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- [ ] Merger — Effective Date Month Day Year
- [ ] Change of Name
- [X] Other termination of security interest

Conveying Party

[ ] Mark if additional names of conveying parties attached

Execution Date Month Day Year: 04 03 98

Name: Foothill Capital Corporation

Formerly:

[ ] Individual [ ] General Partnership [ ] Limited Partnership [X] Corporation [ ] Association

[ ] Other

[X] Citizenship/State of Incorporation/Organization: California

Receiving Party

[ ] Mark if additional names of receiving parties attached

Name: Mallory, Inc.

DBA/AKA/TA:

Composed of: Mr. Gasket, Inc.

Address (line 1): 10601 Memphis Avenue

Address (line 2): #12

Address (line 3): Cleveland (City) Ohio (State/Country) 44144 (Zip Code)

[ ] Individual [ ] General Partnership [ ] Limited Partnership [ ] If document to be recorded is an assignment and the receiving party is not domiciled in the United States, an appointment of a domestic representative should be attached. *(Designation must be a separate document from Assignment.)*

[X] Corporation [ ] Association

[ ] Other

[X] Citizenship/State of Incorporation/Organization: Delaware

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Name

Address (line 1)

Address (line 2)

Address (line 3)

Address (line 4)

Correspondent Name and Address

Area Code and Telephone Number (216)586-7107

Name: Cassandra G. Mott

Address (line 1): Jones, Day, Reavis & Pogue

Address (line 2): North Point

Address (line 3): 901 Lakeside Avenue

Address (line 4): Cleveland, Ohio 44114

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Kathie J. Kopczyk — Name of Person Signing

Kathie J Kopczyk — Signature

April 20, 2001 — Date Signed

EL647229234US

ORIGINAL

GARY E. KLAUSNER (State Bar No. 69077)
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9390 Gateway Drive
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FILED
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

In re SUPER SHOPS, INC., a California corporation, SUPER SHOPS, INC., an Arizona corporation, SUPER SHOPS, INC., a Kansas corporation, SUPER SHOPS, INC., a Michigan corporation, SUPER SHOPS, INC., a Nevada corporation, SUPER SHOPS, INC., a Texas corporation, and MALLORY, INC., a Nevada corporation, Debtors. [Tax ID Nos. 95-2778544, 93-0945433, 48-1077457, 38-2904415, 95-0957431, 74-2275623 and 88-0173471]	Case No. LA 97-46094-ER Chapter 11 (Administratively Consolidated with Case Nos. LA 97-46127-ER, LA 97-46136-ER, LA 97-46153-ER, LA 97-46161-ER, LA 97-46164-ER, and LA 97-46144-ER) [This Pleading Only Applies to the Mallory, Inc. Bankruptcy Case] **DEBTOR'S MOTION FOR ORDER AUTHORIZING (1) SALE OF SUBSTANTIALLY ALL OF ITS ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OUTSIDE THE ORDINARY COURSE OF BUSINESS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF JOHN T. GRIGSBY, JR. IN SUPPORT THEREOF** Date: March 19, 1998 Time: 2:30 p.m. Place: Courtroom "1568" Roybal Fed. Bldg. 255 East Temple Street Los Angeles, CA 90012

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426

TO THE HONORABLE ERNEST M. ROBLES, UNITED STATES BANKRUPTCY JUDGE, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, ALL SECURED CREDITORS; ALL PARTIES TO THE AGREEMENTS LISTED ON EXHIBIT "2" OR THEIR COUNSEL OF RECORD; THE OFFICE OF THE UNITED STATES TRUSTEE; AND ALL PARTIES REQUESTING SPECIAL NOTICE:

Mallory, Inc., a Nevada corporation, debtor and debtor in possession in the above captioned and jointly administered bankruptcy cases (the "Debtor"), hereby moves this Court for an order (the "Motion") authorizing the Debtor to sell and assign substantially all of its assets (the "Purchased Assets"), except cash, notes, accounts receivable, tax refunds, certain claims and causes of action, and certain other real and personal property assets, free and clear of all liens, restrictions, security interests, claims, charges, encumbrances and interests pursuant to sections 105, 363(b) and 363(f) of the United States Bankruptcy Code (the "Bankruptcy Code"), to either Adrenaline Research, Inc. ("ARI") pursuant to the terms of that certain Asset Purchase Agreement, dated as of February 5, 1998, as amended, a true and correct copy of which is attached hereto as Exhibit "1" (the "Purchase Agreement"), or any other third party that successfully overbids for the Purchased Assets (any such over bidder and ARI are referred to herein as the "Buyer"), all subject to the provisions, terms and conditions stated below and in the Purchase Agreement.

