

## TRADEMARK ASSIGNMENT COVER SHEET

Electronic Version v1.1  
 Stylesheet Version v1.2

ETAS ID: TM437327

<b>SUBMISSION TYPE:</b>	CORRECTIVE ASSIGNMENT		
<b>NATURE OF CONVEYANCE:</b>	Corrective Assignment to correct the entity type for "Royal Elastics Holding Limited" previously recorded on Reel 004213 Frame 0307. Assignor(s) hereby confirms the correct entity type for "Royal Elastics Holding Limited" should be limited company(ltd.).		
<b>CONVEYING PARTY DATA</b>			
<b>Name</b>	<b>Formerly</b>	<b>Execution Date</b>	<b>Entity Type</b>
K-SWISS INC.		04/30/2009	Corporation: DELAWARE
<b>RECEIVING PARTY DATA</b>			
<b>Name:</b>	ROYAL ELASTICS HOLDING LIMITED		
<b>Street Address:</b>	SUITE 3306 33/F TOWER 6, THE GATEWAY, 9 CANTON ROAD		
<b>City:</b>	TSIMSHATSUI		
<b>State/Country:</b>	HONG KONG		
<b>Entity Type:</b>	limited company (ltd.): HONG KONG		
<b>PROPERTY NUMBERS Total: 1</b>			
<b>Property Type</b>	<b>Number</b>	<b>Word Mark</b>	
<b>Registration Number:</b>	3256828		
<b>CORRESPONDENCE DATA</b>			
<b>Fax Number:</b>	5712826420		
<i>Correspondence will be sent to the e-mail address first; if that is unsuccessful, it will be sent using a fax number, if provided; if that is unsuccessful, it will be sent via US Mail.</i>			
<b>Phone:</b>	5712765506		
<b>Email:</b>	services.ipr@gmail.com		
<b>Correspondent Name:</b>	LanWay IPR Services		
<b>Address Line 1:</b>	P.O. Box 230970		
<b>Address Line 4:</b>	CENTREVILLE, VIRGINIA 20120		
<b>NAME OF SUBMITTER:</b>	Pin Pin Huang		
<b>SIGNATURE:</b>	/Pin Pin Huang/		
<b>DATE SIGNED:</b>	08/01/2017		
<b>Total Attachments: 29</b>			
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## TRADEMARK ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

## SUBMISSION TYPE:

CORRECTIVE ASSIGNMENT

## NATURE OF CONVEYANCE:

Corrective Assignment to correct the Assignor previously recorded on Reel 004195 Frame 0122. Assignor(s) hereby confirms the Assignor should be K-Swiss Inc..

## CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
K-SWISS INC.		04/30/2009	CORPORATION: DELAWARE

## RECEIVING PARTY DATA

Name:	ROYAL ELASTICS HOLDING LIMITED
Street Address:	Suite 3306 33/F Tower 6, The Gateway, 9 Canton Road
City:	Tsimshatsui
State/Country:	HONG KONG
Entity Type:	LIMITED LIABILITY COMPANY: HONG KONG

## PROPERTY NUMBERS Total: 4

Property Type	Number	Word Mark
Serial Number:	76977483	
Serial Number:	78876532	ROYAL ELASTICS
Serial Number:	75501812	
Serial Number:	75501811	ROYAL ELASTICS

## CORRESPONDENCE DATA

Fax Number: (612)332-9081

*Correspondence will be sent via US Mail when the fax attempt is unsuccessful.*

Phone: 612.332.5300

Email: ccaron@merchantgould.com

Correspondent Name: Andrew S. Ehard

Address Line 1: P.O. Box 2910

Address Line 2: Merchant &amp; Gould P.C.

Address Line 4: MINNEAPOLIS, MINNESOTA 55402-0903

## ATTORNEY DOCKET NUMBER:

13353.3

900163099

TRADEMARK  
REEL: 004213 FRAME: 0307  
TRADEMARK

REEL: 006119 FRAME: 0203

OP \$115.00 76977483

DOMESTIC REPRESENTATIVE

Name: Andrew S. Ehard  
 Address Line 1: P.O. Box 2910  
 Address Line 2: Merchant & Gould P.C.  
 Address Line 4: Minneapolis, MINNESOTA 55402-0910

NAME OF SUBMITTER: Andrew S. Ehard

Signature: /Andrew S. Ehard/

Date: 05/26/2010

Total Attachments: 27

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TO: ANDREW S. EHARD COMPANY: P.O. BOX 2910



## UNITED STATES PATENT AND TRADEMARK OFFICE

### Facsimile Transmission

To:	Name:	ANDREW S. EHARD
	Company:	P.O. BOX 2910
	Fax Number:	16123329081
	Voice Phone:	
From:	Name:	ASSIGNMENT SERVICES BRANCH
	Voice Phone:	571-272-3350

37 C.F.R. 1.6 sets forth the types of correspondence that can be communicated to the Patent and Trademark Office via facsimile transmissions. Applicants are advised to use the certificate of facsimile transmission procedures when submitting a reply to a non-final or final Office action by facsimile (37 CFR 1.8(a)).

#### Fax Notes:

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Pg#	Description
1	Cover Page
2	303.TXT
4	Document 1, Batch 2023163

USPTO ASSIGNMENT SYSTEM PROCESSING

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Date and time of transmission: Thursday, April 29, 2010 10:58:54 AM  
Number of pages including this cover sheet: 05

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TO: ANDREW S. EHARD COMPANY: P.O. BOX 2910

**UNITED STATES PATENT AND TRADEMARK OFFICE**UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND  
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

\*900160807A\*

APRIL 29, 2010

PTAS

ANDREW S. EHARD  
P.O. BOX 2910  
MERCHANT & GOULD P.C.  
MINNEAPOLIS, MN 55402-0910UNITED STATES PATENT AND TRADEMARK OFFICE  
NOTICE OF RECORDATION OF ASSIGNMENT DOCUMENTTHE ENCLOSED DOCUMENT HAS BEEN RECORDED BY THE ASSIGNMENT DIVISION OF  
THE U.S. PATENT AND TRADEMARK OFFICE. A COMPLETE MICROFILM COPY IS  
AVAILABLE AT THE ASSIGNMENT SEARCH ROOM ON THE REEL AND FRAME NUMBER  
REFERENCED BELOW.PLEASE REVIEW ALL INFORMATION CONTAINED ON THIS NOTICE. THE  
INFORMATION CONTAINED ON THIS RECORDATION NOTICE REFLECTS THE DATA  
PRESENT IN THE PATENT AND TRADEMARK ASSIGNMENT SYSTEM. IF YOU SHOULD  
FIND ANY ERRORS OR HAVE QUESTIONS CONCERNING THIS NOTICE, YOU MAY  
CONTACT THE EMPLOYEE WHOSE NAME APPEARS ON THIS NOTICE AT 571-272-3350.  
PLEASE SEND REQUEST FOR CORRECTION TO: U.S. PATENT AND TRADEMARK OFFICE,  
MAIL STOP: ASSIGNMENT SERVICES BRANCH, P.O. BOX 1450, ALEXANDRIA, VA 22313.

