

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT		
NATURE OF CONVEYANCE:	Asset Purchase Agreement		
CONVEYING PARTY DATA			
Name	Formerly	Execution Date	Entity Type
Thralow, Inc.		10/31/2006	CORPORATION: MINNESOTA
RECEIVING PARTY DATA			
Name:	NetShops, Inc.		
Street Address:	12000 I Street		
Internal Address:	Suite 20-2000		
City:	Omaha		
State/Country:	NEBRASKA		
Postal Code:	68137		
Entity Type:	CORPORATION: NEBRASKA		
PROPERTY NUMBERS Total: 1			
Property Type	Number	Word Mark	
Serial Number:	78135585	ZHUMELL	
CORRESPONDENCE DATA			
Fax Number:	(402)346-1148		
	<i>Correspondence will be sent via US Mail when the fax attempt is unsuccessful.</i>		
Phone:	402-346-6000		
Email:	pamela.flint@kutakrock.com		
Correspondent Name:	Pamela Flint, Paralegal		
Address Line 1:	1650 Farnam Street		
Address Line 4:	Omaha, NEBRASKA 68102		
ATTORNEY DOCKET NUMBER:	NETSHOPS ASSIGNMENT		
NAME OF SUBMITTER:	Pamela S. Flint, Paralegal		
Signature:	/Pamela S. Flint/		
Date:	12/06/2006		

OP \$40.00 78135585

Total Attachments: 25

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 31st day of October, 2006, between **NETSHOPS, INC.**, a Nebraska corporation (the "Buyer"), and **THRALOW, INC.**, a Minnesota corporation (the "Seller").

WITNESSETH:

WHEREAS, Seller currently owns and operates certain online retail stores specializing in the sale of binoculars and telescopes and other lines of products, as identified below (the "Business"); and

WHEREAS, Seller desires to sell, transfer and convey to Buyer, and Buyer desires to purchase and acquire from Seller certain assets, rights and contracts used by Seller in the conduct of the Business and assume certain expressly identified liabilities of Seller arising in connection with the Business;

NOW, THEREFORE, for and in consideration of the covenants, agreements and obligations contained herein, the receipt and sufficiency of which are hereby acknowledged, the Buyer and Seller hereby agree as follows:

ARTICLE I

PURCHASE AND SALE OF ASSETS AND SOFTWARE LICENSE

Section 1.01. Purchase and Sale of Assets. Subject to the terms and conditions of this Agreement, Seller agrees to sell, transfer, assign, convey and deliver to Buyer, and Buyer agrees to purchase and acquire from Seller, at and as of the Closing Date, all of the assets identified in Exhibit A, attached hereto and incorporated herein by this reference (the "Assets"). The Assets purchased and acquired by Buyer include:

(a) All intellectual property and intangible assets owned by Seller and used in or otherwise related to the operation of Seller's Business, including all accounts receivable and cash to the extent the same first arise and relate to the periods of time after the Closing Date; and all trademarks, service marks, website addresses, domain names, website content, e-mail addresses, telephone numbers, trade secrets, copyrights, all rights in and to the Zhumell brand and other private-label arrangements, and other intangibles, whether or not reduced to practice or subject to copyright, trade name or patent protection used by Seller in connection with Seller's Business, and all goodwill related thereto (collectively, the "Intangible Assets");

(b) All inventory used in or otherwise related to the operation of Seller's Business (the "Inventory");

(c) Personal Property used in or otherwise related to the operation of Seller's Business (the "Personal Property"); and

(d) All other operational materials not otherwise expressly identified in subsections (a), (b) and (c) including, but not limited to, customer lists, customer information, catalogs, operational benchmarks, operational plans, marketing material, form agreements, contracts, vendor and other commercial relationships, policy documents, procedure documents and the like used in or otherwise related to the operation of Seller's Business (the "Operational Material").

Section 1.02. Excluded Assets. Buyer is acquiring the Assets set out in Exhibit A. For clarity, assets owned by Seller and excluded from this transaction include, but are not limited to, the real estate, facilities and URL's listed in Exhibit A-1, Excluded Assets.

ARTICLE II

ASSUMPTION OF CERTAIN LIABILITIES AND NON-ASSUMPTION OF OTHER LIABILITIES

Section 2.01. Assumed Liabilities. The Buyer shall assume, as of the Closing Date, only the liabilities, obligations, contracts and commitments of Seller (collectively, the "Assumed Liabilities") generally described in this Section 2.01 and specifically listed in Exhibit B, attached hereto and incorporated herein by reference. Nothing contained or described in this Section 2.01 or any other provision of this Agreement shall obligate the Buyer to assume any other obligations of Seller not specifically listed in Exhibit B, none of which shall be Assumed Liabilities. Nothing contained herein shall in any manner infer or obligate Buyer to assume or to pay or perform any obligation of whatsoever nature, the obligation for payment or performance of which matured or became due and payable prior to the Closing Date.

Section 2.02. Excluded Liabilities. Notwithstanding anything to the contrary contained in Section 2.01, none of the following shall be deemed to be Assumed Liabilities for purposes of this Agreement, but shall instead constitute excluded liabilities (the "Excluded Liabilities"):

(a) any Liability or obligation of Seller in respect of accrued employee wages, incentives, bonuses, vacation pay or paid days off, in each case, arising in connection with or applicable to the Seller or its employees;

(b) any Liability or obligation of Seller in respect of any bank or third-party debt or any pension or retirement plan applicable to Seller or its employees, except as specifically provided for in Exhibit B;

(c) any Liability or obligation of Seller in respect of (i) any tort or violation of law committed by Seller, (ii) any breach of any representation, warranty or covenant occurring prior to the Closing Date under any assigned contract, or (iii) any litigation, claim, cause of action, suit, investigation or proceeding pending or asserted against Seller, or accruing or occurring, before the Closing Date; or

(d) any Liability or obligation of Seller included in or arising out of any agreement or contract not related directly to the Business.

Section 2.03. Facilities. Seller's Proctor and Duluth facilities shall not be included in the Assets. As of the Closing Date, Seller shall lease the Duluth facility to Buyer for a period of eighteen (18) months pursuant to a lease agreement to be entered into contemporaneously herewith, a copy of which is attached hereto as Exhibit I. Buyer shall have the right, subject to terms of the lease agreement, to renew the lease for additional one year terms.

Section 2.04. Employees/Transition. At closing, Buyer shall enter into an employee service agreement, a copy of which is attached hereto as Exhibit J, with Thralow, Inc. for the purpose of retaining the services of Thralow, Inc. during the integration of operations of the Business with Buyer's current operations. In addition, at Closing Buyer and Dan Thralow ("Thralow") shall enter into an Employment Agreement, to be signed contemporaneously with this Agreement, whereby Thralow shall become the General Manager of the Business until Buyer has made the payment of the total aggregate purchase price for the Business, as set forth herein. During this time, Thralow shall, as general manager, operate the Business from the Duluth facility pursuant to the terms of the Employment Agreement, with integration of operations of the Business at Buyer to occur during such time as necessary to achieve efficiencies and to capitalize on economies of scale.

