses and Permits. The Company holds all of the licenses and permits (collectively, "**Permits**") necessary or desirable for its current use or operation of its business (including, without limitation, all environmental and safety permits), except where failure to obtain such permits would not, individually or in the aggregate, have a material adverse affect on the Company. True, correct and complete copies of all such Permits will be provided to the Purchaser at the Closing. The Company is in compliance in all material respects with each such Permit, all of which are in full force and effect. To the best of the Sellers' knowledge, there are no pending or threatened investigations or proceedings for the suspension or cancellation of any Permit, and there is no basis for any of the foregoing. The Company has not received notice that any Permit will not be renewed and, to the best of the Sellers' knowledge, there is no basis for any such nonrenewal.

3.23. Product Warranties. All products manufactured, sold, serviced or distributed by the Company at any time on or prior to the Closing have been in conformance with all applicable contractual commitments and all express or implied warranties of the Company, except where failure to so conform would not, either individually or in the aggregate, be reasonably expected, individually or in the aggregate, to have a material adverse effect on the Company. To the best of the Sellers' knowledge, no material liability exists for replacement of such products or other damages in connection with such sales or deliveries made at any time prior to the Closing (except as may be reflected on or reserved for on the Closing Balance Sheet). No products manufactured, sold, serviced or distributed by the Company prior to the Closing are subject to any guarantee or warranty other than the Company's standard terms and conditions of sale, a true, correct and complete copy of which will be provided to the Purchaser at the Closing.

3.24. Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based upon any agreement made by or on behalf of the Sellers.

3.25. Disclosure. None of the representations and warranties of the Sellers set forth in this Agreement or in any of the other documents contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There is no material fact which has not been disclosed to the Purchaser which, either individually or in the aggregate, materially adversely affects or could reasonably be anticipated to materially adversely affect the Sellers' ability to consummate the transactions contemplated hereby or the condition (financial or otherwise), operating results, employee or customer relations, business activities or business prospects of the Company.

4. Representations and Warranties of the Purchaser.

As a material inducement for the Sellers to enter into and perform their obligations under this Agreement, the Purchaser hereby represents and warrants to the Sellers as follows:

4.1. Organization and Good Standing. The Purchaser is a corporation, duly organized, validly existing and in good standing under the laws of the State of Illinois. The Purchaser is qualified to do business as a foreign corporation and in good standing in all other states in which the nature of the Purchaser's operations require it to qualify, except where failure to so qualify would not, individually or in the aggregate, have a material adverse effect on the operations or financial condition of the Purchaser. The Purchaser has all requisite power and authority to own and operate its properties and assets, to carry on its business as now conducted, and to consummate the transactions contemplated hereby.

4.2. Legal Capacity; Authorization; Binding Effect. The Purchaser has the unrestricted and absolute power, legal capacity and authority to execute, deliver and perform this Agreement and each other document being executed in connection herewith to which it is a party. The execution, delivery and performance by the Purchaser of this Agreement and the other documents contemplated hereby have been duly and validly authorized by all requisite corporate and other actions, and this Agreement constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms.

4.3. No Violation. The execution, delivery and performance by the Purchaser of this Agreement and the other documents contemplated hereby do not and will not:

(a) With or without the giving of notice or the passage of time, or both, conflict with or result in the breach or termination of, or default under, any material contract, license, permit, authorization, agreement or other instrument to which the Purchaser is a party or by which any of its assets is bound, except where such breach, termination or default will not, individually or in the aggregate, have a material adverse effect on the Purchaser's ability to consummate the transactions contemplated hereby;

(b) Violate any order, writ, injunction, regulation, statute or decree of any court, administrative agency, or governmental body specifically applicable to the Purchaser in connection with the Purchaser's ability to consummate the transactions contemplated hereby; or

(c) Contravene, violate or conflict with (i) any provision of the articles of incorporation or bylaws of the Purchaser, (ii) any resolution adopted by the board of directors or the shareholders of the Purchaser, or (iii) any legal requirements applicable to the Purchaser in connection with the Purchaser's ability to consummate the transactions contemplated hereby.