RECORDATION DATE: 04/28/2010

REEL/FRAME: 004195/0122

NUMBER OF PAGES: 31

BRIEF: CORRECTIVE ASSIGNMENT TO CORRECT THE NAME OF THE ASSIGNEE  
PREVIOUSLY RECORDED ON REEL 004088 FRAME 0478. ASSIGNOR(S)  
HEREBY CONFIRMS THE CORRECT NAME OF THE ASSIGNEE IS ROYAL  
ELASTICS HOLDING LIMITED.

DOCKET NUMBER: 13353.00000003

## ASSIGNOR:

ROYAL ELASTICS HOLDINGS, LTD

DOC DATE: 04/30/2009

CITIZENSHIP: HONG KONG

ENTITY: LIMITED COMPANY (LTD)

## ASSIGNEE:

ROYAL ELASTICS HOLDING LIMITED  
SUITE 3306 33/F TOWER 6, THE  
GATEWAY, 9 CANTON ROAD  
TSIMSHATSUI, HONG KONG

CITIZENSHIP: HONG KONG

ENTITY: LIMITED COMPANY (LTD)

TO: ANDREW S. EHARD COMPANY: P.O. BOX 2910

004195/0122 PAGE 2

APPLICATION NUMBER: 76977483  
REGISTRATION NUMBER: 3256828

FILING DATE: 09/22/2003  
ISSUE DATE: 06/26/2007

MARK:  
DRAWING TYPE: MISCELLANEOUS DESIGN

APPLICATION NUMBER: 78876532  
REGISTRATION NUMBER: 3317697

FILING DATE: 05/04/2006  
ISSUE DATE: 10/23/2007

MARK: ROYAL ELASTICS  
DRAWING TYPE: WORDS, LETTERS, OR NUMBERS AND DESIGN

APPLICATION NUMBER: 75501812  
REGISTRATION NUMBER: 2468149

FILING DATE: 06/15/1998  
ISSUE DATE: 07/10/2001

MARK:  
DRAWING TYPE: MISCELLANEOUS DESIGN

APPLICATION NUMBER: 75501811  
REGISTRATION NUMBER: 2526410

FILING DATE: 06/15/1998  
ISSUE DATE: 01/08/2002

MARK: ROYAL ELASTICS  
DRAWING TYPE: STYLIZED WORDS, LETTERS, OR NUMBERS

THERESA FREDERICK, EXAMINER  
ASSIGNMENT SERVICES BRANCH  
PUBLIC RECORDS DIVISION

TRADEMARK ASSIGNMENT

Electronic Version v1.1  
Stylesheet Version v1.1

04/28/2010  
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SUBMISSION TYPE:	CORRECTIVE ASSIGNMENT															
NATURE OF CONVEYANCE:	Corrective Assignment to correct the name of the assignee previously recorded on Reel 004088 Frame 0478. Assignor(s) hereby confirms the correct name of the assignee is ROYAL ELASTICS HOLDING LIMITED.															
CONVEYING PARTY DATA																
<table border="1"><thead><tr><th>Name</th><th>Formerly</th><th>Execution Date</th><th>Entity Type</th></tr></thead><tbody><tr><td>ROYAL ELASTICS HOLDINGS, LTD</td><td></td><td>04/30/2009</td><td>LIMITED COMPANY (LTD): HONG KONG</td></tr></tbody></table>	Name	Formerly	Execution Date	Entity Type	ROYAL ELASTICS HOLDINGS, LTD		04/30/2009	LIMITED COMPANY (LTD): HONG KONG								
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ROYAL ELASTICS HOLDINGS, LTD		04/30/2009	LIMITED COMPANY (LTD): HONG KONG													
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Registration Number:	3258828															
Registration Number:	3317697	ROYAL ELASTICS														
Registration Number:	2468149															
Registration Number:	2526410	ROYAL ELASTICS														
CORRESPONDENCE DATA																
Fax Number: (812)332-9081 <i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>																
Phone: 612.338.4602																
Email: amorell@merchantgould.com																
Correspondant Name: Andrew S. Ehard																
Address Line 1: P.O. Box 2910																
Address Line 2: Merchant & Gould P.C.																
Address Line 4: Minneapolis, MINNESOTA 55402-0910																
ATTORNEY DOCKET NUMBER:	13353.00000003															

OP \$115.00 3258828

TO: ANDREW S. EHARD COMPANY: P.O. BOX 2910

## DOMESTIC REPRESENTATIVE

Name: Andrew S. Ehard  
Address Line 1: P.O. Box 2910  
Address Line 2: Merchant & Gould P.C.  
Address Line 4: Minneapolis, MINNESOTA 55402-0910

NAME OF SUBMITTER:	Andrew S. Ehard
Signature:	/Andrew S. Ehard/
Date:	04/28/2010

## Total Attachments: 29

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**ASSET PURCHASE AGREEMENT**

dated as of April 9, 2009

entered into by

**ROYAL ELASTICS HOLDINGS, LTD.**  
a Hong Kong corporation

and

**K-SWISS INC.,**  
a Delaware corporation  
and  
**K-SWISS INTERNATIONAL LTD.,**  
a Bermuda company

This Agreement is entered into as of April 9, 2009 by and between Royal Elastics Holdings, LTD, a Hong Kong corporation, or assignees, with its mailing address at Suite 3306, 33/F Tower 6, The Gateway, 9 Canton Road, Tsimshatsui (the "Buyer"), and K-Swiss Inc., a Delaware corporation, located at 31248 Oak Crest Drive, Westlake Village, California 91361; and K-Swiss International Ltd., a Bermuda company, having a registered office at Hamilton House, 2 Church Street, Hamilton, Bermuda (collectively, "Seller" or "Sellers").

### Recitals

A. Seller is engaged in the business of designing, marketing, distributing, and selling to wholesale and retail consumers, both nationally and internationally, a low-performance fashion footwear line known as Royal Elastics (the "Business").