ARTICLE III

PURCHASE PRICE

Section 3.01. Purchase Price.

(a) The purchase price, including the assumption of Assumed Liabilities of Seller, to be paid to Seller in consideration for the Assets which are being acquired by Buyer pursuant to this Agreement shall be the amount of Twenty-One Million One Hundred Thirty-two Thousand Dollars (\$21,132,000) (the "Purchase Price"). The Purchase Price will be paid as follows: (i) \$6,360,000 cash at closing, and (ii) \$14,772,000, with payment occurring upon delivery of a promissory note in the form identified in Exhibit C, hereto. The sum set out in (ii) shall be paid pursuant to the terms of the promissory note, with payment upon the earlier of the following three events: (a) the qualified initial public offering ("IPO") of the stock of Buyer, in which case the entire sum shall be paid within sixty (60) days of IPO; or (b) the sale of Buyer to a third party; or (c) (4) years from the Closing Date. As set forth herein, the sale of Buyer shall mean the sale of all or substantially all of the assets of Buyer or all or substantially all of the outstanding stock to a third party. Interest shall begin to accrue on the \$14,772,000 balance at a rate of 5.26% a year, beginning on the first day after the Closing Date, with interest only payments made quarterly beginning twelve (12) months after the Closing Date until final payment of the amount set out in (ii), above. As security for the payment of (ii), Seller shall retain a security interest in certain domain name assets, as identified in a security agreement, Buyer shall execute the promissory note, both as attached hereto as Exhibit C. The security agreement and promissory note shall be executed by the parties at the time of closing of the Transaction. The Purchase Price shall be increased or decreased after Closing, as calculated herein.

(b) **Post-Closing Adjustment and Holdback.** The Purchase Price shall be subject to adjustment after the Closing Date to account for the Actual Net Working Capital on the Closing Date. The parties will, at Closing, calculate the Actual Net Working Capital as of Closing as defined herein based upon best information available ("Estimated Actual Net Working Capital"). The parties agree that a sum of \$250,000 shall be held back (the "Holdback") by Buyer at Closing for purposes of adjustments to Actual Net Working Capital after Closing Date, including deductions for accounts receivable write-offs and returns, all as set forth herein. The sum held back shall be deposited in an interest bearing account, with interest to accrue to Seller until adjustments finalized. Final Actual Net Working Capital existing on the Closing Date shall be calculated one hundred eighty (180) days after the Closing Date, at which time final payments of or credits for any difference between Estimated Actual Net Working Capital and Final Actual Net Working Capital against the Purchase Price shall be made as provided for in Section 3.02 below. A physical Inventory count will be conducted within ten (10) business days of the Closing Date to determine the actual Inventory amount, actual amount of relevant and salable Inventory, at cost, and any assigned accounts receivables on hand as of the Closing Date. For purposes of this Agreement, "Actual Net Working Capital" shall mean Seller's current and saleable Inventory related to the Business, at cost, plus any accounts receivable specifically assigned to Buyer, net any accounts payable assumed by Buyer. Buyer shall calculate Final Actual Net Working Capital and give Seller notice of the adjustment; upon which Seller shall have five (5) business days to review and object. Any objections not resolved by negotiation shall be submitted to arbitration pursuant to terms agreed upon by the parties.

Section 3.02. Payment of Holdback. Contingent upon the satisfaction of each condition to Buyer's obligation to consummate the purchase and sale transaction contemplated hereunder, the conveyance of the Assets to Buyer by Seller in conformity with this Agreement, the full and faithful performance by Seller of each obligation, covenant and agreement which is required to be observed or performed by any one or more of Seller hereunder, and the truth and accuracy of each of the representations and warranties given by Seller herein, Buyer agrees to pay the Holdback as follows:

(a) **Final Payment.** Within ten (10) business days following the final calculation of Actual Net Working Capital as set forth in Section 3.01(b), Buyer shall pay to Seller the Holdback, less any deductions or plus any excess of Final Actual Net Working Capital over Estimated Actual Net Working Capital, in immediately available funds via wire transfer pursuant to wiring instructions provided by Seller to Buyer. This payment, when added to the initial payment, shall constitute the final Purchase Price; and

(b) **Credits.** In the event the amount of decrease in the Purchase Price exceeds the amount of the Holdback, Seller shall pay to Buyer such amount within ten (10) business days following the final calculation of Actual Net Working Capital as set forth in Section 3.01(b) by wire transfer of immediately available funds to such accounts as Buyer may designate to Seller in writing.

Section 3.03. Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets as determined by Buyer, as set forth in Exhibit K. Seller agrees to use such

allocation for all tax and reporting purposes, including but not limited to Internal Revenue Service Form 8594, and not to take any contrary position with respect thereto.

ARTICLE IV

CLOSING/CLOSING DATE

The execution of this Agreement shall take place on October 18, 2006. The Closing of the transaction contemplated in this Agreement (the "Closing") shall take place at Buyer's offices in Omaha, Nebraska, at 8:00 a.m. Central Daylight Savings Time on October 27, 2006 (the "Closing Date"), or at such other date, time and place as may be mutually agreed to by the parties hereto in writing.

ARTICLE V

COVENANTS AND AGREEMENTS

Section 5.01. Title to the Assets. Seller shall sell, assign, transfer, convey, and deliver to Buyer at Closing good and marketable title to the Assets free and clear of any and all taxes, mortgages, liens, encumbrances, security interests, adverse claims, encroachments, leasehold interests, contracts of sale, restrictions on use or transfer or other defects in title of any name, nature, or description, except as otherwise indicated in Exhibit A, and shall deliver to Buyer at Closing such documents of legal transfer or assignment, including, but not limited to, Bills of Sale, Assignment and Assumption Agreement in the form set forth in attached Exhibit D, a Domain Name Assignment Agreement in the form set forth in Exhibit E, and such certificates of title or other documents or instruments as may, in the reasonable opinion of Buyer's legal counsel, be necessary to effectively convey legal title to and vest ownership of the Assets in Buyer in conformity with this Agreement.

Section 5.02. Delivery of Physical Possession of Assets. Except as is expressly otherwise provided for herein in Exhibit A, upon the terms and subject to the conditions set forth in this Agreement, Seller shall deliver and provide physical possession of the Assets to Buyer as of the Closing Date.

