

PATENT ASSIGNMENT

Electronic Version v1.1

Stylesheet Version v1.1

SUBMISSION TYPE:

NEW ASSIGNMENT

NATURE OF CONVEYANCE:

Asset Purchase Agreement

CONVEYING PARTY DATA

Name	Execution Date
Infantino, Inc.	09/30/2000

RECEIVING PARTY DATA

Name:	Infantino, LLC
Street Address:	4900 Carroll Canyon Road
Internal Address:	Suite 200
City:	San Diego
State/Country:	CALIFORNIA
Postal Code:	92121

PROPERTY NUMBERS Total: 8

Property Type	Number
Patent Number:	D453066
Patent Number:	D455546
Patent Number:	D444983
Patent Number:	D467458
Patent Number:	D459136
Patent Number:	D458503
Patent Number:	6814405
Patent Number:	D387395

CORRESPONDENCE DATA

Fax Number: (949)855-6371

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

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Correspondent Name: Mark B. Garred

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PATENT

500350567

REEL: 019795 FRAME: 0761

CH \$320.00 D453066

Address Line 2: Suite 250
Address Line 4: Aliso Viejo, CALIFORNIA 92656

ATTORNEY DOCKET NUMBER: INFAN-000

NAME OF SUBMITTER: Mark B Garred

Total Attachments: 32

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ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT dated as of September ____, 2000, by and among INFANTINO, LLC, a California limited liability company (hereinafter sometimes referred to as the "BUYER" and sometimes as "INFANTINO, LLC"), whose address is 9404 Cabot Drive, San Diego, California 92126, INFANTINO, INC., an Indiana corporation (hereinafter referred to as "SELLER"), whose principal address is 9404 Cabot Drive, San Diego, California 92126, and DOREL USA, INC., a Delaware corporation, whose principal address is 2525 State Street, Columbus, Indiana 47201 (hereinafter "DOREL").

RECITALS

WHEREAS, SELLER is in the business of manufacturing, selling and distributing products for infants and juvenile under its (i) own trade name and intellectual property and (ii) other trade names and intellectual property licensed from third parties; and

WHEREAS, DOREL owns all of the outstanding shares of SELLER; and

WHEREAS, BUYER desires to purchase from SELLER and SELLER desires to sell to BUYER certain assets (including the goodwill attached thereto) of SELLER which relate to SELLER's business and without assuming any of the liabilities and obligations of SELLER which relate to the business; and

WHEREAS, concurrent with the purchase from SELLER of the Purchased Assets and as a condition to such purchase, BUYER desires to receive assignments of certain trade names and intellectual property that SELLER uses in the Business to enable BUYER to use such intellectual property rights in connection with the design, manufacture, advertisement, promotion, distribution and sale of certain Products; and

WHEREAS, SELLER wishes to assign and sell a substantial portion of its assets while retaining the remaining assets and all of its liabilities and obligations; and

NOW, THEREFORE, in consideration of the promises hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINED TERMS

1.01 Definitions. As used in this Agreement, terms defined in the preamble and recitals of this Agreement shall have the meanings set forth therein and the following terms shall have the meanings set forth below:

"Account Debtors" shall mean the purchasers of goods and/or services from SELLER and the persons obligated under the Accounts Receivable.

"Accounts Payable" shall mean any obligation due from SELLER as shown on the Closing Financial Statement and including all accounts payable, interest payable, income taxes payable, deferred taxes payable, commissions payable, DOREL Asia payable, DOREL intercompany payables, royalties payable, notes payable, and the La Salle Bank Acceptances payable.

"Accounts Receivable" shall mean any right to payment for goods sold, leased, or delivered or services rendered which is evidenced by an invoice(s), bill(s) of sale, or other instrument and includes, but is not limited to, accounts receivable and unpaid invoices.

"Accounts Receivable Collection Agreement" shall mean the agreement substantially in the form annexed as Exhibit "3" hereto, with such changes therein as may be agreed to by the parties to this Agreement.

"Acquisition Documents" shall mean this Agreement, the Transfer Instruments, the Security Agreement, and the Indemnity Agreement.

"Affiliate" shall mean with respect to any Person, the stockholders, subsidiaries, officers, directors, members, managers and partners of such Person and any other Person which directly or indirectly controls, is controlled by or is under common control with such Person.

"Agreement" shall mean this Asset Purchase Agreement and all Schedules and Exhibits hereto, as the same may from time to time be amended.

"Business" shall mean SELLER's business of manufacturing, selling and distributing products for infants and juvenile under its (i) own trade name and intellectual property and (ii) other trade names and intellectual property licensed from third parties.

"Closing" shall mean the single closing of the transactions contemplated by this Agreement on the Closing Date at such place as agreed upon by the parties hereto.

"Closing Date" shall mean the date on which the Closing occurs as agreed by the parties to this Agreement pursuant to Section 2.03 of this Agreement.

"Closing Financial Statements" shall mean the income statement for SELLER's as of September 30, 2000 and the balance sheet of SELLER as of September 30, 2000.

"Consent" shall mean any consent, approval, authorization of, notice to, or designation, registration, declaration or filing with, any Person.

"Contract" shall mean any contract, lease, agreement, license, arrangement, commitment

or understanding, oral or written, to which any Person is a party or by which it or any of its properties or assets may be bound or affected.

"Control" (including with correlative meanings, the terms "controlled by" and "under common control with") shall mean, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract or otherwise.

"Customer" shall mean those customers of SELLER on or before the Closing.

"Customer Agreements" shall mean all Contracts with Customers as set forth on Schedule "K" hereto.

"DOREL Asia Payable" shall mean all accounts payable by SELLER to DOREL Asia.

"DOREL Intercompany Payables" shall mean all accounts payable by SELLER to DOREL and any of its Affiliates.

"Environmental Regulated Material" shall mean any material or substance which is regulated by or subject to any Law relating to or controlling the introduction of such substance or material into the environment or workplace, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act and the Occupational Safety and Health Act, and (ii) all similar Federal, state, local and foreign laws.

"Escrow" shall mean the escrow holder appointed to conduct the purchase and sale described in this Agreement.

"Excluded Assets" shall mean those assets of SELLER not being sold to BUYER, including the following:

- (a) All Cash on hand on the Closing Date; and
- (b) All Accounts Receivable due to SELLER on the Closing Date.

"Exempt Employees" shall mean those employees of SELLER at the Closing who are deemed to be supervisors as defined in the National Labor Relations Act, 29 USC § 152(11). As list of Exempt Employees is set forth on Schedule "L" hereto.

"Indemnity Agreement" shall mean the indemnity agreement substantially in the form annexed as Exhibit "2" hereto, with such changes therein as may be agreed to by the parties to this Agreement and the Indemnity Agreement.

"Instrument" shall mean any written Contract, deed, assignment, document of title, note, power of attorney, obligation or other document.

"Intellectual Property" shall mean all trademarks and copyrights used in connection with or related to the Business, including, but not limited to, those listed on Schedule "E" hereto, and all registrations and applications for registration for such trademarks, and copyrights and all Contracts, Permits, or other rights with respect thereto.

"Inventory" shall mean all inventory (as defined in the Uniform Commercial Code of the State of California or any other State), all goods, merchandise or other personal property held for sale or lease or to be furnished under labels or other devices, names or marks affixed thereto for purposes of selling or identifying the same or the seller or manufacturer thereof, all raw materials, work or goods in process or materials or supplies of every nature used, consumed or to be used or consumed in the Business, and all packaging and shipping materials, wherever located.

"Inventory Purchase Agreement" shall mean the inventory purchase agreement substantially in the form annexed as Exhibit "1" hereto, with such changes therein as may be agreed to by the parties to this Agreement.

"Knowledge" (or any variations thereof, including the terms "know" or "known") shall mean (i) with respect to BUYER, the actual knowledge of the executive officers of BUYER, (ii) with respect to SELLER, the actual knowledge of the executive officers of SELLER, (iii) with respect to DOREL, the actual knowledge of the executive officers of DOREL, and (iv) the knowledge that any Person referred to in clause (i) or (ii) should have after reasonable investigation.

"La Salle Bank Acceptances" shall mean all accounts payable to La Salle Bank N.A.

"Laws" shall mean (i) all Federal, state, local or foreign laws, rules and regulations, (ii) all Orders, (iii) all Permits, and (iv) all Regulatory Agreements.

"Lease Agreements" shall mean, collectively, (i) that certain lease agreement between CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM, as lessor, and SELLER, as lessee, dated February 14, 1997, and (ii) that certain lease agreement between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, as lessor, and SELLER, as lessee, dated June 2, 1999, relating to the Premises.