B. Seller desires to sell, and Buyer desires to purchase, substantially all the assets of Seller, upon the terms and subject to the conditions of this Agreement.

Therefore, in consideration of their mutual promises and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree to be legally bound as follows:

### **ARTICLE 1** **Definitions**

Certain capitalized terms used in this Agreement are defined in Annex I.

### **ARTICLE 2** **The Transaction**

2.1 **Asset Purchase.** At Closing, Buyer shall purchase all the Acquired Assets from Seller, and Seller shall sell, convey and transfer all the Acquired Assets to Buyer, free and clear of all Liens, upon the terms and subject to the conditions of this Agreement.

2.2 **Purchase Price.** The total purchase price for the Acquired Assets shall be equal to [REDACTED] for the limited inventory listed in Schedule 4.11, and [REDACTED] for all remaining assets purchased as a part of this transaction (the "Purchase Price").

2.3 **Manner of Payment.** Buyer shall pay the Purchase Price to Seller as follows:

(a) Buyer shall pay a [REDACTED] of the Purchase Price as an Earnest Money deposit, made by wire transfer, under the terms of Section 2.4 herein.

(b) Buyer shall pay [REDACTED] of the Purchase Price by wire transfer at Closing.

(c) Upon Buyer's retail sale of the inventory items in Schedule 4.11, Buyer shall remit to Seller fifty percent (50%) of the proceeds of sale of said inventory items ("Seller's

Price, and shall be paid to Seller weekly. Weekly, Buyer will also provide Seller with a written report on prior-week sales by style number, unit sale and unit price. In any case, Buyer will pay Seller at least [REDACTED] of the [REDACTED] due for inventory not later than twelve (12) months from Closing. Any remaining balance over [REDACTED] that is due to Seller for inventory after twelve (12) months from Closing shall be added to the principal balance of the attached Promissory Note and immediately begin to accrue interest under the terms defined therein. Seller will have the right to audit Buyer's books of account relating to sales of the inventory on any business day on 48 hours advance written notice. Buyer will have no right to offset any debt or other obligation of Seller against Seller's Share without the separate, advance, express, unambiguous, written agreement of Seller signed by an officer of Seller.

(d) Buyer shall pay [REDACTED] of the Purchase Price in the form of a Promissory Note to Seller over a seven year term, at the current WSJ Prime Rate, plus 1% as of the Closing Date (the "Promissory Note"). Interest under the Note will be paid quarterly. This Promissory Note shall be secured solely by the assets of Royal Elastics Holdings, LTD. as evidence by a UCC notice authorized in writing and/or signed by both parties and filed by Seller (or the equivalent documentation and action in Hong Kong and Taiwan to document and give constructive notice of the security interest). The Note shall contain default provisions mutually agreed upon by the parties.

2.4 **Earnest Money Deposit.** Within three business days of Seller signing this Agreement, Buyer agrees to deposit [REDACTED] ("Earnest Money") into an account identified by Seller. Failure to make this deposit shall entitle Seller to terminate this Agreement, in which case no claim for damages shall lie against either party. Buyer's Earnest Money shall be refundable only if Seller fails to meet its obligations listed in this Agreement at Closing. The Earnest Money shall be applied to the Purchase Price at Closing.

2.5 **Liabilities.** The following provisions shall apply in respect of Buyer's assumption of Seller's Liabilities:

(a) Buyer shall assume only the following Liabilities of Seller (the "Assumed Liabilities"):

(1) To the extent they are assignable, any outstanding lease agreements that Seller's Taiwan Division may have for department store leases or its master location lease in Taiwan; and

(2) Any outstanding distribution agreements that Seller may have with international distributors, which are legally assignable to Buyer; and

(3) Any contracts on orders for work-in-progress for products bearing the ROYAL ELASTICS and/or Fleur Device trademarks.

(b) With the sole exception of the Assumed Liabilities, Buyer shall not assume any Liabilities of Seller of any kind. All Liabilities of Seller not specifically assumed by Buyer pursuant to Article 2.5(a) are collectively referred to herein as the "Excluded Liabilities".

### ARTICLE 3

#### Closing

**3.1 Closing.** The closing ("Closing") of the Transaction shall take place simultaneously with the execution and delivery of this Agreement at 10:00 a.m. PST on April 30, 2009, at the offices of Buyer's investment underwriter, VNesto Capital, located at 3580 Wilshire Blvd, Ste. 1790, Los Angeles, CA 90010, or on such earlier date or at such other time and place as the Parties may agree in writing.

**3.2 Closing Events:** At Closing, the following events shall take place, all of which shall be considered to take place concurrently:

(a) Seller shall make the following deliveries to Buyer:

(1) a bill of sale and assignment, together with such other instruments of assignment and conveyance as Buyer reasonably requests, transferring and conveying the Acquired Assets to Buyer;

(2) certificates of title or origin, or like documents according to local law and custom, with respect to all Acquired Assets for which a certificate of title or origin is required in order for title thereto to be transferred to Buyer;

(3) certified copy of the corporate resolution by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement;

(4) originals or certified copies of all trademark registration certificates held by the Seller, or plain photocopies where Seller does not hold originals or certified copies; and

(5) any other documents and instruments that Buyer or its counsel reasonably requests.

(b) Buyer shall make the following deliveries to Seller:

(1) a wire transfer for the [REDACTED] of the Purchase Price, to be added to the Buyer's [REDACTED] Earnest Money deposit;

(2) an assumption agreement confirming Buyer's assumption of the Assumed Liabilities, if assignable;

(3) a Promissory Note from Buyer to Seller in the amount of [REDACTED] under the terms defined in Section 2.3 (c) of this Agreement; and,

(4) any other documents and instruments that Seller or its counsel reasonably requests.

satisfactory to both the delivering and receiving Parties and their respective counsel.

**3.3 Future Deliveries.** Seller agrees to deliver to Buyer following the Closing, any additional documents, instruments or information that Buyer reasonably requests in order to evidence and confirm the sale and transfer of the Acquired Assets and the other transactions under or pursuant to this Agreement. Buyer agrees to deliver to Seller following the Closing any additional documents, instruments or information that Seller reasonably requests in order to evidence and confirm the sale and transfer of the Acquired Assets and the other transactions under or pursuant to this Agreement.

#### **ARTICLE 4** **Representations and Warranties** **of Seller**

In order to induce Buyer to enter into this Agreement, Seller represents and warrants to Buyer that the statements in this Article 4 are true and correct as of the date of this Agreement.