4.4. Consents. No consent, approval, order or authorization of, or declaration, filing or registration with, any person or governmental authority is required to be made or obtained by the Purchaser in connection with the authorization, execution, delivery or performance of this Agreement or the documents contemplated hereby, other than such as will have been made or obtained as of the Closing.

4.5. Brokerage. There are no claims for brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated by this Agreement based upon any agreement made by or on behalf of the Purchaser.

4.6. Purchase for Investment. The Purchaser is an "accredited investor" (as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act")). The Purchaser is acquiring the Shares and will do so for the Purchaser's own account for investment and not with a view toward any resale or distribution thereof. The Purchaser understands that the Shares are characterized as "restricted securities" under the Securities Act, inasmuch as they are being acquired from the Sellers in a transaction not involving a public offering, and that under the Securities Act and applicable rules and regulations thereunder such securities may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, the Purchaser represents that it is familiar with Rule 144 promulgated by the SEC, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act. The Purchaser understands that no public market now exists for any of the Shares and that it is uncertain whether a public market will ever exist for the Shares. The Purchaser further understands that the Shares have not been registered under the securities laws of any state and resale of the Shares may therefore be restricted pursuant to applicable state securities laws as well.

4.7. Legends. It is understood that the certificates evidencing the Shares may bear a legend substantially similar to the one set forth below:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

4.8. Financial Ability. The Purchaser has the funds (or has available commitments from creditworthy financial institutions to provide the funds) required to pay the Purchase Price hereunder and consummate the transactions contemplated hereby.

4.9. Disclosure. None of the representations and warranties of the Purchaser set forth in this Agreement or any of the other documents contemplated hereby, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading. There is no material fact which has not been disclosed to the Sellers which, either individually or in the aggregate, materially adversely affects or could reasonably be anticipated to materially adversely affect the Purchaser's ability to consummate the transactions contemplated hereby.

4.10. Checking Activity. Throughout the Transition Period (as hereinafter defined) and for a period of thirty (30) days thereafter, Purchaser agrees to maintain sufficient cash in the Company's bank accounts to cover all outstanding checks identified on the List of Outstanding Checks to be delivered to Purchaser at Closing. Purchaser agrees not to stop payment on any check identified on the List of Outstanding Checks.

4.11. Termination of Company Employees. Purchaser shall cause the Company NOT to terminate any employee of the Company prior to the end of the Transition Period except for gross misconduct.

5. Other Agreements.

5.1. Pre-Closing Transactions. Prior to, or within a reasonable period after, the Closing, the Sellers shall have removed the artwork on the walls of their offices and their personal effects from the Company's present facility. Such artwork is excluded from the transaction contemplated hereby and belongs to the Sellers without payment or reduction of the Purchase Price. In addition, prior to the Closing, at the discretion of the Sellers, the Sellers may cause the Company to issue bonus and/or severance checks to one or more of the Company's employees outside of the ordinary course of business which checks may be distributed to such employees at an appropriate time as determined by Sellers in their sole discretion. Finally, effective as of the Closing, the Sellers shall cause the Company to terminate all of its employment agreements and bonus plans without any liability to the Company or the Purchaser.

5.2. Transition Period. From the Closing until December 13, 2002 (the "Transition Period"), the Company shall continue to be located at 330 Fairfield Road, Fairfield, New Jersey. The Purchaser shall cause the Company to pay Daly Realty, Inc. rent per day during the Transition Period (which rent shall include the cost of heat, electricity, and coverage by an alarm system.) in lieu of the rent otherwise due under the Company's lease for such premises and the Sellers shall cause Daly Realty, Inc. to accept such rent in lieu of the rent otherwise due under the Company's lease for such premises. In addition, during the Transition Period, the Purchaser shall provide liability insurance covering the actions of its employees and agents at the Company's current facility, and, during the Transition Period, the Purchaser shall name each of Daly Realty, Inc. and the Sellers as additional insureds on such policies and shall hold same harmless from all claims covered by such insurance. Such policies shall have limits of not less than [REDACTED] and shall not be cancelable except upon 10 days prior written notice to Daly Realty, Inc. and each of the Sellers. During the Transition Period, the Sellers shall assist the Purchaser with the