"Liabilities" shall mean all debts, liabilities, contracts, commitments, taxes and other obligations of every kind and character as the same may exist at the Closing (whether accrued, absolute, contingent or otherwise and whether due or to become due) arising out of SELLER's operation of the Business prior to the consummation of the sale, including all product warranties on any products sold by SELLER prior to the Closing Date and any income, employee withholding, and property taxes accrued prior to the consummation of the sale.

"License Agreements" shall mean the license agreements set forth on Schedule "B-2" annexed hereto.

"Licensees and Distributors" shall mean those licensees and distributors of the SELLER used in the Business. At the Closing, a list of Licensees and Distributors shall be attached hereto as Schedule "C."

"Lien" shall mean any mortgage, pledge, option, escrow, hypothecation, lien, security interest, financing statement, lease, charge, encumbrance, easement, conditional sale or other title retention or security agreement or any other similar restriction, claim or right of others, whether arising by Contract, operation of Law or otherwise.

"Master Schedule" shall mean the compilation containing detailed descriptions of the Purchased Assets as agreed upon by SELLER and BUYER, duplicate original copies of which shall be delivered to SELLER and BUYER at the Closing.

"Net Book Value" shall mean cost less accumulated depreciation or amortization.

"Nonexempt Employee" shall mean an employee of SELLER at the Closing who is not deemed to be "supervisor" as defined in the National Labor Relations Act, 29 USC § 152(11).

"Order" shall mean any judgment, award, order, writ, injunction or decree issued by any Federal, state, local or foreign authority, court, tribunal, agency, or other governmental authority, or by any arbitrator, to which any Person or its assets are subject.

"Permit" shall mean any permit, license, approval, notice, authorization and similar filing, Federal, state, local or foreign, necessary to carry on business by, or on behalf of, or for the benefit of, any Person as currently conducted by, or on behalf of, or for the benefit of, such Person, or to own, operate or lease the properties and assets owned, operated or leased by, or on behalf of, or for the benefit of, such Person, or to consummate the transactions contemplated by this Agreement.

"Person" shall mean any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, government (and any department or agency thereof) or other entity.

"Premises" shall mean, collectively, (i) that certain real property commonly known as 9404 Cabot Drive, San Diego, California 92126, comprising approximately 46,656 square feet, and (ii) that certain real property commonly known as 7835 Trade Street, San Diego, California 92121, comprising approximately 32,136 square feet, and which are both the subjects of the Lease Agreements.

"Principals" shall mean, collectively, MICHAEL SILBERSTEIN ("SILBERSTEIN") and

BRIDGET WEISS ("WEISS"), who are now the chief executive officer and chief financial officer, respectively, of SELLER and will be the owners and principal officers of BUYER.

"Purchased Assets" shall mean the following assets of SELLER purchased pursuant to the terms of this Agreement (and not including the Inventory which shall be sold and purchased pursuant to the terms of the Inventory Purchase Agreement, Exhibit "1" hereto):

- (a) The amount of all prepaid expenses and deposits (including, but not limited to, all funds on deposit with the lessors under the Lease Agreements) less accrued expenses showing on the Closing Financial Statements as of the Closing Date.
- (b) All machinery and equipment on hand as of the Closing Date.
- (c) All sales documentation and materials, customer lists, prospect lists and goodwill, and marketing and sales literature, artwork and data for the Products;
- (d) The License Agreements;
- (e) All Customer Agreements;
- (f) All other licenses, contracts, agreements, documents, logos, patents, copyright registrations and applications, trademarks, trademark registration and applications, trade names or commercial names, designs, drawings, specifications for the Products;
- (g) All intangible assets associated with the Business including, but not limited to all goodwill and all right, title and interest in the commercial name "INFANTINO" and any derivations thereof, and SELLER's stylized logo and any and all derivations thereof used in association with the Business;
- (h) All telephone lines and numbers, security alarm system, facsimile lines and numbers, Internet addresses, web pages, and wire and telex identification numbers presently used in the Business, as BUYER may designate; and
- (i) The Lease Agreements.

"Products" shall mean those products set forth in Schedule "D."

"Purchase Price" shall mean the amount of cash payment set forth in Section 2.02(a)(ii) hereof.

"Regulatory Agreement" shall mean any Contract with Federal, state, local or foreign regulatory authorities to which any Person is a party or which otherwise is binding upon any such

Person or its assets.

"RMA" shall mean the returned merchandise account set forth in the Inventory Purchase Agreement.

"Statement of Accounts Receivable" shall mean that statement to be delivered by SELLER to BUYER on the Closing Date and listing all Accounts Receivable and their amounts, the name and address of the Account Debtors, together with a correct and complete aging of these accounts. At the Closing, the Statement of Accounts Receivable shall be attached hereto as Schedule "F."

"Statement of Inventories" shall mean that statement to be delivered by SELLER to BUYER on the Closing Date and listing all Inventory, including all raw materials, work in process, finished goods, and supplies, and the cost of each of these items. At the Closing, the Statement of Inventory shall be attached hereto as Schedule "G."

"Trade Creditors" shall mean those creditors who supply goods and/or services to SELLER, as set forth on Schedule "J."

"Transfer Instruments" shall mean the Instruments referred to in Section 2.04(a)(i) hereof.

1.02 Rules of Construction. Unless the context otherwise requires: (i) a term has the meaning assigned to it; (ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles in effect in the United States on the date hereof, and any other reference in this Agreement to "generally accepted accounting principles" refers to generally accepted accounting principles on the date hereof; (iii) "or" is not exclusive; (iv) words in the singular include the plural, and words in the plural include the singular; (v) provisions apply to successive events and transactions; (vi) "herein," "hereof," "hereto" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and (vii) any gender used in this Agreement shall be deemed to include the neuter, masculine and feminine gender. The specification of any dollar amount in the representations and warranties contained in this Agreement or the inclusion of any specific item in the Schedules or Exhibits is not intended to imply that such amounts or higher or lower amounts, or the items so included or other items, are or are not material, and neither party shall use the fact of the setting of such amounts or the fact of the inclusion of any such item in the Schedules or Exhibits in any dispute or controversy between the parties as to whether any obligation, item or matter not described herein or included in a Schedule or Exhibit is or is not material for purposes of this Agreement.

1.03 Effectiveness. When the Purchased Assets are transferred, assigned, or sold to BUYER by SELLER, for all purposes of this Agreement, such transfer, assignment or sale shall be deemed to have taken place as of the Closing Date, Los Angeles time, even if the transfer of title and/or possession takes place prior to, on or after the Closing Date.

ARTICLE II
PURCHASE AND SALE OF PURCHASED ASSETS

2.01 Sale of Purchased Assets; No Assumption of Liabilities.

(a) Purchased Assets. At the Closing and subject to the conditions set forth in Section 2.06, SELLER will sell, transfer, assign, convey and deliver to BUYER, and BUYER will purchase, accept and acquire from SELLER all of the Purchased Assets, including, without limitation, those Purchased Assets set forth on the Master Schedule.

(b) Liabilities. BUYER will not assume or otherwise have any responsibility for any Liabilities of SELLER. SELLER and DOREL, joint and severally, shall indemnify, and hold harmless BUYER, the Affiliates of BUYER and their respective successors and assigns from, against, for and in respect of any and all claims, losses, damages, injuries, and liabilities (including, without limitation, attorneys fees and litigation costs) arising from or on account of any Liabilities.

(c) Inventory. BUYER shall purchase, and SELLER shall sell, the Inventory pursuant to the terms of the Inventory Purchase Agreement, Exhibit "1" hereto.

(d) Accounts Receivable. BUYER is not purchasing any of the Accounts Receivable. Pursuant to the terms of the Accounts Receivable Collection Agreement, Exhibit "3" hereto, BUYER shall use its best efforts to collect SELLER's Accounts Receivable for the benefit of SELLER and its Affiliates.

2.02 Purchase Price.

(a) Purchase Price. The Purchase Price to be paid by BUYER to SELLER for the Purchased Assets, payable as set forth in Section 2.02(e), shall be determined as follows:

(1) The amount of all prepaid expenses and deposits less accrued expenses showing on the Closing Financial Statements as of the Closing Date and less employee accumulated vacation pay credits determined pursuant to Section 7.01(a).

(2) The Net Book Value showing on the Closing Financial Statements for all machinery and equipment on hand as of the Closing Date.