Section 5.03. Title and Risk of Loss. Title and the risk of loss with respect to the Assets shall remain with Seller until Closing, in conformity with this Agreement, at which time title and the risk of loss with respect to the Assets shall pass from Seller to Buyer.

Section 5.04. Use of Assets in the Operation of Business Pending Closing. Except as required by this Agreement or as approved, in advance and in writing, by Buyer, Seller agrees to use the Assets to operate the Business in accordance with the following standards between the date of this Agreement and Closing:

- (a) To continue to use the Assets to operate the Business in its normal, usual and ordinary course, consistent with the historical practices followed previously during prior fiscal years and in compliance with all applicable laws and regulations, and all applicable permits, licenses, registrations, contracts and agreements;

(b) To maintain in force insurance coverages on the Assets, consistent with the historical practices followed previously during prior fiscal years, insuring them against loss by fire or other casualty in the amount of their full replacement value, and otherwise in compliance with contractual requirements and Seller's customary risk management practices;

(c) To maintain and keep the Assets in good condition and repair, free from defects and in good working order, ordinary wear and tear excepted;

(d) To use commercially reasonable efforts, consistent with prior custom and practice, to maintain and preserve for Buyer's benefit the Assets and all existing relationships with customers, clients, accounts, vendors, suppliers and others with whom Seller has established business relationships in connection with its operation of the Business as of the date of this Agreement;

(e) To maintain all Inventory in good and marketable condition, consistent with historical practices followed previously during prior fiscal years;

(f) To promptly pay and discharge when due all debts, liabilities and other obligations except as otherwise disclosed herein; to comply with and perform in full, and in accord with their terms, all contracts, licenses and permits and not allow the same to become overdue, delinquent, or in default; to duly pay and discharge all taxes, liens or assessments of whatever kind or description and all governmental charges or levies imposed on Seller or with respect to the Assets before the date on which penalties attach thereto, and to pay and discharge all lawful claims which, if unpaid, might become a lien or charge upon any of the Assets;

(g) To not sell, assign or transfer, convey, lease, license, mortgage, pledge or otherwise subject to lien, restrictions, charge, security interest or encumbrance of the Assets, whether Intangible Assets, Inventory or Operational Material, or waive, release, cancel or compromise any debt, claim or right arising under any contract or permit, except for sales of products and services in the ordinary course of its business and financing equipment rental contracts under non-recourse financing schemes and except as to remain consistent with the historical practices followed previously during prior fiscal years; and

(h) To not issue, sell, or otherwise dispose of any interest in any stock of Seller or grant any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its securities or their or any interest therein.

Section 5.05. Consents. Seller agrees, as soon as is reasonably practicable after the execution of this Agreement, to commence and diligently pursue and perform all actions required to obtain, and to obtain, all consents, approvals, waivers, and agreements of and to give all notices and make all other registrations or filings with any third party, including governmental authorities, to the extent the same are necessary or appropriate to consummate the sale of the Assets and to complete the transactions contemplated in this Agreement.

Section 5.06. Entry and Inspection. Between the date of this Agreement and the Closing, Buyer, its financing sources and their respective representatives, employees, agents, attorneys and accountants shall be entitled to make or cause to be made such reasonable investigation of the Assets as they may deem necessary or advisable and such investigation shall not affect the representations and warranties made by the Seller in this Agreement. Seller agrees to provide Buyer with reasonable access to the Assets, and to provide and to cause all of Seller's representatives, agents, attorneys and accountants to provide Buyer with full access to all employees (so long as it does not interfere with the ongoing business of Seller), properties, books, contracts, commitments and records of Seller's Business and to furnish Buyer such financial information, operating data and other information or copies thereof with respect to the operations, financial results, properties, and personnel of Seller's Business as may be reasonably requested. Furthermore, Seller shall cause its accountants to cooperate with Buyer in making available all financial and tax information reasonably requested.

Section 5.07. Employees. Buyer is not assuming obligations for any of Seller's employees. Seller shall be solely responsible for providing its employees with notification of any rights which may be affected under the Worker Adjustment and Retraining Notification Act (20 U.S.C. § 2102) and any notices required thereunder in regard to "plant closing" or "mass layoff" as defined in 20 U.S.C. § 2102. Seller acknowledges and agrees that Buyer is not assuming any employees, or any employment policies, programs, procedures, practices or agreements or any employee benefit plans, compensation policies or plans (as defined in Section 3(3) of ERISA or otherwise) of Seller, or any obligations or liabilities associated therewith, all of which shall be and remain the exclusive obligation of Seller. Seller shall be solely responsible for providing and shall provide any and all notices, election forms, continued employment and related benefit plan participation that may become due or be required with respect to any of its employees under the Family and Medical Leave Act ("FMLA") and any similar state law with respect to any leave commencing prior to the Closing while the employee was employed by Seller. It is expressly understood by the parties that Buyer shall not be a successor in interest with respect to Seller's obligations under the FMLA or any similar state law. Seller is solely responsible for providing and shall provide any and all notices, election forms and continuation coverage that may become due or be required with respect to any of Seller's employees under § 4980B of the Internal Revenue Code ("IRC"), Section 601 of ERISA or otherwise on account of a termination of employment with Seller or on account of any other qualifying event (as defined in IRC § 4980B or Section 603 of ERISA) which occurs (or relates to continuation coverage that commenced) prior to the Closing while the employee was employed by Seller. It is expressly understood by the parties that Buyer will not be a successor employer for COBRA purposes and that Buyer will not be responsible for complying with the COBRA continuation requirements with respect to the aforementioned events.

Section 5.08. Telephone Numbers. Seller agrees to cooperate with and assist Buyer and to execute such authorizations, consents or other documents as may be necessary to obtain, if possible, the transfer to Buyer of any telephone numbers which are used by Seller in connection with Seller's operation of the Business, provided Buyer shall pay any fees or charges connected with such transfers.

Section 5.09. Condition of Assets. The Assets purchased by Buyer pursuant to the terms of this Agreement shall be delivered to Buyer by Seller free of known defects (latent or

patent), in good condition and repair and in working order (unless otherwise noted in Exhibit A), ordinary wear and tear excepted.

Section 5.10. Expenses. Each of the parties hereto shall bear all expenses incurred by it in connection with this Agreement and in the consummation of the transactions contemplated herein and in preparation therefore.