ARI proposes to pay (the "Purchase Price") the following for the Purchased Assets: (i) a $4,500,000 cash payment at the closing of the sale, less certain adjustments to be made at the Closing based primarily upon assumed liabilities and the value of the Debtor's inventory at the Closing, and (ii) an annual payment equal to 7.5% of the amount by which ARI's annual post-closing net sales of automotive parts and accessories exceeds $10,000,000 for each year through April 30, 2003, up to a maximum amount of $2,500,000 in additional payments to the Debtor's estate.

In connection with and as a part of the sale of the Purchased Assets (the "Sale"), the Debtor also respectfully requests that this Court enter an order or orders authorizing the Debtor to assume and assign to ARI the agreements listed on Exhibit "2" hereto to the extent that such agreements constitute executory contracts or unexpired leases, and authorizing the Debtor to enter into such other collateral agreements as is necessary to consummate the Sale.

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This Motion is based upon the attached memorandum of points and authorities, declarations and exhibits, the pleadings and papers on file in this case, and on such other and further evidence, authorities and arguments of counsel as may be presented to the Court prior to or at the hearing on this Motion.

WHEREFORE, the Debtor respectfully requests that this Court enter an order or orders:

1. Approving the sale of the Purchased Assets to the Buyer pursuant to sections 105, 363(b) and 363(f) of the Bankruptcy Code free and clear of all liens, restrictions, security interests, claims, charges, encumbrances and interests whatsoever;

2. Finding that the Buyer purchased the Purchased Assets in "good faith" as defined in section 363(m) of the Bankruptcy Code;

3. Approving the assumption by the Debtor and the assignment to the Buyer of the contracts and agreements set forth in Exhibit "2" hereto pursuant to section 365 of the Bankruptcy Code, to the extent that the same constitute executory contracts or unexpired leases;

4. Authorizing the Debtor to cure on or prior to closing of the Sale all defaults, if any, that must be cured as a condition of assumption under section 365(b) of the Bankruptcy Code under any executory contracts or unexpired leases that are to be assumed and assigned to the Buyer;

5. Providing that any executory contracts which the Debtor assumes and assigns to the Buyer pursuant to the order shall, upon assignment, be deemed to be valid and binding and in full force and effect and enforceable in accordance with their respective terms by the parties thereto; and pursuant to section 365(k) of the Bankruptcy Code the Debtor and its estate shall be relieved from any further liability with respect to each such executory contract and any guaranty of any of the foregoing or similar undertaking after the assignment;

6. Providing that all liens, restrictions, security interests, claims, charges, encumbrances and interests shall be transferred from and extinguished with respect to the Purchased Assets and the same, if any, shall attach to the proceeds paid by the Buyer to the Debtor with the same validity and priority as they had with respect to the Purchased Assets;

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7. Authorizing the Debtor to enter into the Purchase Agreement and any other agreements or documents, required to consummate the Sale;

8. Providing that the officers and authorized employees of the Debtor are authorized and empowered to execute and deliver any and all documents as may be necessary to implement the sale of the Purchased Assets;

9. Providing that the provisions of the Order authorizing the sale of the Purchased Assets free and clear of encumbrances shall be self-executing and neither the Debtor nor the Buyer shall be required to execute or file releases, termination statements, assignments, consents or other instruments in order to effectuate, consummate, and implement the foregoing provisions hereof; provided, however, that such provision of the Order shall not excuse such parties from performing any and all of their respective obligations regarding the Sale;

10. Providing that the notice given by Debtor in connection with the Sale and the hearing thereon is adequate, sufficient, proper and complies with all applicable provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure; and

11. Granting such other and further relief as is just and proper.

DATED: February 26, 1998

TROOP MEISINGER STEUBER & PASICH, LLP

By: _____
Gary E. Klausner
Attorney For the Debtor

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MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

Mallory, Inc., debtor and debtor in possession in the above captioned jointly administered bankruptcy cases (the "Debtor" or "Mallory"), seeks authority from this Court to sell substantially all of its assets (the "Purchased Assets"), excluding cash, notes, accounts receivable, tax refunds, certain claims and causes of action and certain real and personal property, to either Adrenaline Research, Inc. ("ARI"), or any other third party that successfully overbids for the Purchased Assets (ARI and any such over bidder are referred to herein as the "Buyer"), free and clear of all liens, security interests, claims, encumbrances and interests.