(b) Statements to Be Delivered. SELLER shall deliver to BUYER on the Closing Date a Statement of Accounts Receivable and their amounts, together with a correct and complete aging of these accounts, and a Statement of Inventories of raw materials, work in process, finished goods, and supplies, and the cost of each of these items. The Statement of Inventory and the Statement of Accounts Receivable shall be prepared by SELLER and agreed to by BUYER immediately as possible after the date of this Agreement, but in no case shall these statements be

prepared earlier than five (5) days prior to the Closing Date. The Statement of Inventory shall be based on a reasonable method of determination subject to the approval of BUYER and SELLER. Inventory shall include finished goods to be used in the ordinary course of business.

(c) Risk of Loss. Pending consummation of the transaction contemplated herein, all risk of loss, damage, or destruction to the Purchased Assets shall be borne by SELLER and the Purchase Price being paid to SELLER by BUYER shall, in case of any such loss, damage, or destruction being sustained by said property, be reduced accordingly.

(d) Allocation of Purchase Price. The Purchase Price shall be allocated as set forth in the Master Schedule and BUYER and SELLER each acknowledge that the amount of Purchase Price allocated to the Purchased Assets in Master Schedule represents the fair market value of the Purchased Assets, determined pursuant to arm's-length negotiation. They further acknowledge that a tax attorney or other qualified advisor has explained the tax consequences of those allocations to them. BUYER and Seller each agree to report the sale of the Business for income tax purposes according to the allocations set forth in Master Schedule.

(e) Terms of Payment. The Purchase Price determined in accordance with Section 2.02(a) shall be paid at the Closing as follows:

(1) A bank wire transfer in the amount determined in accordance with Section 2.02 (a)(1) and (2).

2.03 Closing Date. The Closing Date shall be September 30, 2000, or such other date as may be agreed to by the parties to this Agreement. Notwithstanding anything to the contrary, either SELLER or BUYER may continue the actual closing to October 31st, 2000, without the consent of any other party to this Agreement and in such event the transactions contemplated herein shall have been deemed to have closed on September 30, 2000.

2.04 Closing Deliveries.

(a) SELLER's Deliveries. At the Closing, SELLER shall deliver to BUYER:

(1) A Bill of Sale in the form of Exhibit "4" hereto, an Assignment and Assumption of Contracts in the form of Exhibit "5" hereto, an Assignment of License Agreements in the form of Exhibit "5-A" hereto, an Assignment of Federal Trademarks in the form of Exhibit "6" hereto, and such other bills of sale, assignments, full warranty deeds, and other Transfer Instruments (in form and substance satisfactory to BUYER) as shall be necessary or appropriate to vest in BUYER good and marketable title to the Purchased Assets, free and clear of all Liens except as disclosed on the Schedules to this Agreement;

(2) Such Consents, estoppel certificates, Permits or other Instruments as BUYER may reasonably request to enable it to conduct without interruption or disruption the

Business purchased hereunder, excluding the sales tax permit currently held by SELLER;

(3) A duly executed Inventory Purchase Agreement, substantially in the form annexed as Exhibit "1" hereto, with such changes therein as may be agreed to by the parties to this Agreement;

(4) A duly executed Accounts Receivable Collection Agreement, substantially in the form annexed as Exhibit "3" hereto, with such changes therein as may be agreed to by the parties to this Agreement; and

(5) A duly executed and certified Written Consent of the Shareholder and Directors, substantially in the form annexed as Exhibit "9" hereto.

(b) BUYER's Deliveries. At the Closing, BUYER shall deliver:

(1) To the Escrow Holder a bank wire transfer to the account of the Escrow Holder in an amount equal to the aggregate of the Cash Consideration payable to SELLER in accordance with Section 2.02(a) hereof;

(2) The resignations of MICHAEL SILBERSTEIN and BRIDGET WEISS as employees and officers of SELLER, effective as of the Closing and in substantially the form annexed as Exhibit "13" hereto.

(3) A duly executed Inventory Purchase Agreement, substantially in the form annexed as Exhibit "1" hereto, with such changes therein as may be agreed to by the parties to this Agreement.

(4) A duly executed Accounts Receivable Collection Agreement, substantially in the form annexed as Exhibit "3" hereto, with such changes therein as may be agreed to by the parties to this Agreement.

(c) Other Agreements. At the Closing, BUYER and SELLER shall, concurrently with the execution of this Agreement, execute and deliver all other agreements as may be necessary to consummate the transaction contemplated by this Agreement.

(d) Master Schedule. At the Closing, BUYER and SELLER shall each receive a duplicate original of the Master Schedule with the allocation of the Purchase Price as provided in Section 2.02(d).

2.05 Bulk Transfer. The sale and purchase of Purchased Assets contemplated by this Agreement shall be conducted according to and in full compliance with the requirements of the Bulk Transfers Division of the Uniform Commercial Code of the State of California. SELLER and BUYER shall cooperate in complying the requirements of the Bulk Transfer Division of the

Uniform Commercial Code of California, including preparing a Notice of Bulk Sale in substantially the same form as Exhibit "12" hereto.

2.06 Conditions to Closing.

(a) BUYER's Conditions to Closing. The obligations of BUYER under this Agreement are, at the option of BUYER, subject to the satisfaction at and prior to the Closing Date of all of the conditions set forth below in this Section 2.06. BUYER may waive in writing any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by BUYER of any of its other rights or remedies, at law or in equity, if SELLER shall be in default of any of its representations, warranties or covenants under this Agreement.

(1) Fulfillment of Covenants. All the terms, covenants and conditions of this Agreement to be complied with and performed by SELLER at or before the Closing Date shall have been duly complied with and performed, to the satisfaction of BUYER.

(2) Accuracy of Representations and Warranties; Other Documents. All of the representations and warranties made by SELLER in this Agreement shall be true as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date.

(3) Approval of Agreement. All statutory requirements for the valid consummation by BUYER of the transactions contemplated by this Agreement shall have been fulfilled; all authorizations, Consents and approvals of all federal, state, local and foreign governmental agencies and authorities and other parties required to be obtained in order to permit consummation by BUYER of the transactions contemplated by this Agreement shall have been obtained.

(4) No Adverse Changes. Since September 1, 2000, the Purchased Assets of SELLER shall not have been adversely affected in any way as a result of any fire, accident or other casualty or any labor disturbance or act of God. There shall not have occurred any material adverse change in the Purchased Assets since September 1, 2000.

(5) No Litigation. There shall be no threatened, pending or actual action, proceeding, investigation or litigation the purpose of which is to enjoin or may be to enjoin the transactions contemplated by this Agreement or which would have the effect, if successful, of imposing a material liability on the Purchased Assets, because of the consummation of the transactions contemplated by this Agreement, other than that litigation set forth on Exhibit "7" hereto.

(6) Other Conditions to Closing. The obligations of BUYER hereunder are expressly subject (i) to its satisfaction, at or before the Closing, of the accuracy of SELLER's

business books and records as are relevant to the Purchased Assets, the Statement of Inventory, and the Statement of Accounts Receivable, (ii) to BUYER negotiating and obtaining a new lease to the Premises on such terms and conditions as shall be determined in the sole discretion of BUYER, and (iii) to BUYER obtaining all necessary consents and approvals to the assignment or transfer of the Purchased Assets, including, but not limited to, the assignment of the License Agreements, Customer agreements and all other contracts included in the Purchased Assets).

(7) Officer's Certificate. There shall have been delivered to BUYER an Officer's Certificate for DOREL, dated the Closing Date, in form and substance satisfactory to BUYER, to the effect that:

(i) Neither the execution and delivery by SELLER of the Acquisition Documents signed by it, nor compliance with the terms and provisions hereof or thereof, to the best Knowledge of such Officer has violated or will violate any law, statute, rule, regulation or any injunction, order or decree of any governmental agency or authority or court, domestic or foreign, or conflicts with or results in a breach of the terms, conditions or provisions of any material agreement, contract or commitment of SELLER known to such Officer, or cause any acceleration of maturity of any material obligation of SELLER known to such Officer, or to the best of the Knowledge of such Officer results in the creation or imposition of any Lien or restriction of any nature whatsoever upon or gives to others any material interest or right (including rights of termination or cancellation) in or with respect to any of the Purchased Assets.

(ii) All corporate acts and other proceedings required to be taken by SELLER to authorize the carrying out of Acquisition Documents signed by it have been duly and properly taken and will bind SELLER, and Acquisition Documents signed by it have been duly executed and delivered on the part of SELLER and are valid and binding obligations of SELLER.