Section 5.11. Taxes. Except as is otherwise expressly provided herein, Seller shall be responsible for the payment of any and all taxes which may be due or owing with respect to their ownership of the Assets up to the Closing, and Buyer shall be responsible for the payment of any and all taxes which may be due and owing with respect to their ownership of the Assets (inclusive of the transfer of such Assets from Buyer to Seller as a result of this Agreement) after the Closing. Seller shall be responsible for the payment of any and all personal property taxes levied or assessed with respect to the Assets for the year 2005 through the Closing Date and all prior years. Buyer shall be responsible for the payment of any and all personal property taxes levied or assessed with respect to the Assets for the time period after the Closing Date and subsequent years. Anything herein to the contrary notwithstanding, however, neither the Seller nor the Buyer shall be deemed or construed to have made any representation or warranty or any covenant or agreement to the other in regard to the state or federal income tax consequences resulting from the transaction contemplated herein.

Section 5.12. Public Announcements. Buyer may make a public announcement of the transaction contemplated herein upon Closing. Any public announcement made prior to Closing shall be mutually agreed to by the Parties. The announcement shall not contain details regarding the Purchase Price paid by Buyer to Seller.

Section 5.13. Transition of Business. Seller agrees to use reasonable commercial efforts in the normal course to protect, preserve and perpetuate the Business for the benefit of Buyer and to take all commercially reasonable action which may be necessary or appropriate to assist Buyer both before and after the Closing in the transition and retention of customers, clients, accounts, vendors and suppliers with whom Seller has an established business relationship, to the extent such relationship relates to Seller's operation of the Business as of the Closing Date. At a minimum, Seller agrees to provide Buyer with transition assistance pursuant to the terms of a Service agreement, which services will include personnel support and support for the Assets.

Section 5.14. Further Assurances. Following the Closing, Seller shall promptly, at the request of Buyer, take such further action and execute and deliver to Buyer such further assignments, endorsements, consents, instruments, agreements and other documents as Buyer may reasonably request in order to transfer legal title to the Assets to, vest title to the Assets in, and/or deliver possession of the Assets to Buyer, and otherwise to consummate and carry out the transactions contemplated by this Agreement for the benefit of Buyer.

Section 5.15. Advice of Changes. Except for matters expressly set forth in Exhibit A as exceptions between the date of this Agreement and the Closing, Seller shall promptly advise Buyer in writing of any material fact which becomes known to Seller which, if existing and known on the date of this Agreement, would have been required to be set forth in this Agreement

or disclosed pursuant to its terms, or would have caused or resulted in a breach of any of the representations and warranties of Seller hereunder or which, if known, could reasonably have been expected to have a material, adverse effect on the Assets.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer that each of the statements contained in this Article VI is true, correct and materially complete as of the date of this Agreement, and will be true, correct and complete at and as of the Closing Date. Seller expressly acknowledges that Buyer is relying on each of the representations and warranties set forth in this Article VI as a material inducement in entering into and performing its obligations under this Agreement. All of the representations and warranties set forth herein shall survive Closing as more fully defined below. Accordingly, Seller hereby represents and warrants to Buyer as follows:

Section 6.01. Organization. Thralow, Inc. is a corporation duly organized, validly existing and in good standing under the laws of Minnesota, has the full power and authority to own the Assets and to conduct the Business and is duly licensed to do business in each state in which the nature of the Business requires that it be so licensed.

Section 6.02. Authority. Seller has the full right, power and authority necessary to execute, enter into and deliver to Buyer this Agreement and each of the ancillary agreements and to perform the obligations required to be performed by Seller hereunder and thereunder at the time of execution and delivery. The entry into this Agreement and each of said ancillary agreements executed by Seller and Seller's performance hereunder and thereunder have been approved, where applicable, by all necessary action, including, where required, the approval of Seller's shareholders and directors, in accordance with the laws of the State of its formation, and its Articles of Incorporation and Bylaws. This Agreement, together with the documents and agreements attached hereto as Exhibits to which Seller is a party, constitutes, or upon execution and delivery at Closing, will constitute valid and binding agreements and is, or upon execution and delivery will be, enforceable against Seller in accordance with their respective terms.

Section 6.03. Litigation and Governmental Action. Except as set forth as an Exception in Exhibit A, there are no suits, actions, claims, litigation, arbitration, investigations or inquiries, or other legal or administrative proceedings pending or, to Seller's best knowledge and belief, threatened, against Seller or against its officers, directors, employees, properties, assets or operations, or to which Seller may be made a party (whether or not covered by insurance) which could in any manner materially adversely affect the ability of Seller to fully perform hereunder or materially adversely affect the Assets and the financial condition or operating results of the Business, or the ability of the Buyer to use the Assets following Closing, nor does Seller have any knowledge of any circumstances or state of facts which could reasonably be expected to give rise to the same. Neither Seller nor the Assets are now, or will at Closing, be subject to or in default under any injunction, judgment or other order of any court, arbitrator or governmental agency; nor subject to or in default under any permit, order, license, regulation, registration or demand of any federal, state, municipal governmental agency, or any other regulatory body.

Section 6.04. No Contravention. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated herein will not immediately, or with the passage of time, the giving of notice, or otherwise: (i) result in the breach of any of the terms or conditions of, constitute a default, breach under, or accelerate any mortgage, note, bond, indenture, agreement, permit, license or any other instrument or obligation of any kind or nature to which Seller is now or may be a party or by which any of the Assets are or may be bound or affected; or (ii) violate any order, writ, injunction or decree of any court, administrative agency or governmental or regulatory body or the Articles of Incorporation or Bylaws of Seller.

Section 6.05. Approvals and Consents. Except as noted on Exhibit A, no consent, authorization or waiver by or filing with any governmental agency or any other third party not a party to this Agreement is required to be obtained or made by Seller in connection with the Seller's execution or performance at Closing of this Agreement or any other document or agreement attached hereto as an exhibit, or the taking of any action by Seller in connection with the consummation of the transactions contemplated herein or therein, including, but not limited to, any consent of or waiver by any party to any contract or agreement assumed by Buyer hereunder, to prevent default or termination thereof or the imposition of additional terms thereunder.

Section 6.06. Books and Records. Seller has prepared and maintained its books and records on a consistent basis over time and the same will be provided to Buyer at Closing and are true, complete and correct in all material respects.

Section 6.07. Assets. Prior to the execution of this Agreement, Seller has delivered to Buyer a true and correct list of all Assets, including the Intangible Assets, Inventory and Operational Materials, used or maintained by Seller in connection with its operation of the Business, all as identified further in Exhibit A.