##### **4.1 Authorization.**

(a) Seller has the full corporate power and authority to execute and deliver this Agreement and each of its Closing Documents and to perform its obligations under this Agreement and each of its Closing Documents. Seller's execution, delivery and performance of this Agreement and each of its Closing Documents have been duly authorized by all necessary corporate action required by its Organizational Documents.

(b) Seller's Closing Documents will constitute, a legal, valid and binding obligation of Seller enforceable in all instances, except when limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights and (ii) general principles of equity.

##### **4.2 Organization and Ownership.**

(a) Seller K-Swiss Inc. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with full corporate power and authority to conduct its Business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform its obligations under all Contracts. Seller K-Swiss International Ltd. is a company duly organized, validly existing and in good standing under the laws of Bermuda, with full corporate power and authority to conduct its Business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform its obligations under all Contracts.

(b) Sellers believes but does not warrant that each of them, respectively, is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which qualification is required by applicable law.

**4.3 No Violation.** Seller's execution, delivery and performance of this Agreement, and the consummation the Transaction, will not, either directly or indirectly (and with or without

Documents or any resolution or violate or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify and Mark or Permit.

**4.4 Consents.** Seller's execution, delivery and performance of this Agreement and each of its Closing Documents does not require any notice, filing, or other consent of any Governmental Authority or other Person.

**4.5 Financial Statements.** The Financial Statements of Seller relating to the Business fairly present in all material respects the financial position and results of the operations of the Business by Seller as of the dates indicated and for the periods then ended, in conformity with GAAP as applied by Seller on a consistent basis. Seller has disclosed to Buyer the distressed condition of the Business, as evidenced by losses shown in income statements and declining futures orders.

**4.6 Books and Records.** Sellers' Books and Records relating to the Business are complete and correct in all material respects and all material transactions to which Sellers are or have been a party are properly reflected therein.

**4.7 Title to Assets.** Seller owns or has a license or a leasehold interest in all the tangible and intangible assets of any type or kind that it purports to own, license or lease. Seller has good and marketable title to all the Acquired Assets, free and clear of any Liens. The Acquired Assets constitute, collectively, all the tangible and intangible assets relating to or used, held for use or useful in the conduct of the Business and are sufficient to enable the Business to be operated in the same manner that it is currently operated by Seller.

**4.8 Accounts Receivable.** Buyer is not purchasing Seller's Accounts Receivable. Any payments received by Buyer on such accounts will be forwarded promptly to Seller by Buyer.

**4.9 Equipment and Furniture.**

(a) Schedule 4.9(a) consists of a complete and accurate list of the equipment and furniture assets owned by Seller as of the date of this Agreement.

(b) Each piece of Equipment on Schedule 4.9(a): (i) has been maintained in accordance with normal industry practice, (ii) is in good operating condition and repair (except for normal wear and tear), (iii) is free from patent defects other than minor defects that do not interfere with its continued use and (iv) is suitable for the purposes for which it is currently used. **4.10 Intellectual Property.**

**4.10 Intellectual Property.** Schedule 4.10 consists of a complete and accurate list of each Intellectual Property asset owned free and clear by Seller on the date of this Agreement. Intellectual Property assets shall include domestic and international trademarks, logo designs, product designs, marketing designs and general marketing materials.

accurate list of the design of Royal Elastics products to the extent Seller has a record of such designs, as well as the select limited inventory that Buyer shall acquire under this Agreement.

#### **4.12 Contracts; Customer Contracts.**

(b) Schedule 4.12(a) consists of subschedules containing complete and accurate lists of the following Contracts possessed by Seller as of the date of this Agreement:

- (1) all retail and wholesale distribution Contracts (Schedule 4.12(a)(1));
- (2) all international Facility Leases (Schedule 4.12(a)(2));
- (3) all Contracts relating to employment, employee compensation, or consulting services (Schedule 4.12(a)(3));
- (4) all Contracts relating to product manufacturing (Schedule 4.12(a)(4)); and

Contracts listed on Schedule 4.12(a) shall be furnished by Seller to Buyer to assist Buyer in maintaining the operations of the Business, but carry no warranty of any kind, express or implied.

**4.13 Permits.** Schedule 4.13(a) contains a complete and accurate list of all Permits held by Seller as of the date of this Agreement to conduct business in territories outside the United States.

**4.14 Taxes.** Seller has filed all Tax Returns that it was required to file in relation to the Business prior to the date of this Agreement. To the best of Seller's knowledge and belief and with respect to taxable income from the sale of Royal Elastics products, all Tax Returns that Seller filed prior to the date of this Agreement were correct and complete in all material respects, and all Taxes due in connection with these returns have been paid. Seller shows income tax data on the Business in consolidated returns that reflect all of Seller's businesses. The Internal Revenue Service has notified Seller of official audits of Seller's 2006 and 2007 federal consolidated returns.

**4.15 Legal Proceedings and Claims.** Except as disclosed to Buyer with respect to claims by the French company CSDif'fusion SAS, the claim by the Canadian company Voce Enterprises, and the claim by Jack Schwarz Shoes, Inc., there is no existing lawsuit or threatened lawsuit relating to the Business.

**4.16 Employees.** Seller has not made any written representations to employees with respect to continued employment, salaries, bonuses or vacation post closing.

**4.17 Broker's Fee.** Seller has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to this Agreement.

#### **4.18 Disclosure.**

have been or will be true and complete copies of authentic originals.

(b) Except as qualified or limited by an exception in a Schedule, and solely as so qualified or limited, no statement in this Article 4 is untrue or omits to state any material fact necessary to make the statement, in light of the circumstances in which it was made, not misleading.

## **ARTICLE 5**

### **Representations and Warranties of Buyer**

In order to induce Seller to enter into this Agreement, Buyer represents and warrants to Seller that the statements in this Article 5 are true and correct as of the date of this Agreement.

**5.1 Authority.** Buyer has full power and authority to execute and deliver this Agreement and each of its Closing Documents and to perform its obligations under this Agreement and each of its Closing Documents.

**5.2 Confidentiality.** Buyer represents that any confidential information obtained in the course of negotiating this Agreement and pertaining specifically to the operation of the Business or Seller will remain confidential and will not be disclosed without Seller's advance, express, written consent to anyone other than Buyer's respective legal and investment advisors, internal staff, or any third party business associates that the Buyer deems necessary to close this Transaction. All information obtained by Buyer at any time concerning the business of Seller is confidential and subject to this Article 5.3, except information known generally to the footwear trade or to the public prior to disclosure to Buyer, information that becomes thus known subsequent to disclosure to Buyer other than as a result of an unpermitted disclosure by Buyer, and information already possessed by Buyer independent of disclosure by Seller.