(8) Assignment of the Lease Agreements. Except as otherwise expressly provided herein, BUYER shall have obtained on the Closing the Consent of the lessors under the Lease Agreements to the assignment of the Lease Agreements to BUYER from SELLER.

(9) Financing. BUYER shall have obtained the necessary financing to consummate the transactions contemplated herein.

(b) SELLER's Conditions to Closing. The obligations of SELLER under this Agreement are, at the option of SELLER, subject to the satisfaction at and prior to the Closing Date of all of the conditions set forth below in this Section 2.06. SELLER may waive any or all of these conditions in whole or in part without prior notice; provided, however, that no such waiver of a condition shall constitute a waiver by SELLER of any of its other rights or remedies, at law or in equity, if BUYER shall be in default of any of its representations, warranties or covenants under this Agreement.

(1) Fulfillment of Covenants. All the terms, covenants and conditions of this Agreement to be complied with and performed by BUYER at or before the Closing Date shall have been duly complied with and performed, to the satisfaction of SELLER.

(2) Accuracy of Representations and Warranties; Other Documents. All of the representations and warranties made by BUYER in this Agreement shall be true as of the Closing Date with the same force and effect as though such representations and warranties had been made as of the Closing Date.

(3) Approval of Agreement. All statutory requirements for the valid consummation by SELLER of the transactions contemplated by this Agreement shall have been fulfilled; all authorizations, Consents and approvals of all federal, state, local and foreign governmental agencies and authorities and other parties required to be obtained in order to permit consummation by SELLER of the transactions contemplated by this Agreement shall have been obtained.

(4) Consent of Licensors. BUYER has obtained the Consent of the licensors to the assignment of the License Agreements.

(5) Release from Lease Agreements and Guarantees. BUYER has (i) obtained the release of DOREL as a guarantor of any of the Lease Agreements, and (ii) negotiated and obtained an assignment of the Lease Agreement on such terms and conditions as to release SELLER from any liability on the Lease Agreements. Notwithstanding anything to the contrary contained herein, the Closing shall not be conditional upon BUYER negotiating and obtaining an assignment of lease to the Premises on such terms and conditions as to release SELLER and DOREL from any liability on the Lease Agreements provided BUYER shall agree to indemnify SELLER and DOREL and hold each of them free and harmless from any and all claims, losses, damages, injuries, and liabilities arising from or on account of any default or breach under the Lease Agreements after the Closing. In such event, appropriate rent credits shall be given by SELLER and DOREL to BUYER for any unused Lease Agreement deposits that BUYER has purchased as part of the Purchased Asset.

(5) Other Conditions to Closing. The obligations of SELLER hereunder are expressly subject to its satisfaction, at or before the Closing, of the accuracy of the Statement of Inventory, and the Statement of Accounts Receivable.

(7) Principals' Certificates as Officers of the SELLER. There shall have been delivered to SELLER and DOREL, the Certificates of the Principals as Officers of the SELLER, dated the Closing Date, substantially in the form annexed as Exhibit "8" hereto, with such changes therein as may be agreed to by the parties to this Agreement.

(8) Approval of Exhibits. The obligations of SELLER hereunder are expressly subject to its and DOREL's satisfaction and approval, at or before the Closing, of the

form and content of the Schedules and Exhibits.

2.07 Appointment of Escrow. Robert J. Walling, Attorney at Law, whose address is 650 Town Center Drive, 6th Floor, Costa Mesa, California 92626, is hereby appointed escrow holder to conduct the escrow for the bulk sale described in this Agreement pursuant to the Joint Escrow Instructions of Buyer and Seller attached hereto as Exhibit "11".

2.08 Resignation of Principals as Officers of SELLER. The Principals shall deliver at the Closing the resignations of MICHAEL SILBERSTEIN and BRIDGET WEISS as employees and officers of SELLER, effective as of the Closing and in substantially the form annexed as Exhibit "13" hereto.

ARTICLE III **REPRESENTATIONS AND WARRANTIES OF SELLER AND DOREL**

SELLER represents and warrants as follows:

3.01 Organization; Good Standing. SELLER is a corporation duly organized and validly existing under the laws of Indiana and is qualified to do business within the State of California as a foreign corporation. SELLER has all requisite power and authority and legal right to own, operate and lease its properties, and is duly qualified to do business in each jurisdiction where failure to be so qualified would have any material adverse effect on the Purchased Assets. SELLER has delivered to BUYER certified copies of the resolution of SELLER's Board of Directors authorizing the sale hereunder.

3.02 Authorization; Binding Obligations. SELLER has all requisite legal right, power, authority and capacity to enter into this Agreement and the other Acquisition Documents to which it is a party, to perform all of its obligations hereunder and thereunder. SELLER has taken all necessary action to authorize the sale hereunder on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement, and the other Acquisition Documents to which it is a party. The fair market value of the Purchased Assets owned by SELLER exceeds more than fifty percent (50%) of the fair market value of all of SELLER's assets. Each of the Acquisition Documents to which SELLER is a party has been duly executed by SELLER and constitutes a legal, valid and binding obligation of SELLER enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors, rights or by general principles of equity.

3.03 Title to Purchased Assets. SELLER has good and marketable title to the Purchased Assets, whether real, personal, mixed, tangible and intangible. All the Purchased Assets are free and clear of restrictions on or conditions to transfer or assignment, and free and clear of mortgages, Liens, pledges, charges, encumbrances, equities, claims, easements, rights of way, covenants, conditions or restrictions, except as disclosed on Schedule "I." After giving effect to

this Agreement, BUYER will have good and marketable title to all of the Purchased Assets owned by SELLER and will have valid leasehold rights to all other Purchased Assets, subject to the Consent of any lessor.

3.04 Litigation, etc. There is no suit, action or litigation, administrative, arbitration or other proceeding or, to the best of SELLER's Knowledge, governmental investigation or inquiry pending or, to the Knowledge of SELLER, threatened, that may, severally or in the aggregate, materially and adversely affect the Purchased Assets other than that disclosed in Exhibit "7" hereto. To the Knowledge of SELLER, no investigation is pending, or threatened, by any Federal, state, local or foreign government or by any agency or instrumentality thereof, the effect of which would be materially to impair or materially to affect the Business.

3.05 Governmental and Other Consents, etc. No Consent or Permit of any Person is required for or with respect to SELLER in connection with the execution or delivery of this Agreement or the other Acquisition Documents by SELLER or the consummation by SELLER of the transactions contemplated by this Agreement or the other Acquisition Documents to which SELLER is a party the failure of which to obtain would have a material adverse effect on BUYER or the Purchased Assets.

3.06 Law Compliance; Permits. There are no material Orders, known Permits, and Regulatory Agreements to which SELLER is a party or which are otherwise binding on it except the sales tax permit currently held by SELLER.

3.07 Compliance with other Instruments, etc. Neither the execution and delivery of this Agreement or the other Acquisition Documents by SELLER nor the consummation of the transactions contemplated hereby or thereby will materially and adversely affect the Purchased Assets or the operations, prospects or condition, financial or otherwise, of the Business.

3.08 Adverse Agreements. To the best of SELLER's Knowledge, neither SELLER nor any of its Affiliates is a party to any Contract or subject to any charter or other corporate or organizational restriction or any Law which materially and adversely affects or, so far as SELLER now reasonably foresees, may in the future materially and adversely affect the Purchased Assets.

3.09 Agreements, Contracts, Instruments, etc. Set forth in Schedule "B" hereto are complete and accurate lists of the following:

(i) all leases and licensing agreements binding on SELLER which relate to the Purchased Assets or the Business;

(ii) all unexpired employment, consulting and endorsement Contracts relating to the Business not terminable at will without penalty binding on SELLER;

(iii) each Contract relating to the Business currently binding on SELLER defining

the terms on which debts (other than trade payables) of, or guarantees, by SELLER aggregating more than \$10,000 have been or may be issued;

(iv) any unexpired Contract limiting the freedom to compete in any line of business or with any Person binding on SELLER with respect to the Business or the Purchased Assets; and

(v) all other unexpired material written Contracts of SELLER entered into in connection with the Business.

Except as set forth in Schedule "M" hereto, the transfer of the Purchased Assets and the consummation of the transactions contemplated by this Agreement and the other Acquisition Documents will not materially and adversely affect the continuation, validity or effectiveness of any of the Contracts or Instruments acquired or assumed hereunder or require the Consent of any third party under any such Contract or Instrument. SELLER does not have any Knowledge of any default or claimed or purported or alleged default or state of facts which with notice or lapse of time or both would constitute a default on the part of any party in the performance of any obligation to be performed or paid by any party under any Contract or Instrument acquired or assumed hereunder except as set forth in Schedule "B." SELLER has delivered to BUYER true and complete copies of each written Contract or Instrument acquired or assumed hereunder.