Section 6.08. Contracts and Oral Agreements. Prior to the execution of this Agreement, Seller has delivered to Buyer true, complete and correct copies of all of the contracts and agreements and a complete and correct summary of all oral agreements to which Seller is a party, and which Seller uses or maintains in connection with its operation of the Business, specifically including, but not limited to, employee agreements, third party warranties and/or contracts or agreements with customers, vendors or suppliers, all of which shall be listed in Exhibit A, Assets. Said contracts constitute all of property of a like kind and character which is used by the Seller in the conduct of the Business. Each of the Seller's contracts is assignable, valid, binding and enforceable for the periods and upon the terms stated therein, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors generally or by limitations on the availability of equitable remedies. Seller has made and will make all payments and has fulfilled or taken and will fulfill or take all actions necessary to satisfy all of its liabilities and obligations under each such contract to the extent the same first arise and/or relate to periods of time which occur before the completion of Closing, and there is not, under any such contract, any existing default or event of default or any event which, with or without the giving of notice or the passage of time, would constitute a default by Seller or, to Seller's best knowledge and belief, by any other party. Neither Seller nor, to Seller's knowledge, any other party is or will, as of the Closing Date, be in arrears in respect of the performance or satisfaction of the terms and conditions on its part to be performed or

satisfied under any contract, and no waiver or indulgence has been or will be granted by any of the parties thereto.

Section 6.09. Permits and Licenses. Prior to the execution of this Agreement, Seller has delivered to Buyer true, complete and correct copies of all permits and licenses identified in Exhibit A, if any, and used or maintained by Seller in connection with its operation of the Business. All such permits and licenses are in good standing and in full force and effect; Seller has paid all fees and other charges due in connection therewith in full through Closing and the terms of each such permit or license have been complied with by Seller.

Section 6.10. Title to Assets; Absence of Liens and Encumbrances. Seller has good and merchantable title to the Assets, all of which are and will at Closing be free and clear of all taxes, mortgages, liens, encumbrances, security interests, adverse claims, encroachments, infringement claims, leasehold interests, contracts of sale, restrictions on use or transfer or other defects in title of any kind other than the exceptions identified by specific Asset in Exhibit A.

Section 6.11. Compliance With Applicable Laws. The Business, as conducted by Seller, and the Assets are in compliance with and there exists, with respect thereto, no violation of any applicable law, ordinance, rule or regulation, or the terms of any permit or license, which would have a material adverse effect on the financial condition or operation of the Business and the Assets.

Section 6.12. Legal Counsel. Seller has consulted its own legal counsel as to the advisability, meaning and effect of this Agreement and all other documents referred to herein.

Section 6.13. Adverse Factors. Seller has no knowledge of any existing state of facts or circumstances which could reasonably be expected to have a material adverse effect on the Business or the Assets.

Section 6.14. Full Disclosure. To the best knowledge and belief of Seller, no representation or warranty made by Seller in this Agreement or in any written statement, certificate or information furnished by Seller to Buyer pursuant to the terms of this Agreement or in connection with the transactions contemplated herein, contains any untrue statement of any material fact or omits to state any material fact necessary in order to make the statements and information contained herein or therein not materially misleading.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to Seller that each of the statements contained in this Article VII is true, correct and complete as of the date of this Agreement and will be true, correct and complete at and as of the Closing Date, except as specifically excepted from such warranties as set forth in Schedule VI, attached hereto. Buyer expressly acknowledges that Seller is relying on each of the representations and warranties set forth in this Article VII as a material inducement to enter into and perform its respective obligations under this Agreement. All of the representations and warranties set forth herein shall be effective as of the date of this

Agreement and at Closing, and all of the representations and warranties set forth herein shall survive Closing. Accordingly, Buyer hereby represents and warrants to Seller as follows:

Section 7.01. Organization. The Buyer is a Nebraska corporation and is duly organized, validly existing and is in good standing under the laws of the State of its formation. Buyer has full power and authority to own its assets and conduct its business as currently conducted and is licensed to do business in each state in which the nature of its business clearly requires that it be so licensed.

Section 7.02. Authority of Buyer. Buyer has full right, power and authority necessary to execute, enter into and deliver to Seller this Agreement and each of the ancillary agreements and to perform the obligations required of Buyer hereunder and thereunder at the time of execution and delivery. The entry into this Agreement and each of said ancillary agreements executed by Buyer and Buyer's performance hereunder and thereunder has been approved by all necessary action, including, where required, approval of Buyer's shareholders and directors, in accordance with the laws of the State of its formation, and Buyer's Articles of Incorporation and Bylaws. This Agreement, together with the documents and agreements attached hereto as exhibits, constitute, or upon execution and delivery at Closing will constitute, valid and binding agreements and are or, upon execution and delivery, will be enforceable against Buyer in accordance with their respective terms.

Section 7.03. No Contravention. The execution and delivery of this Agreement by Buyer and the consummation of the transactions contemplated herein, will not immediately or with the passage of time, the giving of notice or otherwise: result in the breach of any of the terms or conditions of, constitute a default under, or accelerate any mortgage, note, bond, contract, indenture, agreement, permit, license or other instrument or obligation of any kind or nature to which Buyer is now or may be a party or by which Buyer or any of its properties or assets are or may be bound or affected; or violate any order, writ, injunction or decree of any court, administrative agency or governmental or regulatory body, or the Articles of Incorporation or Bylaws of Buyer.

Section 7.04. Legal Counsel. Buyer has consulted its own legal counsel as to the advisability, meaning and effect of this Agreement and all other documents referred to herein.

ARTICLE VIII

CONFIDENTIALITY/NONCOMPETE COVENANT

Section 8.01. Noncompete Covenant. During the forty-eight (48) month period commencing on the Closing Date, Seller shall not, directly or indirectly (including as a partner, member, shareholder, director, officer or employee or through any affiliate, whether existing now or in the future), engage in or cause others to engage in any business activity or render any services in furtherance of internet-based sales of product lines which are the subject of the Business unless first expressly authorized in writing by Buyer, which authorization may be withheld in the sole discretion of Buyer. For this same period, Seller shall not, have any business dealings relating in any way to the Business, either directly or indirectly through associates, and the Seller will keep in strictest confidence, both during the term of this Agreement and

subsequent to termination of this Agreement, and will not disclose or divulge to any person, firm or corporation, or use directly or indirectly, for their benefit or the benefit of others, any information which in good faith and good conscience ought to be treated as Confidential Information, as defined in Section 8.02. In the event of an actual or threatened "good faith belief" breach by Seller of the provisions of this paragraph, Buyer shall be entitled to injunctive relief restraining Seller from the breach or threatened breach. Nothing herein shall be construed as prohibiting Buyer from pursuing any other remedies available to Buyer for such breach or threatened breach, including the recovery of damages from Seller.

Section 8.02. Confidentiality.

(a) **Confidential Information.** In the course of the performance of this Agreement, Seller recognizes that it will obtain, or has prior to the Execution Date obtained, access to the confidential, proprietary, technical, business and operational information of the Buyer (the "Confidential Information"). Confidential Information includes all terms of the transactions contemplated by this Agreement.