## **ARTICLE 6**

### **Events Subsequent to Closing**

**6.1 Transition Assistance.** Following Closing, each Party shall provide the other reasonable transition assistance at the other's request and without charge, except for actual out-of-pocket expenses.

**6.2 Use of Name.** Seller shall cease to use and shall not license or permit any third party to use the name "Royal Elastics", or any name, slogan, logo or trademark which is confusingly similar to "Royal Elastics"

**6.3 Employees.** Buyer shall not be obligated to offer employment to any employee of Seller, but Buyer shall have the right to employ Taiwan employees dedicated to Seller's Royal Elastics division as of the Closing Date, on terms and conditions established by Buyer in its sole discretion.

**6.4 Purchase Price Allocation.** The Parties agree that the Purchase Price shall be allocated (a) for Seller's purposes, first to the purchase of Seller's Taiwan inventory of Royal

Price allocated to K-Swiss Inc. and remaining 50% to K-Swiss International Ltd; and (b) for Tax purposes, among the Acquired Assets in a manner consistent with Exhibit 6.4 hereto. Seller agrees to file IRS Form 8594 with its federal income Tax Return as well as any similar filings required under state, local or foreign law (collectively, "IRS Form 8594"). Buyer will provide Seller with Buyer's Federal Identification Number not later than the date on which Buyer signs this Agreement.

**6.5 Seller's Sale of Inventory.** Seller shall be entitled to sell off its remaining inventory of Royal Elastics products in the United States and Canada.

## **ARTICLE 7**

### **Indemnification**

**7.1 Indemnification by Seller.** Subject to Sections 7.3 and 7.4, Seller agrees to indemnify Buyer and its officers, directors, stockholders, employees, Affiliates, representatives and agents against and hold Buyer and such parties harmless from:

(a) any Indemnifiable Loss that Buyer or such parties may suffer or incur which is caused by or arises out of to any material inaccuracy in or material breach of any representation and warranty by Seller and Member in Article 4;

(b) any material breach by Seller, or material failure by Seller to comply with, any of the covenants or obligations to be performed by Seller or Member under this Agreement after the Closing Date, including its or their obligations under this Article 7;

(c) any Excluded Liability, including any Liability, other than the Assumed Liabilities, arising out of the operation of the Business prior to or after the Closing Date; or

The benefit of the indemnification obligations of Seller under this Section 7.1 shall extend to the respective officers, directors, employees and agents of Buyer and its Affiliates and Assignees.

**7.2 Indemnification by Buyer.** Subject to Sections 7.3 and 7.4, Buyer agrees to indemnify Seller and its officers, directors, stockholders, employees, Affiliates, representatives and agents against and hold each of them harmless from:

(a) any Indemnifiable Loss that Seller or such parties may suffer or incur which is caused by, arises out of or relates to any material inaccuracy in or material breach of any representation and warranty by Buyer in Article 5;

(b) any material breach by Buyer of, or material failure by Buyer to comply with, any of the covenants or obligations to be performed by Buyer under this Agreement, including Buyer's obligations under this Article 7; or

(c) all Assumed Liabilities and any Liability arising out of the operation of the Business subsequent to the Closing Date.

### 7.3 Assertion of Indemnification Claim

(a) The Indemnified Party may assert an Indemnification Claim by giving Notice of the Indemnification Claim to the Indemnifying Party. The Indemnified Party's Notice shall provide reasonable detail of the facts giving rise to the Indemnification Claim and a statement of the Indemnified Party's Indemnifiable Loss or an estimate of the Indemnifiable Loss that the Indemnified Party reasonably anticipates that it will suffer or incur. The Indemnified Party may amend or supplement its Indemnification Claim at any time (and more than once) by Notice to the Indemnifying Party. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any liability that it may have to the Indemnified Party, except to the extent the Indemnifying Party demonstrates that it has been materially prejudiced thereby.

(b) If the Indemnifying Party does not object to an Indemnification Claim during the 45-day period following receipt of the Indemnified Party's Notice of its Indemnification Claim (the "Objection Period"), the Indemnified Party's Indemnification Claim shall be considered undisputed, and the Indemnified Party shall be entitled to recover the full amount of its Indemnifiable Loss (or estimate of its Indemnifiable Loss).

(c) If the Indemnifying Party gives Notice to the Indemnified Party within the Objection Period that the Indemnifying Party objects to the Indemnified Party's Indemnification Claim, the Indemnifying Party and the Indemnified Party shall attempt in good faith to resolve their differences during the 45-day period following the Indemnified Party's receipt of the Indemnifying Party's Notice of its objection. If they fail to resolve their disagreement during this 45-day period, either of them may unilaterally submit the disputed Indemnification Claim for binding arbitration before the American Arbitration Association in Los Angeles, California, for a final resolution in accordance with its rules for commercial arbitration in effect at the time, which are deemed to be incorporated into and made a part of this Agreement by this reference. The award of the arbitrator or panel of arbitrators may include attorneys' fees and arbitrator's fees to the prevailing party and may be enforced in any court of competent jurisdiction.

7.4 **Exclusive Remedies.** The remedies provided in this Article 7 constitute the sole and exclusive remedies for recoveries by one Party against the other Party for any matter relating to this Agreement or the Transaction, including breaches of the representations, warranties, covenants and agreements set forth in this Agreement and for the matters specifically listed in this Article 7 as being indemnified against; provided however, that neither the foregoing nor anything else in this Agreement will limit the right of any Party to enforce the performance of this Agreement, or performance of any agreement, contract or other document executed and delivered pursuant to this Agreement, by any remedy available to it in equity.

## ARTICLE 8

### Covenant Not To Compete

8.1 **Non-Competition.** Seller understands and agree that if Seller were to compete against Buyer in violation of the terms hereof, Buyer would suffer serious harm and substantial

substantial consideration. Consequently, subject to Article 6.5, above, for a period commencing on the Closing Date and ending on the third anniversary of the Closing Date, the Seller agrees not to, directly or indirectly, individually or jointly with others, own or have an ownership interest in, manage, operate, control, render services or advice to, or employed or engaged by any Person or company that conducts or plans to conduct a business that sells fashion footwear using elastic bands as replacements for shoe laces (a "Competing Business"); provided, however, that Seller may occasionally offer for sale and sell individual K-SWISS brand shoe styles incorporating elastic bands as is Seller's current practice.