day-to-day operation of the Company; such assistance shall be limited to normal business hours and normal business days. The Sellers shall not receive any additional consideration for this assistance. Subject to the prior sentence, during the Transition Period, the Company shall be responsible for all regular costs and expenses incurred by the Company in connection with the operation of its business, including, without limitation, the costs of any inbound shipments of goods in transit at the time of the Closing. The Sellers shall use their best efforts to reroute such goods to any location which the Purchaser requests. Throughout the Transition Period and for a period of not less than thirty (30) days thereafter, the Purchaser shall cause the Company to maintain sufficient funds in the Company bank accounts on which the checks referenced in the List of Outstanding Checks are written, to insure that there will be funds available to cover such checks. The Purchaser agrees not to stop payment on any check identified on the List of Outstanding Checks. The parties acknowledge that the Company's payroll is paid every two weeks on the Wednesday following the end of the pay period and that payroll through the close of business on the day preceding the day of Closing shall be accrued as an expense on the Closing Balance Sheet. The parties further acknowledge that payroll for the Closing day and thereafter until the employees are terminated at the end of the Transition Period shall be the post-Closing responsibility of the Company and shall not reduce the Purchase Price. Purchaser shall cause the Company NOT to terminate any employee of the Company prior to the end of the Transition Period except for gross misconduct.

5.3. End of the Transition Period.

(a) By the end of the Transition Period, the Company shall be moved to the Purchaser's facility in Northbrook, Illinois. The Purchaser shall remove all inventory, equipment, furniture, fixtures, records (other than tax returns and all supporting documentation for such tax returns), and other Company property out of the Company's current facility (provided that the Sellers provide reasonable assistance in connection with the removal process) and shall be responsible for any damage or destruction to the facility caused by the removal process. Upon the termination of the Transition Period, the Sellers shall cause (i) the lease for the premises located at 330 Fairfield Road, Fairfield, New Jersey to be terminated without liability to the Company or the Purchaser and (ii) all of the Company's employees shall be terminated.

(b) With respect to employment expenses during the Transition Period, the parties hereby acknowledge and agree that the Purchaser shall be liable for employee salaries and wages and related expenses incurred in connection with the operation of the Company during the Transition Period and that the Sellers shall be liable for any and all employment termination related costs and expenses. Notwithstanding the foregoing, Purchaser shall not be obligated to pay salaries or wages to Sellers.

5.4. Confidentiality Covenant.

(a) Each Seller hereby agrees that he or she is in possession of Confidential Information (as hereinafter defined) relating to the Company. For purposes hereof, "Confidential Information" shall mean all proprietary or confidential information concerning the Company. Each Seller acknowledges and agrees that unauthorized use or disclosure of the Confidential Information will cause great financial injury to the Purchaser and/or the Company. Therefore, each Seller hereby agrees that he or she will hold the Confidential Information in the strictest confidence and that he or she will not directly or indirectly use or disclose any of the Confidential Information except to the extent necessary to provide post-Closing services to the Purchaser and the Company. The parties acknowledge and agree that the Confidential Information may be required to be disclosed by the order of any court or similar tribunal or any other governmental body or agency of appropriate jurisdiction. In such an event, the Sellers shall, to the extent practicable, give the Purchaser prior notice of any such disclosure and shall cooperate with the Purchaser in obtaining a protective order or such similar protection as the Purchaser may deem appropriate to preserve the confidential nature of such information. The foregoing obligations to maintain the Confidential Information shall not apply to any Confidential Information which is or, without any action by the Sellers, becomes generally available to the public.

(b) The parties have attempted to limit the scope of this Section 5.4 to the extent necessary to assure the Purchaser the benefit of its bargain in connection with the purchase of the Company as well as the benefit of the time and resources that the Purchaser has invested and will invest in its business and the Company. The parties recognize, however, that reasonable people may differ in making such determination. Consequently, the parties hereby agree that if the scope or duration of such covenants would, but for this provision, be deemed by a court of competent authority to be unreasonable or otherwise unenforceable, such court may modify such covenants to the extent that such court determines to be necessary in order to grant enforcement thereof as so modified.