3.10 Brokers. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by SELLER and its Affiliates without the intervention of any other Person in such manner as to give rise to any valid claim for a finder's fee, brokerage commission or other like payment.

3.11 Schedules and Other Information. To the best of SELLER's Knowledge, all of the Schedules, Exhibits or other written materials supplied under this Agreement by SELLER do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein in light of the circumstances in which made, not materially misleading. Except as disclosed in the Agreement, there is no fact known to SELLER which materially adversely affects or in the future is likely materially and adversely to affect any of the Purchased Assets, the Business or business prospects of the Business which has not been disclosed to BUYER.

3.12 Closing Financial Statements. Schedule "H" to this Agreement sets forth the balance sheet for SELLER, as of September 30, 2000, and the related statement of income and retained earnings through September 30, 2000, together with an annual statement of income and retained earnings for its most recent fiscal year, certified by the Treasurer of SELLER. The Financial Statements in Schedule "H," are referred to as "the Financial Statements." The Financial Statements have been prepared in accordance with generally accepted accounting principles consistently followed by SELLER throughout the periods indicated, and fairly present the financial position of SELLER as of the date of the balance sheet included in the Financial Statements, and the results of its operations for the respective periods indicated.

3.13 Disclosure of Liabilities. SELLER has no debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due, or to become due, including, without limitation, tax liabilities due or to become due, and whether incurred in respect of or measured by SELLER's income for any period prior to September 30, 2000, or arising out of transactions entered into, or any state of facts existing, prior thereto except as specifically set forth in Schedule "H" or on the Financial Statements. SELLER represents and warrants that it does not know or have reasonable grounds to know of any basis for the assertion against SELLER, as of the Closing, of any liability of any nature or in any amount not fully reflected or reserved against in the Financial Statements.

3.14 Taxes. Within the times and in the manner prescribed by law, SELLER has filed all Federal, state and local tax returns required by law, and has paid all taxes, assessments and penalties due and payable. The provisions for taxes reflected in SELLER's balance sheet as of the end of its most recent fiscal year are adequate for any and all Federal, state, county and local taxes for the period ending on the date of that balance sheet and the Closing Date for SELLER. There are no present disputes as to taxes of any nature payable by SELLER, and SELLER has not filed, and will not file on or before the Closing Date, any consent under Section 341(f) of the Internal Revenue Code, other than those set forth in Exhibit "10" hereto.

3.15 No Known Violation of Law. SELLER has not received notice of any violation of any applicable federal, state, or local statute, law, or regulation (including, without limitation, any applicable building, zoning, or other law, ordinance, or regulation) affecting its property or the operation of its Business, and to the best of its Knowledge, there are no such violations.

3.16 No Adverse Facts or Circumstances. SELLER has no Knowledge of any undisclosed facts or circumstances that could reasonably be expected to adversely affect its Business or result in a decrease in the value of its assets or in the value of its stock. SELLER has not been caused to be bound by any contractual obligation or to incur any other material liability that is not adequately reflected in SELLER's Financial Statements.

3.17 Valuation of Purchased Assets. The purchase price of the Purchased Assets has been negotiated between BUYER and SELLER based on information reasonably available to BUYER, SELLER, DOREL and the Principals and their Affiliates.

DOREL represents and warrants as follows:

3.18 Organization; Good Standing. SELLER is a corporation duly organized and validly existing under the laws of Indiana and is qualified to do business within the State of California as a foreign corporation. SELLER has all requisite power and authority and legal right to own, operate and lease its properties, and is duly qualified to do business in each jurisdiction where failure to be so qualified would have any material adverse effect on the Purchased Assets. SELLER has delivered to BUYER certified copies of the resolution of SELLER's Board of Directors authorizing the sale hereunder.

3.19 Authorization: Binding Obligations. SELLER has all requisite legal right, power, authority and capacity to enter into this Agreement and the other Acquisition Documents to which it is a party, to perform all of its obligations hereunder and thereunder. SELLER has taken all necessary action to authorize the sale hereunder on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement, and the other Acquisition Documents to which it is a party. Each of the Acquisition Documents to which SELLER is a party has been duly executed by SELLER and constitutes a legal, valid and binding obligation of SELLER enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors, rights or by general principles of equity.

3.20 Title to Purchased Assets. SELLER has good and marketable title to the Purchased Assets, whether real, personal, mixed, tangible and intangible. All the Purchased Assets are free and clear of restrictions on or conditions to transfer or assignment, and free and clear of mortgages, Liens, pledges, charges, encumbrances, equities, claims, easements, rights of way, covenants, conditions or restrictions, except as disclosed on Schedule "I." After giving effect to this Agreement, BUYER will have good and marketable title to all of the Purchased Assets owned by SELLER and will have valid leasehold rights to all other Purchased Assets, subject to the Consent of any Lessor.

3.21 Litigation, etc. There is no suit, action or litigation, administrative, arbitration or other proceeding or, to the best of DOREL's Knowledge, governmental investigation or inquiry pending or, to the Knowledge of DOREL, threatened, that may, severally or in the aggregate, materially and adversely affect the Purchased Assets other than that disclosed in Exhibit "7" hereto. To the Knowledge of DOREL, no investigation is pending, or threatened, by any Federal, state, local or foreign government or by any agency or instrumentality thereof, the effect of which would be materially to impair or materially to affect the Business.

3.22 Governmental and Other Consents, etc. To the best of DOREL's Knowledge, no Consent or Permit of any Person is required for or with respect to SELLER in connection with the execution or delivery of this Agreement or the other Acquisition Documents by SELLER or the consummation by SELLER of the transactions contemplated by this Agreement or the other Acquisition Documents to which SELLER is a party the failure of which to obtain would have a material adverse effect on BUYER or the Purchased Assets.

3.23 Law Compliance; Permits. To the best of DOREL's Knowledge, there are no material Orders, known Permits, and Regulatory Agreements to which SELLER is a party or which are otherwise binding on it except the sales tax permit currently held by SELLER.

3.24 Compliance with other Instruments, etc. To the best of DOREL's Knowledge, neither the execution and delivery of this Agreement or the other Acquisition Documents by SELLER nor the consummation of the transactions contemplated hereby or thereby will materially and adversely affect the Purchased Assets or the business operations, prospects or condition, financial or

otherwise, of the Business.

3.25 Adverse Agreements. To the best of DOREL's Knowledge, neither SELLER nor any of its Affiliates is a party to any Contract or subject to any charter or other corporate or organizational restriction or any Law which materially and adversely affects or, so far as SELLER now reasonably foresees, may in the future materially and adversely affect the Purchased Assets.

3.26 Agreements, Contracts, Instruments, etc. To the best of DOREL's Knowledge, set forth in Schedule "B" hereto are complete and accurate lists of the following:

(i) all leases and licensing agreements binding on SELLER which relate to the Purchased Assets or the Business;

(ii) all unexpired employment, consulting and endorsement Contracts relating to the Business not terminable at will without penalty binding on SELLER;

(iii) each Contract relating to the Business currently binding on SELLER defining the terms on which debts (other than trade payables) of, or guarantees, by SELLER aggregating more than \$10,000 have been or may be issued;

(iv) any unexpired Contract limiting the freedom to compete in any line of business or with any Person binding on SELLER with respect to the Business or the Purchased Assets; and

(v) all other unexpired material written Contracts of SELLER entered into in connection with the Business.

To the best of DOREL's Knowledge, the transfer of the Purchased Assets and the consummation of the transactions contemplated by this Agreement and the other Acquisition Documents will not materially and adversely affect the continuation, validity or effectiveness of any of the Contracts or Instruments acquired or assumed hereunder or require the Consent of any third party under any such Contract or Instrument. SELLER does not have any Knowledge of any default or claimed or purported or alleged default or state of facts which with notice or lapse of time or both would constitute a default on the part of any party in the performance of any obligation to be performed or paid by any party under any Contract or Instrument acquired or assumed hereunder except as set forth in Schedule "B."

3.27 Brokers. To the best of DOREL's Knowledge, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by SELLER and its Affiliates without the intervention of any other Person in such manner as to give rise to any valid claim for a finder's fee, brokerage commission or other like payment.