**8.2 Nonsolicitation.** Seller and Buyer each agrees that, for a period commencing on the Closing Date and ending on the third anniversary of the Closing Date, neither of them shall, directly or indirectly, individually or jointly with others, (i) induce or attempt to induce any employee, independent contractor, strategic partner, customer, supplier or agent of, or other Person that has a commercial relationship with the other party to leave the employ of, or otherwise alter the level of service provided to, or change the relationship with such party or its Affiliates, except that nothing herein will prevent a party from competing with the other for factory production capacity or for retail accounts; or (ii) hire or offer, or attempt to hire or offer, any employment to any employee of the other or its Affiliates, except that nothing herein will prevent either party from hiring any person who contacts that party in response to a general solicitation for employment.

**8.3 Confidentiality.**

(a) Subject to the exceptions to confidential information in Article 5.2 applicable to Seller's information, which shall apply *mutatis mutandis* to Seller's information under this Article 8.3, Seller (i) shall treat and hold as confidential all information concerning this Agreement and the Business (the "Confidential Information") and (ii) shall not disclose, transfer, transmit or use any of the Confidential Information except in connection with this Agreement. Seller hereby acknowledges that such Confidential Information constitutes proprietary and/or trade secret information of Buyer. Specifically, Seller agrees not to disclose the terms of the transaction with any prior or future manufacturer, distributor, or purchaser of the Royal Elastics brand. Nothing in this Agreement is intended to prevent Seller from (x) disclosing to Seller's employees, Affiliates, distributors, licensees and customers that Seller has sold the Business to Buyer, (y) making such disclosures as are required by law, including but not limited to state and federal securities laws, and (z) making such disclosures as are required to enable Seller to conduct Seller's pre- and post-Closing business in the ordinary course, including but not limited to the sale of inventory pursuant to Article 6.5.

(b) In the event that Seller is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, Seller shall notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 8.3. If, in the absence of a protective order or the receipt of a waiver hereunder, Seller is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or other Person, Seller may disclose the Confidential Information to the tribunal or other Person; provided that Seller shall use its best

confidential treatment shall be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate.

**8.4 Certain Remedies.** The Parties agree that monetary damages would not adequately compensate Buyer for the breach or threatened breach of the obligations in Article 3 (the "Obligations"). Because the breach of any such Obligations may result in irreparable injury to Buyer, as Seller expressly acknowledges herein, Buyer shall be entitled to equitable remedies to enforce the, including specific performance. In all cases, Buyer shall also be entitled to other remedies available at law including compensatory damages, as a result of a breach thereof.

**8.5 Independent Covenants.** All of the covenants in this Article 8 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Seller against Buyer, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of such covenants. It is understood by the Parties hereto that the covenants contained in this Article 8 are essential elements of this Agreement and that, but for the agreement of Seller to comply with such covenants, Buyer would not have agreed to enter into this Agreement. Seller has independently consulted with its counsel and has been advised concerning the reasonableness and propriety of such covenants with specific regard to the nature of the business conducted by Buyer. Seller hereby agrees that all covenants contained in this Article 8 are material, reasonable and valid.

## **ARTICLE 9**

### **Miscellaneous**

**9.1 Expenses.** Each Party shall pay its own expenses in connection with the negotiation and preparation of this Agreement and the consummation of the Transaction.

**9.2 Schedules.** Nothing in any Schedule to Article 4 shall be considered adequate to constitute an exception to the related representation and warranty in Article 4 unless the Schedule describes the relevant facts in reasonable detail or makes them readily determinable by Buyer in connection with its exercise of due diligence. Any disclosure in a Schedule to Article 4 shall be considered a disclosure in response to all other applicable representations and warranties in Article 4.

**9.3 Notices.** All Notices under this Agreement shall be in writing and sent by certified or registered mail, overnight messenger service, telecopier or personal delivery, as follows:

(a) if to Seller, to:

George Powlick  
K-Swiss Inc. and K-Swiss International Ltd  
31248 Oak Crest Drive  
Westlake Village, California 91361  
Phone: (818) 706-5100  
Fax: (818) 706-5397

(b) If to Buyer, to:

John Bondoc  
c/o VNesto Capital  
3580 Wilshire Blvd.  
Suite 1790  
Los Angeles, CA 90010  
Phone: (213) 382-1600  
Fax: (213) 382-3170  
Email: rtejada@vnestocapital.com

All Notices shall be considered to have been given when actually received by the intended recipient. A Party may change its or his address for purposes of this Agreement by Notice in accordance with this Section 9.6.

**9.4 Further Assurances.** Each Party agrees to furnish to the other Party such further information, to execute and deliver to the other Party such other documents and to do such other acts and things, as the other Party reasonably requests for the purpose of carrying out the intent of this Agreement and the documents and instruments referred to in this Agreement.

**9.5 Waiver.** The rights and remedies of the Parties are cumulative and not alternative. The failure or any delay by any Party in exercising any right under this Agreement or any document referred to in this Agreement shall not operate as a waiver of that right, and no single or partial exercise of any right shall preclude any other or further exercise of that right or the exercise of any other right. All waivers shall be in writing signed by the Party to be charged with the waiver, and no waiver that may be given by a Party shall be applicable except in the specific instance for which it is given.

**9.6 Entire Agreement.** This Agreement supersedes all prior agreements between the Parties with respect to its subject matter and constitutes (together with (i) Annex I, Annex II, Annex III, the Exhibits and the Schedules, which are part of this Agreement and (ii) the Parties' Closing Documents) a complete and exclusive statement of the terms of the agreement between the Parties with respect to its subject matter. This Agreement may not be amended except by a written agreement signed by the Party to be charged with the amendment. **9.7 Assignment.** A Party may not assign any of its rights under this Agreement without the prior written consent of the other Party, with the exception that Buyer, without being released from any of its obligations under this Agreement, may assign any of its rights to an Affiliate.

**9.8 No Third Party Beneficiaries.** Nothing in this Agreement shall be considered to give any Person other than the Parties any legal or equitable right, claim or remedy under or in respect of this Agreement or any provision of this Agreement. This Agreement and all of its provisions are for the sole and exclusive benefit of the Parties and their respective successors and permitted assigns.

**9.9 Construction.**

corresponding Section or Sections of this Agreement.