(c) Each Seller acknowledges and agrees that the Purchaser will suffer irreparable injury in the event of a breach of any of the terms of this Section 5.4. Therefore, in the event of a breach or a threatened breach of any of the terms of this Section 5.4, the Purchaser shall be entitled, in addition to any other remedies and damages available and without proof of monetary or immediate damage, to a temporary and/or permanent injunction, without bond, to restrain any such violation of this Section 5.4 by either Seller, and any persons or entities acting for or in concert with either Seller.

5.5. Maintenance of Relationships. The Sellers and their affiliates will not in any manner take, and the Sellers will take (provided that the Sellers shall not be obligated to incur any significant cost or expense) reasonable measures to discourage its employees from in any manner taking, any action which is designed, intended, or might be reasonably anticipated to have the effect of discouraging customers, suppliers, lessors, and other business associates from maintaining the same business relationships with the Company after the date of this Agreement as were maintained with the Company prior to the date of this Agreement. The Sellers agrees that subsequent to the Closing, they will refer all business inquiries relating to the Company to the Purchaser.

5.6. Other Assistance by the Sellers. From and after the Closing, the Sellers hereby agree to provide the Purchaser with such advice, counsel and consulting services relating to the Company as the Purchaser may reasonably request from time to time; provided, that the Sellers shall not have any obligation to travel in connection therewith. The time commitment necessary to comply with the Sellers' obligations under this Section 5.6 is expected to be nominal. The Sellers will not receive any additional compensation for such cooperation, but any reasonable out of pocket expenses approved by the Purchaser and incurred by the Sellers in connection with providing cooperation under this Section 5.6 shall be reimbursed by the Purchaser upon submission of documentation supporting such expenses. In addition, during the period of time in which the Sellers are providing assistance to the Purchaser pursuant to this Section, the Sellers shall be entitled to retain a laser printer, a matrix printer, one computer server, two computer terminals, related software and several desks, in order to provide such post-Closing assistance to the Purchaser.

5.7. Preparation of Tax Documents. The Sellers shall, at their own expense, arrange for the preparation of all tax related documentation relating to the Company's business during calendar year 2002 through the date of Closing. The Purchaser shall, at their own expense, arrange for the preparation of all tax related documentation relating to the Company's business during calendar year 2002 from and after the date of Closing including the preparation and filing of all 1099s and 1096s for the entire calendar year 2002. The Purchaser and the Sellers shall work together in good faith to complete this process. The Purchaser shall have the right to review and approve all such tax related documentation prior to the Sellers sending such forms to the required recipients of such documentation. The parties shall work together in good faith to remedy any tax related disputes.

5.8. In the event that any account receivable outstanding prior to the Closing is not paid within sixty-five (65) days after the date of Closing, Purchaser shall immediately notify Sellers and provide Sellers with the name, address, telephone number of the customer, the amount of such receivable still due, a copy of the outstanding invoice(s), and such other information as Sellers may reasonably request. Purchaser agrees not to sell any products to any such customer while such customer's account remains delinquent. Upon receipt of notice from Purchaser, Sellers shall then have twenty-five (25) days to attempt to collect such receivable on behalf of the Company. In the event that Sellers wish to initiate legal action to collect any such delinquent account, without having any obligation to initiate legal action, Purchaser shall cooperate with Sellers. At the end of such twenty-five (25) day period, Purchaser may offset any such receivable still unpaid against the escrow funds.

Notwithstanding Purchaser's offset of such amounts against the escrow funds, Purchaser shall diligently pursue collection of such receivables and shall promptly pay over to Sellers all such receivables collected at any time thereafter.

6. Indemnification.

6.1. Survival. Subject to Section 6.2 below, the representations, warranties, covenants and agreements set forth in this Agreement, or in any writing delivered in connection with this Agreement, will survive the Closing and the consummation of the transactions contemplated hereby for a period of one year, notwithstanding any examination made for or on behalf of the Purchaser, the knowledge of any of its officers, directors, shareholders, employees or agents, or the acceptance of any certificate or related document; provided, that the foregoing limitation shall not apply to claims for breach of any representation or warranty set forth in any of Sections 3.1, 3.2, 3.3, 3.14, 3.16, 3.19, 3.20, 3.21, 3.22, 3.23, 3.24, 3.25, 4.1, 4.5, 4.6, 4.10, or 4.11, for which any claim must be made on or before expiration of the statute of limitations applicable thereto; provided, further, that any claim for indemnification that is asserted by written notice as provided in Section 6.3 within the survival period shall survive until resolved pursuant to a final non-appealable judicial determination or otherwise.