(b) **Non-Confidential Information.** Information shall not constitute Confidential Information if: (i) it is demonstrated to have been publicly known or in the possession of the receiving party or available to the receiving party prior to the disclosure, without any breach of a duty of confidentiality owed by any party to the disclosing party; (ii) the receiving party rightfully obtains the Confidential Information without breach of this Agreement, or any applicable laws, from a third party having no duty of confidentiality to the disclosing party; (iii) it is independently developed by the receiving party without use of the Confidential Information; or (iv) the disclosing party authorizes in writing the disclosure of the Confidential Information.

(c) **Buyer Confidential Information.** As of the Closing Date, all information disclosed by Seller related to the Business or this Agreement which becomes or is intended to become the property of Buyer by virtue of the transactions contemplated herein constitutes Confidential Information of Buyer as if Buyer were the disclosing party.

(d) **Standard of Care.** All Confidential Information shall remain the exclusive property of the disclosing party, and the receiving party may not disclose any Confidential Information of the disclosing party for any reason without the prior written consent of the disclosing party or make any use of such Confidential Information other than as expressly permitted by or necessary to perform its obligations under this Agreement or the Related Agreements. The receiving party shall use the same care and discretion, but no less than reasonable care and discretion, to avoid disclosure, publication, or dissemination of Confidential Information it has received, as the receiving party employs for similar information of its own which it does not desire to publish, disclose or disseminate, except to those employees, directors, agents and/or permitted subcontractors of the receiving party who have a need to know in order to exercise the rights granted or retained pursuant to this Agreement and who have agreed in writing to be bound by the confidentiality terms of the Agreement. The receiving party shall be

responsible and liable for breaches of confidentiality obligations by its employees, directors, agents and/or permitted subcontractors.

(e) **Required Disclosure.** Notwithstanding any other provision of this Section 8.02, if the receiving party is required to disclose any Confidential Information pursuant to legal, accounting or regulatory requirements, the receiving party shall provide to the disclosing party written notice of such required disclosure sufficiently in advance thereof to enable the disclosing party to take reasonable actions to avoid the requirement of disclosure. Notwithstanding the foregoing, and subject to the prior consent of the other party (such consent not to be unreasonably withheld or delayed), either party shall have the right to disclose the existence and material terms of this Agreement to the extent such party reasonably determines is necessary to comply with stock exchange, securities and other similar disclosure requirements. The receiving party shall cooperate with all reasonable requests of the disclosing party in connection therewith.

ARTICLE IX

DELIVERIES AT CLOSING

Section 9.01. Seller's Deliveries. At Closing, Seller shall cause the following to be delivered to Buyer, in each case, duly executed and otherwise in a form which is acceptable to Buyer and Buyer's counsel in their reasonable opinion:

(a) **Articles of Incorporation and Certificate of Good Standing.**

(i) a copy of the Articles of Incorporation of Seller certified by the Secretary of State of the State of its formation; and

(ii) a certificate of good standing for Seller from the Secretary of State of the State of its formation and from each other jurisdiction in which it is required to qualify to do business, in each case dated not more than five days prior to the Closing Date.

(b) **Compliance Certificate.** A certificate in the form set forth in Exhibit F signed by Seller certifying that each of the representations and warranties made by Seller in this Agreement is true and correct at and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date, and that Seller has performed and complied with all obligations under this Agreement which are to be performed or complied with by it on or prior to the Closing Date.

(c) **Consents and Approvals.** All consents or approvals, if any, of all third parties necessary for Seller to execute, deliver and perform this Agreement or any ancillary agreement.

(d) **Certified Resolutions.** Certified copies of the resolutions of the board of directors and the shareholders of Seller authorizing and approving this Agreement and

each ancillary agreement contemplated by this Agreement and the consummation of the transactions contemplated herein and therein.

(e) **Bills of Sale, Assignment and Assumption Agreement.** The Bill of Sale, Assignment and Assumption Agreement in the form set forth in Exhibit D conveying the Assets to Buyer in conformity with this Agreement.

(f) **Assignments.** The Domain Name Assignment in the form set forth in Exhibit E conveying Seller's interest in all Domain Names which are identified in Exhibit A to Buyer in conformity with this Agreement.

(g) **Lease.** The Lease for use of Seller's Duluth facility in the form set forth in Exhibit I.

(h) **Employee Services Agreement.** The Employee Services Agreement in the form set forth in Exhibit J.

(i) **Other Documents.** All other documents, instruments or writings required to be delivered to Buyer by Seller at or prior to the Closing pursuant to this Agreement.

Section 9.02. Buyer's Deliveries. At closing, Buyer shall cause the following to be delivered to Seller, in each case duly executed and otherwise in a form which is acceptable to Seller and Seller's counsel in their reasonable opinion:

(a) **Compliance Certificate.** A certificate in the form set forth in attached Exhibit G signed by Buyer certifying that each of the representations and warranties made by Buyer in this Agreement is true and correct in all material respects at and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of the Closing Date, and that Buyer has performed and complied with all obligations under this Agreement which are to be performed or complied with by Buyer on or prior to the Closing Date.

(b) **Certified Resolutions.** Certified copies of the resolutions of the directors, and shareholders of Buyer authorizing and approving this Agreement and the consummation of the transactions contemplated herein and therein.

(c) **Employment Agreement.** The Employment Agreement between Buyer and Dan Thralow in the form set forth in Exhibit H, executed by Buyer and Dan Thralow.

(d) **Lease.** The Lease for use of Seller's Duluth facility in the form set forth in Exhibit I.

(e) **Employee Services Agreement.** The Employee Services Agreement in the form set forth in Exhibit J.

ARTICLE X

CONDITIONS PRECEDENT TO BUYER'S OBLIGATION TO CLOSE

The obligation of Buyer to close the transaction contemplated by this Agreement is subject to the fulfillment of each of the following conditions precedent on or prior to the Closing Date, any one or more of which can be waived in writing but not otherwise by Buyer in Buyer's sole discretion:

Section 10.01. Documents. The documents required to be delivered to Buyer pursuant to Section 9.01 or otherwise under the terms of this Agreement shall have been delivered.

Section 10.02. Seller's Obligations. Seller shall have materially performed all agreements, obligations, covenants and acts required by this Agreement to be performed by Seller at or prior to the Closing.

Section 10.03. Change in Circumstances. There shall have been no change which could reasonably be expected to have a material adverse effect on the Assets, including damage by fire, the elements or other casualty, normal wear and tear excepted.

Section 10.04. Access to Information. Seller shall have provided Buyer and its attorneys, accountants and agents, reasonable access to the Assets, the Business and to Seller's books, records, tax returns and properties in accordance with Section 5.06, and Buyer shall have completed its legal, accounting, business and financial due diligence and determined each to be satisfactory to Buyer, in Buyer's sole discretion.