(b) All words used in this Agreement shall be construed to be of the appropriate gender or number as the context requires.

(c) Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

The captions of Section and Articles of this Agreement are for convenience only and shall not affect the construction or interpretation of this Agreement.

**9.10 Severability.** If any provision of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement that is held invalid or unenforceable only in part shall remain in full force and effect to the extent not held invalid or unenforceable.

**9.11 Governing Law.** This Agreement shall be governed by the Laws of the State of California without regard to conflicts of laws principles.

**9.12 Binding Effect.** This Agreement shall apply to, be binding in all respects upon and inure to the benefit of Parties and their respective heirs, legal representatives, successors and permitted assigns.

**9.13 Default.** If Buyer fails to make the required deliveries at Closing, or otherwise defaults under this Agreement, then Seller shall have the right to terminate this Agreement and thereupon this Agreement shall be null and void and of no legal effect whatsoever. If so terminated, each party hereto shall suffer their own losses, costs, expenses or damages arising out of, under or related to this Agreement.

**9.14 Arbitration.** Any dispute arising out of this Agreement shall be submitted to binding arbitration by the American Arbitration Association for a final resolution in accordance with its rules for commercial arbitration in force at the time of the arbitration, which rules are deemed to be incorporated into this Agreement and made a part hereof by this reference. The seat of arbitration shall Los Angeles, California, and all of the fees and costs of the arbitration shall be shared equally by the parties. Attorney fees may be awarded to the prevailing party at the discretion of the arbitrator, but the arbitrator shall have no power to alter or amend this Agreement or to award any relief inconsistent with the provisions herein or unavailable in a court of law. The arbitration award shall be enforceable in any court of competent jurisdiction in Los Angeles County, California. Both parties to this Agreement agree to submit to the jurisdiction of and to venue in such courts, and hereby irrevocably waive and surrender all objections and defenses to such jurisdiction and venue, including but not limited to the objection and defense of *forum non conveniens*.

[SIGNATURE PAGE FOLLOWS]

In witness whereof, the Parties have executed this Agreement as of the date first written above.

**BUYER:**  
Royal Elastics Holdings, LTD.  
A Hong Kong Corporation

By: [Signature]  
John Dondos, Director

By: [Signature]  
Adam Wagener, Director

**SELLER:**  
K-Swiss Inc.  
A Delaware Corporation

By: [Signature]  
Print Name: George Powell  
Title: V.P.

K-Swiss International Ltd.,  
A Bermuda Company

By: [Signature]  
Print Name: George Powell  
Title: V.P.

## Definitions

**Accounts Receivable** means trade receivables from the sale of services or goods in the Ordinary Course of Business.

**Acquired Assets** means all of Seller's assets of any type or kind, other than the Excluded Assets. The term "Acquired Assets" includes the following general asset categories:

- (a) Retail furniture and fixtures in Taiwan;
- (b) Office equipment in Taiwan, and other equipment, including molds as available;
- (c) All of Seller's Taiwan inventory of Royal Elastics product);
- (d) Marketing collateral and product designs;
- (e) Intellectual Property; and
- (f) Permits (only pertaining to Taiwan division);

**Affiliate** means any person or entity that directly or indirectly, through one or more intermediaries, is controlled by the same party. As used in this definition, "control" means the direct or indirect possession of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

**Assumed Liabilities** is defined in Section 2.5(a).

**Authorized Officer** means a corporate officer of a corporation, a partner of a general partnership, a general partner of a limited partnership, a manager or member of a limited liability company, or a holder of a similar position in any other type of entity, who is duly authorized to perform the specified action.

**Books and Records** means books, records, ledgers, files, documents, lists, reports, creative materials, advertising and promotional materials and other printed or written materials relating to the Acquired Assets, but shall not include minute books or other records relating to stock ownership or monetary loans to Seller.

**Business** is defined in the Recitals.

**Business Day** means any day other than a Saturday, Sunday or federal legal holiday.

**Buyer** means Royal Elastics Holdings LTD., and its assignees.

**Closing** is defined in Section 3.1.

**Closing Date** is defined in Section 3.1.

agreements that the Party is required to deliver or enter into or join in at Closing pursuant to the terms of this Agreement.

**Company** means the business entity to which Buyer intends to transfer the assets purchased under this Agreement.

**Consent** means any approval, consent, ratification, waiver or other authorization (including any Permit).

**Transaction** means the transactions contained in this Agreement, including (i) Seller's sale of the Acquired Assets to Buyer and (ii) the Parties' execution, delivery and performance of their respective Closing Documents and the other documents, instruments, agreements and obligations that they are respectively required to execute, deliver and perform pursuant to the terms of this Agreement.

**Contract** means any legally binding contract, agreement or obligation (whether written or oral, and whether express or implied).

**Copyrights** means all copyrights and copyrightable works, and all related applications, registrations and renewals (other than literary works not routinely used in the Business).

**Default** means, in respect of a Contract, a breach or violation of or default under the Contract, or the occurrence of an event which, with notice or the passage of time or both, would constitute a breach, violation or default or permit termination, modification or acceleration of the Contract.

**Employee Benefit Plan** means (i) an "employee pension plan" as defined in § 3(2) of ERISA, (ii) an "employee welfare benefit plan" as defined in § 3(1) of ERISA or (iii) any other employee benefit or fringe benefit plan or program, whether established by Law, a written agreement or other instrument, or custom or informal understanding.

**Equipment** means machinery, equipment, parts, furniture, fixtures, computer hardware and other items of tangible personal property of any type or kind used, held for use or useful in the conduct of the Business (but not including any Vehicles or Inventory).

**Equipment Lease** means a Contract for the lease of Equipment or for the purchase of Equipment under a conditional sales or title retention agreement.

**Excluded Assets** means the items set forth on Annex III hereto.

**Excluded Liabilities** is defined in Section 2.5(b).

**ERISA** means the Employee Retirement Income Security Act of 1974, as amended, and the related regulations issued by the Internal Revenue Service and the Department of Labor.

Seller currently owns, leases, operates, occupies or uses, or that it formerly owned, leased, operated, occupied or used, in the conduct of the Business;

**Facility Lease** means a lease of or other rights to operate, occupy or use a Facility.

**Financial Statements** means Seller's unaudited financial statements relating exclusively to the Business, including statements of income and expense, its balance sheets and its statement of cash flows for three years prior to the Closing Date.