6.2. Indemnification.

(a) Subject to the limitations set forth in Section 6.3 below, the Sellers hereby agree, jointly and severally, to indemnify the Purchaser and hold the Purchaser, its affiliates, and any director, officer, shareholder, employee, agent, representative or advisor to any of them (the "**Purchaser's Indemnity Group**"), harmless from and against any claim, action, loss, liability, damage or expense (including reasonable attorneys' fees and expenses) (each, an "**Indemnifiable Loss**") which the Company or any member of the Purchaser Indemnity Group may suffer, sustain, or become subject to, net of any insurance proceeds received by any Purchaser Indemnity Group member with respect thereto under policies of insurance paid for by the Company prior to Closing, as a result of (i) the breach by either of the Sellers of any representation, warranty, covenant or agreement contained in this Agreement or any of the documents contemplated hereby or (ii) any matter arising out of, or related to, the operation of the Company prior to the Closing with respect to the Excluded Liabilities (including, without limitation, any matter. Notwithstanding the foregoing, no Purchaser's Indemnity Group members shall be entitled to indemnification under Section 6.2(a) for any amount unless and until the aggregate of all amounts for which the Purchaser Indemnity Group members would otherwise be entitled to be indemnified exceeds [REDACTED] in the aggregate (not including any claims by the Purchaser against the escrow described in Section 1.3 above), whereupon the Purchaser Indemnity Group members shall be indemnified for all amounts as provided in this Section 6.2(a), including all any and all claims aggregated to reach such [REDACTED] threshold; provided, that the foregoing [REDACTED] threshold shall not

apply to any claims by the Purchaser against the escrow described in Section 1.3 above. In no event shall the aggregate amount of indemnification hereunder exceed the Purchase Price, as finally adjusted.

(b) Subject to the limitations set forth in Section 6.3 below, the Purchaser hereby agrees to indemnify the Sellers and hold the Sellers harmless from and against any Indemnifiable Loss which either of the Sellers may suffer, sustain, or become subject to, as a result of (i) the breach by the Purchaser of any representation, warranty, covenant or agreement contained in this Agreement or any of the documents contemplated hereby, or (ii) except as set forth in Sections 5.2 and 5.3, any matter arising out of, or related to, the operation of the Company after the Closing, other than the Excluded Liabilities; provided, that the Sellers shall not be entitled to indemnification for claims which are covered by Section 6.2(a) above.

6.3. Procedures.

(a) Any claim under Section 6.2 above shall be made in a written statement signed by the party seeking indemnification, which statement shall specify in reasonable detail each individual item of Indemnifiable Loss and the estimated amount thereof, the date such item was claimed or the facts giving rise to such claim were discovered, the basis for any alleged liability and the nature of the breach or claim to which each such item is related. Such written claim must be delivered to the potential indemnifying party during the period specified in Section 6.1 above in order to be considered for any indemnification hereunder.

(b) If the indemnifying party does not pay the amount specified in any such statement within thirty (30) days after it has been delivered by the party seeking indemnification, the party seeking indemnification may enforce its rights in accordance with applicable law. Pursuant to Section 1.3 above, certain undisputed indemnification claims may be paid out of an escrow being held by the law firm of Lindabury, McCormick & Estabrook. The parties shall work together in good faith to resolve any disputed indemnification claims in a timely manner.