3.28 Schedules and Other Information. To the best of DOREL's Knowledge, all of the Schedules, Exhibits or other written materials supplied under this Agreement by SELLER do not

and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein in light of the circumstances in which made, not materially misleading. Except as disclosed in the Agreement, there is no fact known to DOREL which materially adversely affects or in the future is likely materially and adversely to affect any of the Purchased Assets, the Business or business prospects of the Business which has not been disclosed to BUYER.

3.29 Accuracy of Documents. All Contracts, Instruments, Permits and other documents delivered by SELLER to BUYER for BUYER's review in connection with this Agreement and the transactions contemplated hereby are, to the best of DOREL's Knowledge, true, correct and complete copies in all material respects of all such Contracts, Instruments, Permits and other documents.

3.30 Books and Records. To the best of DOREL's Knowledge, the books and records of SELLER contain a complete and accurate description and specify the location of all machinery, equipment, furniture, supplies, and all other tangible personal property owned by it, in the possession of it, or used by SELLER in connection with the Business.

3.31 Disclosure of Liabilities. To the best of DOREL's Knowledge, SELLER has no debt, liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, and whether due, or to become due, including, without limitation, tax liabilities due or to become due, and whether incurred in respect of or measured by SELLER's income for any period prior to September 30, 2000, or arising out of transactions entered into, or any state of facts existing, prior thereto except as specifically set forth in Schedule "H" or on the Financial Statements. SELLER represents and warrants that it does not know or have reasonable grounds to know of any basis for the assertion against SELLER, as of the Closing, of any liability of any nature or in any amount not fully reflected or reserved against in the Financial Statements.

3.32 Taxes. Within the times and in the manner prescribed by law, SELLER has filed all Federal, state and local tax returns required by law, and has paid all taxes, assessments and penalties due and payable. The provisions for taxes reflected in SELLER's balance sheet as of the end of its most recent fiscal year are adequate for any and all Federal, state, county and local taxes for the period ending on the date of that balance sheet and the Closing Date for SELLER. There are no present disputes as to taxes of any nature payable by SELLER, and SELLER has not filed, and will not file on or before the Closing Date, any consent under Section 341(f) of the Internal Revenue Code.

3.33 No Known Violation of Law. SELLER has not received notice of any violation of any applicable federal, state, or local statute, law, or regulation (including, without limitation, any applicable building, zoning, or other law, ordinance, or regulation) affecting its property or the operation of its Business, and to the best of its Knowledge, there are no such violations.

3.34 No Adverse Facts or Circumstances. The DOREL has no Knowledge of any

undisclosed facts or circumstances that could reasonably be expected to adversely affect its Business or result in a decrease in the value of its assets or in the value of its stock. SELLER has not been caused to be bound by any contractual obligation or to incur any other material liability that is not adequately reflected in SELLER's Financial Statements.

3.35 Valuation of Purchased Assets. The purchase price of the Purchased Assets has been negotiated between BUYER and SELLER based on information reasonably available to BUYER, SELLER, DOREL and the Principals and their Affiliates.

ARTICLE IV **REPRESENTATIONS AND WARRANTIES OF BUYER**

4.01 Organization. BUYER is a limited liability company, duly organized and validly existing under the laws of the State of California. BUYER has all requisite power and authority and legal right to own, operate and lease its properties and assets.

4.02 Authority. BUYER has all requisite legal right, power, authority and capacity to enter into this Agreement and the other Acquisition Documents to which it is a party, to perform all of its obligations hereunder and thereunder. BUYER has taken all necessary action to authorize the purchase hereunder on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and the other Acquisition Documents to which it is a party (including obtaining all required Consents of members and managers and other persons). Each of the Acquisition Documents to which BUYER is a party has been duly executed by BUYER, and constitutes a legal, valid and binding obligation of BUYER enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors, rights or by general principles of equity.

4.03 Compliance with Instruments, Consents, Adverse Agreements. Neither the execution and the delivery of this Agreement or the other Acquisition Documents nor the consummation of the transactions contemplated hereby or thereby will conflict with or result in any violation of or constitute a default under the Certificate of Organization or operating agreement of BUYER, or any material Law, Instrument, Lien or other Contract by which BUYER is bound. BUYER has, or prior to the Closing will have, obtained any Consent or Permit which is required on the part of BUYER in connection with the execution or delivery of this Agreement and the other Acquisition Documents or the consummation of the transactions contemplated hereby or thereby. BUYER is not a party to or subject to any Contract or any Law which materially and adversely affects or, so far as BUYER can now foresee, may in the future materially and adversely affect the Business, operations, prospects, properties, assets or condition, financial or otherwise, of BUYER.

4.04 Litigation. There is no suit, action or litigation, administrative, arbitration or other proceeding or governmental investigation pending or, to the Knowledge of BUYER, threatened

which might, severally or in the aggregate, materially and adversely affect the financial condition or prospects of BUYER or BUYER's ability to acquire the Purchased Assets as contemplated by this Agreement.

4.05 Brokers. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on by BUYER without the intervention of any other Person in such manner as to give rise to any valid claim for a finder's fee, brokerage commission or other like payment.

4.06 Valuation of Purchased Assets. The purchase price of the Purchased Assets has been negotiated between BUYER and SELLER based on information reasonably available to BUYER and SELLER and their Affiliates.

4.07 No Legal or Tax Representations. BUYER acknowledges that neither SELLER nor DOREL nor their respective counsel have (i) given any legal advice concerning this transaction or (ii) made any representations with respect to any federal or state tax implications of this transaction. BUYER is relying on BUYER's own legal and tax advisers with respect to the legal and tax effect of this Agreement.

4.08 No Breach. The consummation of the transaction contemplated by this Agreement will not result in or constitute a breach of any term or provision of this Agreement.

ARTICLE V
CONDUCT OF SELLER PRIOR TO THE CLOSING DATE;
COVENANTS OF SELLER

Prior to the Closing Date, SELLER covenants and agrees as follows:

5.01 Conduct of Business. Except as otherwise contemplated or permitted by this Agreement or agreed to by BUYER from and after the date of this Agreement, and until the Closing Date or the termination of this Agreement, whichever shall first occur, SELLER (i) will not engage in any activities or transactions which shall be outside the ordinary course of the Business of SELLER; (ii) will not acquire any assets (other than in the ordinary course of business); (iii) will use its best efforts to preserve its existing trademarks, trade names, licenses, franchises, rights and privileges pertinent to its Business; and (iv) will use its best efforts to preserve intact its business organizations and preserve its goodwill and relationships with suppliers, customers and others with whom it deals, and will continue to develop its Business.

5.02 Notice of Certain Defaults or Claims. SELLER will give prompt notice to BUYER (i) of any notice of default received by it subsequent to the date of this Agreement and prior to the Closing Date under any instrument or agreement to be assumed by BUYER hereunder, and (ii) of the assertion of any claim which, if upheld, would render inaccurate any representation of SELLER or the occurrence of any event, or the failure of any event to occur that results or may

result in the failure to comply with any covenant, condition or agreement of SELLER contained herein.

5.03 Action Needing Consent. Except as otherwise contemplated or permitted by this Agreement, after the date of execution of this Agreement, and the Closing Date or the termination of this Agreement, whichever shall first occur, SELLER will not, without the prior written Consent of BUYER and SELLER, which Consent shall not be unreasonably withheld, (i) enter into any sale of all or substantially all of its asset or a merger, (ii) enter into any sales or service contract or agreement, except in the ordinary course of business, (iii) mortgage, pledge or subject to any other Lien (other than the lien of taxes not yet payable), any of the Purchased Assets, other than in the ordinary course of business, (iv) sell or transfer any of the Purchased Assets (other than excess and obsolete inventory), except in the ordinary course of business, (v) sell, assign, or transfer any Business rights, (vi) enter into or amend or cancel any agreement or contract, other than in the ordinary course of business, (vii) enter into any agreement or commitment which, if entered into prior to the date of this Agreement, would be required to be listed on the Exhibits hereto, (viii) declare or pay any dividends or make any distributions relating to its capital stock; or (ix) agree to do any of the foregoing.

5.04 Implementation of Representations and Warranties. SELLER will take all action to render accurate as of the Closing Date the representations and warranties contained in this Agreement, and SELLER will refrain from taking any action which would render inaccurate as of the Closing Date any such representations or warranties. SELLER will take any and all necessary action to obtain any approvals, Consents, licenses or authorities of any individual or entity (including governmental entities) necessary for the consummation by SELLER of the transactions contemplated by this Agreement.