**GAAP** means United States generally accepted accounting principles.

**Governmental Authority** means (i) any federal, state, provincial, local, municipal, foreign or other government and (ii) any governmental or quasi-governmental body of any kind (including any administrative or regulatory agency, department, branch, commission or other entity).

**Indemnifiable Loss** means any actual loss, liability, damage, cost or expense, including reasonable attorneys' fees and costs of investigation and litigation, net of any related tax benefit(s) associated therewith.

**Indemnification Claim** means a written claim or demand for indemnification pursuant to Sections 7.1 or 7.2. A single Indemnification Claim may be asserted in respect of any number of matters.

**Indemnified Party** means:

- (a) Buyer in respect of an Indemnification Claim under Section 7.1;
- (b) Seller in respect of an Indemnification Claim under Section 7.2.

**Indemnifying Party** means:

- (a) Seller in respect of an Indemnification Claim under Section 7.1;
- (b) Buyer in respect of an Indemnification Claim under Section 7.2.

**Intellectual Property** means any trademarks, patents, copyrights, product designs, manufacturing designs, marketing designs, or marketing material, whether in use, under development or design, or inactive, and all causes of action for infringement thereof, but excluding abandoned, lapsed or expired registrations, applications and rights.

**Internal Revenue Code** means the U.S. Internal Revenue Code of 1986, as amended.

**Inventory** means inventory, including inventories of raw materials, work in process, finished goods, parts and supplies.

**Knowledge** means the actual awareness of a particular fact or other specified matter.

Governmental Authority or any principle or rule of common law.

**Liability** means any liability or obligation, whether known or unknown, absolute or contingent, liquidated or unliquidated, or due or to become due.

**Lien** means any lien, security interest, claim, community property interest, equitable interest, option, pledge, right of first refusal or other encumbrance or restriction of any kind.

**Marks** means trade marks, service marks, trade names, assumed names, brand names, product names, slogans and logotypes (including translations, adaptations, derivations and combinations) and related applications, registrations and renewals.

**Notice** means any written notice, demand, charge, complaint or other communication from any Person.

**Order** means any order, judgment, decree, ruling, consent decree, settlement agreement, stipulation, injunction or subpoena entered or issued by any court, Governmental Authority or arbitrator.

**Ordinary Course of Business** means, in respect of Seller, an action taken by it which (i) is consistent with its past practices and is taken in the ordinary course of normal day-to-day operations and (ii) is not required by applicable Law or its Organizational Documents to be authorized by its board of directors.

**Organizational Documents** means (i) the certificate or articles of incorporation and by-laws of a corporation, (ii) the partnership agreement of a general partnership, (iii) the limited partnership agreement and certificate of limited partnership of a limited partnership, (iv) the articles of organization or certificate of formation and operating agreement of a limited liability company, (v) the trust agreement establishing an inter vivos trust or the will establishing a testamentary trust, (vi) the charter or similar document adopted or filed in connection with the creation, formation or organization of any other type of entity. Any reference in this Agreement to a Person's Organization Documents means each of those documents as amended to date.

**Party** means Buyer or Seller, and **Parties** means all of them as the context may require.

**Patents** mean any patents, patent applications and patent disclosures and related reissuances, continuations, continuations-in-part, revisions, extensions and reexaminations.

**Permit** means any approval, consent, license, permit, registration, certificate, waiver, confirmation or other authorization issued, granted or otherwise made available by any Governmental Authority.

**Permitted Lien** means (i) any Lien for Taxes that are not yet due and payable or (ii) any carrier's, warehouseman's, mechanic's, materialman's, repairman's, landlord's, lessor's or similar statutory Lien incidental to the Ordinary Course of Business.

company, joint venture, association, organization, estate, trust or other entity or any Governmental Authority.

**Proceeding** means any action, litigation, arbitration or administrative hearing.

**Proprietary Information** means, in relation exclusively to the Business, trade secrets and proprietary or confidential business information, including: (i) ideas, discoveries and inventions (whether patentable or unpatentable, and whether or not reduced to practice), (ii) know-how, (iii) and computer source codes, programs, software and documentation (other than those that are commercially available).

**Purchase Price** is defined in Section 2.2.

**Schedule** means a schedule to this Agreement referred to in Article 4.

**Seller** is defined in the preamble sentence of this Agreement.

**Suit** means any action, suit, proceeding, arbitration, audit, hearing or investigation or condemnation proceeding (whether civil, criminal, administrative or investigative in nature, and whether formal or informal) by, before or in any court, Governmental Authority or arbitrator.

**Tax or Taxes** means any federal, state, provincial, local, municipal or foreign income, gross receipts, capital stock, profits, withholding, social security, unemployment, real property, personal property, stamp, excise, occupation, sales, use, value added, estimated or other tax (including any related interest, fines, penalties and additions), whether disputed or not.

**Tax Return** means any return (including any information return), report, statement, form or other document required to be filed with or submitted to any Governmental Authority in connection with the determination, assessment, collection or payment of any Tax.

**Threatened** means, in respect of a Suit, that Notice has been given, or an other event has occurred or any other circumstance exists, that would lead a prudent individual to conclude that the Suit is likely to be initiated or otherwise pursued in the future.

## Schedules of Assets and Obligations

### Summary of Schedules

Schedule 4.9 (a):	Complete list of furniture, fixtures and equipment being sold (includes manufacturing, office and retail equipment).
Schedule 4.10:	Complete list of trademarks, logo designs, product designs, and other marketing designs and material.
Schedule 4.11:	Complete list of product library, and Royal Elastics inventory in Taiwan, as well as all physical samples of the product library that Seller has retained
Schedule 4.12(a)(1):	Copies of Seller's distribution contracts for reference, not for assignment.
Schedule 4.12(a)(2):	Copies of the Taiwan leases, for assignment.
Schedule 4.12(a)(3):	Copies of all Taiwan employment contracts, for reference, not for assignment.
Schedule 4.12(a)(4):	Copies of manufacturing production contracts for reference, not for assignment.
Schedule 4.13(a):	Copy of business license to operate in Taiwan.
Exhibit 6.4:	A complete break down of the purchase price by asset for tax purposes.
Financial Statements	A complete copy of Seller's balance sheet and income statement for each of the last three years for the Business.

### **Excluded Assets**

Buyer shall acquire all of Seller's Assets, except those listed below.

- 1) Seller's cash deposits;
- 2) Seller's accounts receivable;
- 3) Seller's inventory, except Seller's Taiwan inventory listed in Schedule 4.11; and,
- 4) Seller's furniture, fixtures and equipment located in its retail store in Santa Monica.