(c) If the indemnifying party contests any third party claim, it shall have the option to defend, at the indemnifying party's expense, any such matter; provided, that the indemnified party shall have the right, at its own cost and expense, to participate in the defense of such claim or, if the indemnifying party elects not to defend the claim, to conduct the defense on its own behalf. If the indemnifying party conducts the defense of a claim, neither party will enter into any settlement agreement without the other party's consent; provided, that the indemnified party shall not object to any proposed settlement which requires only the payment of money by the indemnifying party and does not involve any admissions or stipulations by the indemnified

party or any injunctive or similar relief or any other contractual obligations affecting the indemnified party or its business and operations. The indemnified party shall cooperate with the indemnifying party in the defense, compromise or settlement of any claim for which indemnification is sought. If the indemnifying party elects not to conduct the defense of such claim, the indemnified party shall be permitted to settle or compromise any such claim on such terms as it deems appropriate and such settlement or compromise shall not prejudice its rights to indemnification hereunder.

(d) Notwithstanding Section 6.3(c) above, if an indemnified party determines in good faith that there is a reasonable probability that a proceeding may adversely affect it other than as a result of monetary Indemnifiable Losses for which it would be entitled to indemnification under this Agreement, the indemnified party may, by notice to the indemnifying party, assume the exclusive right to defend, compromise, or settle such proceeding, but the indemnifying party will not be bound by any determination of a proceeding so defended or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

7. Miscellaneous.

7.1. Entire Agreement. Except as otherwise expressly set forth herein, this Agreement and the schedules hereto embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way, including, without limitation, any letters of intent between the parties.

7.2. Amendments; Nonwaiver. No modification, amendment or waiver of any provisions of this Agreement shall be effective unless approved in writing by the Purchaser and each of the Sellers. Any party's failure at any time to enforce any of the provisions of this Agreement shall in no way be construed as a waiver of such provisions and shall not affect the right of such party to enforce each and every provision hereof in accordance with its terms.

7.3. Severability. The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of any other provision.

7.4. Expenses. Except as otherwise expressly provided herein, each party will pay all of its own expenses, including attorneys' fees, in connection with the negotiation of this Agreement and the other documents contemplated hereby, and the consummation of the transactions contemplated hereby, whether or not such transactions are consummated. Post-Closing, none of the Sellers' expenses shall be paid from the Company's assets.

7.5. Further Assistance. After the Closing, each party will, and will cause its affiliates to, execute and deliver such further instruments of conveyance and transfer and take

such additional actions as the other party may reasonably request to effect, consummate, confirm or evidence the transfer of the Shares to the Purchaser. In addition, after the Closing, each party will, and will cause its affiliates to, execute such documents as may be necessary to assist the other party in preserving or perfecting the Purchaser's rights in the Shares or otherwise in connection with this Agreement and will also do such acts as are necessary to perform its representations, warranties, covenants and agreements herein.

7.6. Prevailing Party to be Awarded Legal Fees. In the event of any litigation between the parties arising out of this Agreement, whether at law or in equity, the prevailing party in such litigation shall be entitled to receive, upon application to the court, its reasonable legal fees and expenses incurred in connection therewith from inception to the end of the appellate process.

7.7. Notices. Any notice or other communication required or permitted to be given shall be in writing addressed to the respective party as set forth below (as such contact information may be updated from time to time in accordance with the provisions of this section) and may be personally served, sent by facsimile or sent by overnight courier and shall be deemed given: (a) if delivered in person, when delivered; (b) if sent by facsimile, on the date of transmission; provided, that a hard copy of such notice is also sent by U.S. mail; or (c) if by overnight courier, on the first business day after delivery to the courier.

Notices to the Sellers:

David and Lya Neumann
P.O. Box 6035
West Caldwell, New Jersey 07007

with copies to:

Lindabury, McCormick & Estabrook
53 Cardinal Drive
P.O. Box 2369
Westfield, New Jersey 07091
Attention: John R. Blasi
Facsimile: (908) 233-5078

Notices to the Purchaser:

Fromm International, Inc.
1919 Stanley Street
Northbrook, IL 60062
Attention: Kevin Johnson, President
Facsimile: (847) 498-8213

with copies to:

Goldberg, Kohn, Bell, Black,
Rosenbloom & Moritz, Ltd.
55 East Monroe Street, Suite 3700
Chicago, Illinois 60603
Attention: Michael N. Levy
Facsimile: (312) 863-7461

7.8. Knowledge. Where any representation or warranty of the Sellers contained in this Agreement is expressly qualified by reference "**to the best of the Sellers' knowledge**" or similar phrases it refers to the actual knowledge of the Sellers as to the existence or absence of facts that are the subject of such representations and warranties after consultation with and due inquiry of all executive officers, directors and senior management of the Company, it being understood that the Purchaser has not made any other independent

investigation or consulted with any outside third parties, other than the Sellers and their representatives.