Section 10.05. Conduct of Business. Seller shall have caused the Business to be conducted in substantially the same manner as historically conducted by Seller, in its usual and ordinary course.

Section 10.06. Assignment of Contracts and Permits. Seller shall have caused all contracts, permits and licenses to be acquired by Buyer hereunder to be duly assigned to Buyer in a form and manner reasonably acceptable to Buyer.

Section 10.07. Absence of Litigation. No action, suit, investigation or proceeding shall have been commenced or threatened by any governmental agency or any other person, firm or entity against Seller or any of its affiliates, shareholders, officers, directors or employees, or with respect to the transactions contemplated hereby, challenging the rights of the parties hereto to consummate such transactions or which could reasonably be expected to have a material adverse effect on the Business, the Assets, or Buyer's ability to engage in the Business following Closing in substantially the same manner as the Business was conducted by Seller prior to Closing.

Section 10.08. All Proceedings to be Satisfactory. All action and other proceedings to be taken by Seller in connection with this Agreement and each ancillary agreement shall be satisfactory in form and substance to Buyer and Buyer's legal counsel.

ARTICLE XI

CONDITIONS TO SELLER'S OBLIGATION TO CLOSE

The obligation of Seller to close the transaction contemplated by this Agreement is subject to the fulfillment of each of the following conditions precedent on or prior to the Closing Date by one or more of which can be waived by Seller in their sole discretion:

Section 11.01. Tender of Initial Payment of the Purchase Price. Buyer shall have tendered the initial payment of the Purchase Price to Seller in conformity with the requirements of Section 3.02(a) hereof.

Section 11.02. Assumption of Liabilities. Buyer having assumed all of the Assumed Liabilities to be assumed by Buyer hereunder in conformity with Sections 2.01 hereof.

Section 11.03. Documents. The documents required to be delivered to Seller pursuant to Section 9.02 or otherwise under the terms of this Agreement shall have been delivered.

Section 11.04. Buyer's Obligations. Buyer shall have performed all agreements, obligations, covenants and acts required by this Agreement to be performed by Buyer at or prior to the Closing.

ARTICLE XII

REMEDIES

Section 12.01. Survival of Representations and Warranties. Any provision of this Agreement to the contrary notwithstanding, the representations and warranties set forth in this Agreement shall survive Closing for a period of twelve (12) months, except for all representations and warranties with respect to title to the Assets, authority to sell the Assets and taxes, which shall survive Closing for the applicable statute of limitations periods.

Section 12.02. Indemnification.

(a) Seller (referred to in such capacity as the "Indemnitor") hereby agrees to indemnify and hold Buyer and its respective shareholders, directors, officers, employees and agents (referred to in such capacity as the "Indemnitee") harmless from and against any and all Liabilities, as hereinafter defined, which arise out of, or are caused by (i) the operation or ownership of the Assets by Seller at any time prior to the completion of the Closing; (ii) any liabilities or obligations arising under any contracts, permits and licenses which are assumed as an Assumed Liability by Buyer hereunder but only to the extent the same first arose and relate to acts or omissions occurring before the Closing; (iii) any liability or debt of Seller not expressly assumed by Buyer hereunder; and (iv) any material breach by Seller of any representation or warranty or any covenant, agreement or obligation of Seller in this Agreement or in any other agreement, certificate, undertaking or document undertaken or delivered to Buyer by Seller in connection herewith.

(b) Buyer (referred to in such capacity as the "Indemnitor"), hereby agrees to indemnify and hold Seller and its shareholders, directors, officers, employees and agents (referred to in such capacity as the "Indemnitee") harmless from and against any and all Liabilities, as hereinafter defined, to third parties which arise out of, or are proximately caused by: (i) the ownership of the Assets by Buyer after the Closing; (ii) any liability or obligation arising under any contracts, permits and licenses assumed by Buyer hereunder to the extent the same first arise or relate to acts or omissions of Buyer occurring after the Closing; and (iii) any breach by Buyer of any claim or representation or warranty or any covenant, agreement or obligation of Buyer in this Agreement or in any related agreement, certificate, undertaking or document undertaken or delivered to Seller by Buyer in connection herewith.

(c) As used in this Section 12.02, "Liabilities" shall include all damages, deficiencies, obligations, assessments, judgments, fines, penalties, costs, expenses (including response costs, remediation expense, consultant fees, reasonable attorneys' fees, expert witness fees or court costs) and all other losses or expenses arising out of or directly or indirectly connected with any claim, action, suit, proceeding, investigation or inquiry against the Indemnitee, or with respect to the Business or the Assets, successfully prosecuted, and which exceed, singly or in the aggregate with other liabilities, One Hundred Thousand Dollars (\$100,000).

(d) Promptly after the receipt by any indemnified party ("Indemnitee") of a notice of the commencement of any action or other claim against an Indemnitee by a third party, an Indemnitee shall, if a claim with respect thereto is or may be made by the Indemnitee against any indemnifying party ("Indemnitor"), give such Indemnitor written notice of the nature and basis of such claim. Prior to the assumption by the Indemnitor of the defense of such claim as described in the next sentence, the Indemnitee will defend against such claim (provided that the Indemnitee shall not settle such claim). The Indemnitor shall have the right to defend such claim, at the Indemnitor's expense, upon receipt of notice of the claim from Indemnitee. So long as the Indemnitor is conducting the defense of such claim, the Indemnitee may retain separate co-counsel at its sole cost and expense and may participate in defense of such claim, but shall not control the defense. The parties shall reasonably cooperate in the defense of any claims, including providing to the other party on reasonable request all information and documentation reasonably necessary to defend such claim and providing reasonable access to all books, records and personnel in their possession or under their control which would have a bearing on the defense of such claim. Indemnitor shall pay to Indemnitee any amount owing under this Article XII within thirty (30) days after (i) the completion of any investigation or inquiry, the settlement or compromise of any claim, or suit or (ii) the entry of a final nonappealable order by a court or other body having jurisdiction over the matter.

Section 12.03. Specific Performance. Seller acknowledges that certain of the Assets are unique and that Buyer will have no adequate remedy at law if Seller shall fail to complete the transactions contemplated by this Agreement or perform any of its obligations hereunder. In addition to and not in limitation of its rights under this Article XII, or as provided elsewhere in this Agreement, or otherwise at law or in equity, Buyer shall have the right to obtain specific

performance of this Agreement, but only if Seller fails or refuses to close the transaction contemplated by this Agreement pursuant to the terms set forth herein and all conditions to Seller's obligation to close the transaction contemplated by this Agreement have been fully and completely satisfied.