5.05 Communications. Except as otherwise contemplated by this Agreement, between the date hereof and the Closing Date, SELLER will not furnish any communication to anyone if the subject matter thereof relates to BUYER or to the transactions contemplated by this Agreement, without the prior approval of BUYER as to the content thereof, which approval shall not be unreasonably withheld by BUYER.

5.06 Access. BUYER and its counsel, accountants and other representatives shall have reasonable access during normal business hours to all properties, books, accounts, records, contracts and documents of or relating to the Business. SELLER shall furnish or cause to be furnished to BUYER and its representatives all data and information concerning the Business, finances of the Business and Purchased Assets of SELLER that may reasonably be requested.

5.07 Insurance. At its own cost and expense, SELLER will continue to carry its existing insurance, if any, until the Closing and expressly agrees to maintain insurance coverage for products liability claims on products deemed sold by it pursuant to the terms of Section 6.01(a) prior to the Closing Date. Such insurance shall (i) be maintained for so long thereafter as the Products remain in the stream of commerce, (ii) be based on an "occurrence" basis against any

and all claims, losses, damages, injuries, and liabilities based on incidents or occurrences after the Closing shall be deemed to have arisen after the Closing.

6.02 Obligation of BUYER to Indemnify. BUYER hereby agrees to indemnify and hold harmless SELLER and DOREL, and each of them, in accordance with the Indemnity Agreement. BUYER expressly agrees that it shall indemnify and hold SELLER and DOREL, and each of them, free and harmless from any and all claims, losses, damages, injuries, and liabilities arising from or on account of BUYER's ownership, possession and use of the Purchased Assets after the Closing Date, including all claims, losses, damages, injuries, and liabilities arising out of the sale of any products sold by BUYER after the Closing Date, except as provided in subsection 6.02 (a).

(a) Notwithstanding anything to the contrary contained herein, BUYER, SELLER and DOREL each acknowledge that it will be extremely impractical in most instances to determine the date of manufacture or sale of Products. Accordingly, and notwithstanding anything to the contrary contained in this Agreement, all claims, losses, damages, injuries, and liabilities based on incidents or occurrences prior to the Closing shall be deemed to have arisen prior to Closing and all claims, losses, damages, injuries, and liabilities based on incidents or occurrences after the Closing shall be deemed to have arisen after the Closing.

6.03 Change of SELLER's Name. Immediately after the Closing, SELLER shall amend its Articles of Incorporation in Indiana to change its name to one that does not include "INFANTINO" or any derivative. Upon the change of its name, SELLER shall notify the California Secretary of State of its name change.

6.04 Obligation of DOREL. DOREL shall assume and pay all Accounts Payable of SELLER as of the Closing Date. In the event that DOREL fails to make any Accounts Payable when due to a Trade Creditor supplier or vendor for which it is responsible, BUYER may, at its sole option, pay any Accounts Payable due to such vendor or supplier and offset such payment against any amounts due from BUYER to SELLER under the Accounts Receivable Collection Agreement.

6.05 Further Assurances. Following the Closing, at the request of BUYER, SELLER shall execute and deliver to BUYER such further documents and take such reasonable action as may be necessary or appropriate to (a) confirm the sale, transfer, assignment, conveyance and delivery of the Purchased Assets, or (b) vest in BUYER all of SELLER's right, title and interest to the Purchased Assets.

6.06 Books and Records. SELLER and BUYER agree that so long as any books, records and files relating to the Business or to the Purchased Assets, to the extent that they pertain to the operations of SELLER prior to the Closing Date, remain in existence and available, each party (at its expense) shall have the right for any reasonable and proper purpose to inspect and to make copies of the same at any time on reasonable notice and during normal business hours. Such books, records and files relating to the Business or to the Purchased Assets, to the extent that they

pertain to the operations of SELLER prior to the Closing Date and except to the extent that they relate to collection of the Accounts Receivable pursuant to Accounts Receivable Collection Agreement, shall be delivered by BUYER on or before December 31, 2000, at DOREL's cost, to DOREL at DOREL's offices where they shall be maintained. All books, records and files relating to the collection of the Accounts Receivable pursuant to the Accounts Receivable Collection Agreement shall be kept and maintained by BUYER at BUYER's principal offices. Upon completion of BUYER's duties pursuant to the Accounts Receivable Collection Agreement, BUYER shall deliver to DOREL, at DOREL's cost, all books, records and files relating to the collection of the Accounts Receivable.

(a) At the request of DOREL or SELLER, BUYER shall cause its employees, including Principal BRIDGET WEISS to reasonably cooperate and assist DOREL or SELLER in an audit or other examination of the SELLER's books, records and files. If such cooperation and assistance involves travel, all travel costs and expenses shall be paid by DOREL. All such assistance and cooperation shall be provided by BUYER to SELLER at a reasonable charge, provided however, that the assistance of Principal BRIDGET WEISS for a maximum of two (2) work days shall be provided by BUYER without charge, provided that DOREL shall reimburse BUYER for any out-of-pocket travel costs incurred.

6.07 Confidentiality.

- (a) Financial Information. Except as expressly provided in this Agreement, BUYER agrees to hold and maintain in confidence and secrecy and not to divulge to anyone and to make no use of, without the express written Consent of SELLER or DOREL any and all financial statements and information of SELLER divulged to BUYER according to the terms of this Agreement. Financial statements and information shall be defined in its broadest sense and be deemed to include, but not limited to: all correspondence, financial statements, financial forecasts, financial condition, forms, and documents (whether oral, written, or contained in photographic or magnetic media).
- (b) Trade Secrets. After the Closing Date, SELLER, on behalf of itself, its employees, officers, agents and contractors, agrees to hold and maintain in confidence and secrecy and not to divulge to anyone and to make no use of, without the express written Consent of SELLER or DOREL any and all trade secrets, know-how, and other proprietary information herein being assigned and transferred to BUYER.

6.08 Costs and Expenses. SELLER and BUYER shall each pay its own out-of-pocket expenses incurred incident to the preparation and carrying out of the transactions contemplated by this Agreement.

6.09 Sales Taxes. Any and all sales or use taxes due as a result of the consummation of the transaction contemplated by this Agreement shall be paid by SELLER, but BUYER shall

reimburse SELLER for such amounts paid.

6.10 Insurance. BUYER shall obtain and maintain, its own cost and expense:

(a) Insurance in the minimum amount of \$2,000,000 comprehensive general liability policy, including products liability claims on products deemed sold by it pursuant to the terms of Section 6.02(a) after to the Closing Date. Such insurance shall (i) be maintained for so long thereafter as Products deemed sold prior to the Closing remain in the stream of commerce, (ii) be based on an "occurrence" basis against any claims or suits arising out of alleged defects in products deemed sold after the Closing, (iii) name SELLER and DOREL as additional insureds, and (iv) only be canceled or changed upon thirty days written notice to SELLER and DOREL. BUYER shall promptly provide to SELLER and DOREL evidence of such insurance coverage.

(b) During such time as (i) BUYER has any obligations pursuant to the Inventory Purchase Agreement to purchase Inventory, (ii) BUYER has any duty to remit any payments to SELLER pursuant to the terms of the Accounts Receivable Collection Agreement, or (iii) SELLER or DOREL remain liable on the Lease Agreements, a broad form comprehensive coverage policy of public liability insurance by the terms of which SELLER, DOREL and BUYER are named as insured and are indemnified against liability for damage or injury (including loss from fire) to the Premises and the property thereon, including, but not limited to, the Inventory, or to any person (including death) entering upon or using the Premises or any structure thereon. Such insurance policy or policies shall be maintained in a minimum amount of \$500,000.00 for any injury and/or death of a single person, to a limit of \$2,000,000.00 for any on accident. BUYER shall promptly provide to SELLER and DOREL evidence of such insurance coverage. Such insurance policy shall only be canceled or changed upon thirty days written notice to SELLER.

6.11 Returned Merchandise Accounts and Recalls.

(a) All Products that are returned by Customers after the Closing shall be added to the RMA in the Inventory Purchase Agreement and disposed of by BUYER according to that Agreement.

ARTICLE VII
EMPLOYMENT MATTERS

7.01 Employment of SELLER's Employees.

(a) Option to Offer Employment. BUYER may, at its sole option, offer employment to certain of those employees who were employed by SELLER in the Business at the Closing Date, on such terms and conditions as BUYER may determine in its sole discretion. BUYER shall have no severance or other obligations to any of SELLER's employees at the Closing and SELLER shall be responsible for all amounts which may become payable to or in respect of or receivable

by such employee except as expressly provided as follows:

(1) As to Nonexempt Employees of SELLER who are employed by BUYER after the Closing, BUYER shall assume all amounts which are payable to or in respect of or receivable by each such employee at the Closing for only accumulated vacation with pay credits, if any, and BUYER shall be entitled to offset such amount against SELLER's prepaid expenses and deposits showing on the Closing Financial Statements as of the Closing Date.