7.9. Assignment; Successors and Assigns. Neither party hereto shall have the right to assign its or his rights or obligations under this Agreement without the prior written consent of the other, which consent shall not unreasonably withheld; provided, that the Purchaser may assign its rights and obligations hereunder to a successor in interest to its business or to a newly formed subsidiary which is formed in order to operate the Company; provided, that the Purchaser remains liable for all of the Purchaser's obligations under this Agreement. This Agreement and all of the provisions hereof will be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

7.10. No Third Parties. Nothing herein expressed or implied is intended or shall be construed to confer upon or give to any person or entity, other than the parties to this Agreement, any rights or remedies under or by reason of this Agreement.

7.11. Headings. The headings of the sections and subsections of this Agreement are merely provided for convenience of reference and shall not be used in the interpretation of this Agreement.

7.12. Governing Law. The law of the State of New Jersey will govern all questions concerning the construction, validity and interpretation of this Agreement and the performance of the obligations imposed by this Agreement.

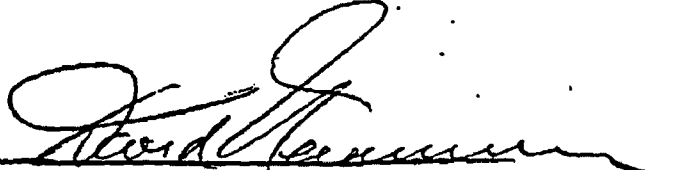
7.13. Counterparts; Facsimile Signatures. This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same agreement. This Agreement may be signed by facsimile signature. A facsimile signature shall be treated as an original signature for all purposes and shall be considered to have the same binding effect as if it were the signed original version thereof delivered in person.


* * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement
on the day and year first above written.

FROMM INTERNATIONAL, INC.,
an Illinois corporation

By 
Kevin Johnson, President


David Neumann


Lya Neumann

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 1.3

EXAMPLE OF CALCULATION OF PURCHASE PRICE

See Attached.

EXHIBIT A
TO LETTER OF INTENT

REDACTED

ibility

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 1.5

EXCLUDED LIABILITIES

Line of Credit and any other financial obligations with the Bank of New York.

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 3.8

LIENS ENCUMBERING ASSETS

Security Interest in all personal property and fixtures owned by Diane Products, Inc. is held by the Bank of New York Regional Banking Loan Operations as security for a **REDACTED** line of credit. Such line of credit and security interest are to be terminated at or prior to the Closing.

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 3.9

ASSUMED CONTRACTS

REDACTED

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 3.11

TRADE NAMES

Diane (Registration No. 949766 in Classes 23, 29, 39, 40, 44 In United States)

Chippy (Registration No. 1456182 in Class 8 In United States)

Diane (for hand mirrors, class 20) (expired registration)

Princess Diane (expired registration)

Free Thum 2000 (expired registration)

Weave-Cut (expired registration)

Adjust-O-Grip (expired registration)

Acu-Cut (expired registration)

Cover-Up (expired registration)

Mirage (for mirrors) (expired registration)

Kurl-Katcher (expired registration)

**STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)**

SCHEDULE 3.15

MATERIAL ADVERSE CHANGES

REDACTED

STOCK PURCHASE AGREEMENT
BY AND BETWEEN
FROMM INTERNATIONAL, INC. (PURCHASER)
AND
DAVID AND LYA NEUMANN (SELLERS)

SCHEDULE 3.16(a)

CURRENT EMPLOYMENT AGREEMENTS, CONSULTING AGREEMENTS, BENEFIT
PLANS, AND OTHER BENEFIT OBLIGATIONS MAINTAINED OR CONTRIBUTED
TO BY THE COMPANY DURING THE TWELVE MONTHS IMMEDIATELY
PRECEDING THE CLOSING

Horizon Blue Cross Blue Shield of New Jersey