Section 12.04. Remedies Not Exclusive. The remedies set forth in this Article XII or elsewhere in this Agreement are in addition to and not in derogation or limitation of any other rights or remedies available to either party, at law or in equity, specifically including, but not limited to, any rights any party may otherwise have at law or in equity to seek enforcement of or damages in connection with the breach of any covenant, agreement or obligation, or any representation or warranty. All such rights and remedies shall be independent of the other, severally enforceable and in addition to and not in lieu of any other right or remedy available hereunder or otherwise at law or in equity.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by Seller without the prior written consent of Buyer. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, and permitted assigns.

Section 13.02. No Third Party Beneficiaries. This Agreement shall be for the sole benefit of the parties hereto and their respective heirs, successors, permitted assigns, and legal representatives and is not intended, nor shall it be construed, to give any person, other than the parties hereto and their respective heirs, successors, permitted assigns and legal representatives, any legal or equitable right, remedy or claim hereunder.

Section 13.03. Notices. Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted hereunder shall be in writing. All such notices shall be delivered personally, by facsimile (with confirmed receipt), by certified mail, return receipt requested, or by reputable overnight courier (costs prepaid), and shall be deemed given or made upon receipt thereof by the party to be notified. All such notices are to be given or made to the Parties at the following addresses (or to such other address as any party may designate by a notice given in accordance with the provisions of this Section):

If to Seller to:	Net Shops, Inc. 12000 I Street Suite 20-200 Omaha, NE 68137 Telephone: (402) 844-3104 Facsimile: (402) 934-9541 Attention: Mr. Mark Hasebroock
------------------	--

With Copies (which shall not constitute notice) to:

Michael K. Bydalek, Esquire
Kutak Rock LLP
1650 Farnam Street
Omaha, NE 68102
Telephone: (402) 346-6000
Facsimile: (402) 346-1148

If to Buyer, to:

Thralow, Inc.
216 West 6th Street
Duluth, MN 55807
Telephone:
Facsimile:
Attention: Mr. Dan Thralow

With Copies (which shall not constitute notice) to:

Hanft Fride, A Professional Association
1000 U.S. Bank Place
130 W. Superior Street
Duluth, MN 55802
Facsimile: (218) 529-2401
Attention: Mark D. Pilon

Section 13.04. Choice of Law. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Nebraska. Any legal action or proceeding with respect to this Agreement or any document related hereto shall be brought only in the district courts of Nebraska, or the United States District Court for the District of Nebraska, and, by execution and delivery of this Agreement, each party hereto hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The parties hereto hereby irrevocably waive any objection, including, without limitation, any forum non conveniens, which any of them may now or hereafter have to the bringing of such action or proceeding in such respective jurisdictions.

Section 13.05. Entire Agreement, Amendments and Waiver. This Agreement, together with all Exhibits and Schedules hereto, constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior contracts, agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

Section 13.06. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 13.07. Execution by Facsimile Transmission. This Agreement may be executed by either party by facsimile transmission with original signatures to be provided within seven (7) days following facsimile transmission.

Section 13.08. Invalidity. It is the intention of the parties that this Agreement and each provision hereof shall constitute a binding and legally enforceable agreement. If any provision of this Agreement, or any covenant, obligation or agreement contained herein is determined by a court of competent jurisdiction to be invalid or unenforceable, then such determination shall not affect any other provision, covenant, obligation or agreement, each of which shall be construed and enforced as if such invalid or unenforceable portion were not contained therein and each such valid and enforceable provision, covenant, obligation or agreement shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law. In the event a court of competent jurisdiction shall, for any reason, determine that any one or all or any combination of the restrictions, limitations, and obligations placed upon and agreed to by Seller thereunder are not adequately limited as to any time, scope, or geographic location or, are for any other reason, or to any other extent, or in any particular circumstances otherwise unenforceable, then, in that extent, the parties agree to permit and do hereby expressly request the court to exercise its equitable power to reform this Agreement, or in the event such court shall decline to do so, the parties agree to amend this Agreement by written addendum, to the extent and in the manner necessary and/or appropriate, under the circumstances, so as to render said covenants and each separately enumerated subparts thereof enforceable to the maximum extent possible (including, with respect to the maximum duration, scope or area) and thereby effectuate the intention of the parties hereto, and to the extent possible to render such covenants enforceable.

Section 13.09. Incorporation by Reference. Each of the recitals set forth at the outset of this Agreement, and each exhibit, schedule or document which is referred to herein and which is attached hereto shall be deemed to be incorporated herein and made a part hereof by such reference to the same extent and with the same force and effect as if the same were set forth herein in its entirety.

Section 13.10. Interpretations. Any uncertainty or ambiguity existing herein shall not be interpreted against either party because such party prepared any portion of this Agreement, but shall be interpreted according to the application of rules of interpretation of contracts generally. The headings and table of contents (if any) used in this Agreement are inserted for convenience and reference only and are not intended to be an integral part of or to affect the meaning or interpretation of this Agreement.

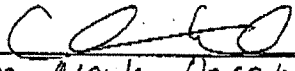
Section 13.11. Time is of the Essence, Computation of Time. Time is of the essence with respect to every covenant, condition to be satisfied, and action to be taken by Seller hereunder, and the parties shall proceed accordingly with respect to every action necessary, proper or advisable to make effective the transactions contemplated by this Agreement. Whenever the last day for the exercise of any privilege or the discharge of any duty hereunder shall fall upon any day which is not a business day, the party having such privilege or duty may exercise such privilege or discharge such duty on the next succeeding business day.

Section 13.12. Survival. Except as is otherwise expressly provided herein, all representations and warranties, all rights, remedies, obligations, and all covenants and agreements set forth in this Agreement, including, but not limited to, all obligations set forth in Section 8, and/or in any certificate, document or agreement which is ancillary hereto or delivered in connection herewith, which, by their terms, require or contemplate performance which is to extend beyond or occur after Closing, shall survive Closing and shall remain in effect and be enforceable as between the parties hereto in accordance with their terms.

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

BUYER:

NETSHOPS, INC.

By 
Name Mark Hasebroock
Title Chairman

SELLER:

THRALLOW, INC.

By _____
Name _____
Title _____

DAN THRALLOW

By _____
Name _____

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

BUYER:

NETSHOPS, INC.

By _____
Name _____
Title _____

SELLER:

~~THRALOW INC.~~

By _____
Name DANIEL THRALOW
Title CEO

~~DAN THRALOW~~

By _____
Name DANIEL THRALOW

EXHIBIT A
PURCHASED ASSETS

Intangible Assets as set forth generally in Section 1.01(a), including without limitation:

Attached list of URL's

Attached list of phone numbers

Seller's rights in federally registered (Serial No. 78135585) "ZHUMELL" mark

Inventory to be identified at Closing and adjusted as set forth in Section 3.01(b).

Personal Property including without limitation the items in the attached list thereof.