(2) As to Exempt Employees of SELLER who are employed by BUYER after the Closing, BUYER shall assume all amounts which are payable to or in respect of or receivable by each such employee at the Closing for only accumulated vacation with pay credits, if any, and BUYER shall be entitled to no offsets.

(b) Settlement by SELLER. SELLER shall pay to, or otherwise settle with each of the employees of SELLER involved in the Business who does not become an employee of BUYER and does not remain in the employ of SELLER, all amounts which may become payable to or in respect of or receivable by such employee, including termination allowances and accumulated vacation with pay credits, if any.

7.02 Employment Contract of MICHAEL SILBERSTEIN.

(a) Termination and Release. Upon the Closing, the SILBERSTEIN Employment Agreement, a copy of which is attached hereto as Exhibit "14", shall be deemed canceled with the mutual and express intent of SELLER and SILBERSTEIN that all obligations accruing after the Closing and imposed by the SILBERSTEIN Employment Agreement on SELLER or DOREL or any of their successors in interest shall be extinguished.

ARTICLE VIII **MISCELLANEOUS**

8.01 Future Deliver of Certain Exhibits. Notwithstanding any other provision of this Agreement, any Exhibits to be delivered to any party pursuant to this Agreement that has not been delivered on execution of this Agreement shall be supplied in any event on or prior to the Closing Date, and the other party shall have the right to reasonably approve such Exhibits and if no objections are made by such party to receive such Exhibit or Exhibits, such party will be deemed to have accepted such Exhibits.

8.02 Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

8.03 Termination.

(a) Mutual Consent: Final Date. Anything herein to the contrary notwithstanding, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing Date (i) by mutual Consent of BUYER and SELLER, or (ii) by a party, if the Closing does not occur on or before September 30, 2000, for any reason other than a breach by the person desiring to terminate of any material representation, warranty or covenant hereunder.

(b) Termination by BUYER. This Agreement may be terminated at any time prior to the Closing Date by action of BUYER upon written notice, specifying the basis for termination, if SELLER or DOREL shall have failed to comply in any material respect with any of its material covenants or agreements contained in this Agreement, or if any material representation or warranty of SELLER or DOREL contained in this Agreement shall not have been satisfied, or if any condition precedent to BUYER's obligation contained in this Agreement has not been satisfied.

(c) Effects of Termination. If this Agreement is terminated and the transactions contemplated hereby are not consummated as described above, this Agreement shall become void and of no further force and effect, except for the provisions of Section 8.06 herein. Nothing herein shall affect any liability any party may have for any breach of any representation, warranty or covenants prior to such termination.

8.04 Waivers. Any failure by any party to this Agreement to comply with any of its obligations, agreements or covenants hereunder may be waived by SELLER in the case of a default by BUYER and by BUYER in the case of a default by SELLER. BUYER and SELLER will not be deemed as a consequence of any act, delay, failure, omission, forbearance or other indulgences granted from time to time by BUYER or SELLER: (a) to have waived, or to be estopped from exercising, any of its rights or remedies under this Agreement, or (b) to have modified, changed, amended, terminated, rescinded, or superseded any of the terms of this Agreement, unless such waiver, modification, amendment, change, termination, rescission, or supersession is express, in writing and signed by the Person that is to be bound by such waiver, modification, amendment, change, termination, rescission or supersession. No single or partial exercise by BUYER or SELLER of any right or remedy will preclude other or further exercise thereof or preclude the exercise of any other right or remedy, and a waiver expressly made in writing on one occasion will be effective only in that specific instance and only for the precise purpose for which given, and will not be construed as a Consent to or a waiver of any right or remedy on any future occasion or a waiver of any right or remedy against any other Person.

8.05 Notices. All notices, Consents, demands, requests, waivers, objections, approvals and other communications which are required or may be given hereunder shall be in writing addressed to the respective party at the address set forth below and may be personally served, telecopied or sent by registered or certified mail, postage prepaid, return receipt requested and shall be deemed given: (a) if served in person, when served; (b) if telecopied, on the date of

transmission if confirmed before 5:00 p.m. (Los Angeles time) on a business day and otherwise on the following business day, provided that a hard copy of such notice is also sent pursuant to (c) below; or (c) if by certified or registered mail, on the third (3rd) business day after deposit in the mail, postage prepaid:

(a) If to SELLER:

INFANTINO, INC.
c/o DOREL USA, INC., a Delaware corporation
2525 State Street
Columbus, Indiana 47201
Tel: 800 323 6568 ex 229
Fax: 812 372 0977

With a copy to:

Jonathan Reynolds, Esq.
2525 State Street
Columbus, Indiana 47201
Tel: 800 323 6568 ex 229
Fax: 812 372 0977

(b) If to BUYER:

Michael Silberstein
INFANTINO, LLC, a California limited liability company
9404 Cabot Drive
San Diego, CA 92126
Tel: 858-689-1221
Fax: 858-689-1099

With a copy to:

Bridget Weiss
INFANTINO, LLC, a California limited liability company
9404 Cabot Drive
San Diego, CA 92126
Tel: 858-689-1221
Fax: 858-689-1185

(c) If to DOREL:

DOREL USA, INC., a Delaware corporation

2525 State Street
Columbus, Indiana 47201
Tel: 800 323 6568 ex 229
Fax: 812 372 0977

With a copy to:
Jonathan Reynolds, Esq.
2525 State Street
Columbus, Indiana 47201
Tel: 800 323 6568 ex 229
Fax: 812 372 0977

or to such other person or persons at such address or addresses as may be designated by written notice to the other parties hereunder. Notice shall be deemed delivered at the time received for personal delivery, or five days after the date when mailed at a United States Post Office box or branch office.

8.06 Binding Effect, Benefits. This Agreement shall inure to the benefit of and be binding upon the parties hereto and its respective successors and assigns; provided, however, that nothing in this Agreement shall be construed to confer any rights, remedies, obligations or liabilities on any person other than the parties hereto or their respective successors and assigns.

8.07 Expenses. The fees and expenses of SELLER, and BUYER's attorneys and accountants incurred in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, shall be the sole responsibility of each respective party hereto.

8.08 Entire Agreement; Amendment. This Agreement, together with the other Instruments delivered in connection herewith and the other Acquisition Documents, embodies the entire agreement and understanding of the parties hereto and supersedes any prior agreement or understanding between the parties with respect to the subject matter of this Agreement. This Agreement cannot be amended or terminated orally, but only by a writing duly executed by all the parties hereto.

8.09 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 document.

8.10 Headings. Headings of the Sections in this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

8.11 Assignment. This Agreement may not be assigned by any party without the prior written Consent of the other.

8.12 Applicable Law. This Agreement shall be governed and construed and interpreted in accordance with the laws of the State of California, without regard to conflict of laws principles.

8.13 Execution of Agreement. Each party has been represented by counsel in the negotiation and execution of this Agreement. This Agreement is executed voluntarily without any duress or undue influence on the part of or on behalf of the parties hereto. The parties acknowledge that they have read and understood this Agreement and its legal effect. Each party acknowledges that SELLER is being represented by Robert J. Walling ("Corporate Counsel") as legal counsel to SELLER. Each party acknowledges that Corporate Counsel does not represent any party other than SELLER in the absence of a clear and explicit written agreement to such effect between that party and Corporate Counsel, and that in the absence of any such agreement Corporate Counsel shall owe no duties directly to any party other than SELLER. Each party further acknowledges that (a) Corporate Counsel has represented the interests of SELLER in connection with the preparation and negotiation of this Agreement and (b) while communications with Corporate Counsel concerning SELLER, its shareholders, directors and officers may be confidential with respect to third parties, no party has any expectation that such communications are confidential with respect to Corporate Counsel.

[Remainder of page left intentionally blank]

[Signature Page- ASSET PURCHASE AGREEMENT]

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

SELLER:

INFANTINO, INC., an Indiana corporation

By: 

President

By: 

Secretary

DOREL:

DOREL USA, INC., a Delaware corporation

By: 

President

By: _____

Secretary

BUYER:

INFANTINO, LLC, a California limited liability company

By: 

Its Managing Member