ARI proposes to pay a purchase price comprised of a cash payment at the closing plus a percentage of ARI's annual net sales over time (the "Purchase Price"). Payment shall be made in the form of (i) a $4,500,000 cash payment at the closing of the Sale, less certain adjustments to be made at the Closing based primarily upon assumed liabilities and the value of the Debtor's inventory at the Closing, and (ii) an annual payment equal to 7.5% of the amount by which ARI's annual post-closing net sales of automotive parts and accessories exceeds $10,000,000 for each year through April 30, 2003, up to an additional aggregate maximum amount of $2,500,000.

The terms and conditions of the Sale are set forth below. The Debtor further seeks this Court's authority to enter into all agreements which are required for the implementation of the sale of the Purchased Assets, including the assumption and assignment of certain executory contracts and unexpired leases. As will be demonstrated, the terms of Sale are fair and reasonable, and approval of the Sale is in the best interest of the bankruptcy estate.

The Debtor and its professionals have concluded that the best way to maximize the value of the Purchased Assets, and thereby ensure the greatest return for the estate and its creditors, is to sell the Purchased Assets as rapidly as possible and pursuant to the terms of the

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Purchase Agreement. The offer from ARI is in the opinion of the Debtor the best offer the Debtor has received to date for the Purchased Assets. In light of the ongoing liquidation sale of the Debtor's parent and affiliated subsidiaries, completion of the Sale takes on added urgency.

The Purchase Agreement is the result of a series of extensive negotiations by and among the principals and advisors of the Debtor and ARI and provides a purchase price that the Debtor believes is fair consideration for the Purchased Assets. Based on the interest that the Debtor has received from third parties with respect to acquiring the Purchased Assets, the Debtor also believes that there is a potential for overbids at the sale hearing.

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II.

STATEMENT OF FACTS

A. The Debtor's Business.

Mallory is a wholly-owned subsidiary of Super Shops, Inc., a California corporation ("Shops(CA)"). In addition to owning Mallory, Shops(CA) also owns five other wholly-owned subsidiaries (collectively with Shops(CA), the "Super Shops Entities"). Prior to bankruptcy Mallory and the Super Shops Entities were operated as an integrated group and shared for the most part common management, as well as central accounting, administrative and operational functions. This relationship has been continued through the pendency of these bankruptcy cases.

Mallory is in the business of manufacturing specialized high performance automobile parts, such as ignition systems and valve train components. Mallory's headquarters and manufacturing plant is located in Carson City, Nevada. At present Mallory employs approximately 175 individuals.

Prior to bankruptcy, Mallory sold its product to a wide range of buyers, however, Shops (CA) for itself and the other Super Shops Entities purchased a significant portion of Mallory's production. For the year preceding the bankruptcy filing, Mallory had sales of approximately $23,000,000.

The Super Shops Entities sold to the general public, from retail stores located throughout the country, new and replacement automotive parts, many of which were specialized high-performance parts. In addition to selling high performance Dunlop and BF Goodrich tires, the stores also sold specialized parts produced by manufacturers such as Edelbrock, Holley and Mr. Gasket.

Pre-petition and post-petition working capital and financing has been provided to the Debtor and the Super Shops Entities by a revolving credit facility with Foothill Capital Corporation ("Foothill").

Due to operational and financial problems that were affecting the business operations of the Super Shops Entities, the Super Shops Entities filed for bankruptcy protection on September 19, 1997. These problems also affected Mallory's business operations and, because Mallory was dependent upon Shops(CA) for its day to day working capital and shared with the Super Shops Entities some of the same secured creditors, including Foothill, Mallory also commenced a bankruptcy case on September 19, 1997.

The Super Shops Entities and the Debtor are operating their respective businesses and managing their respective assets as Debtors in Possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The bankruptcy case of the Debtor and the bankruptcy cases of the Super Shops Entities are being jointly administered.

B. Events During The Case.

1. Postpetition Financing and Authority to Use Cash Collateral

Immediately after the Petition Date, the Super Shops Entities and the Debtor obtained Court approval to enter into postpetition financing agreements with Foothill and for the use of the alleged collateral and cash collateral of Michelin North America and certain suppliers of inventory which were sufficient to allow the Super Shops Entities and the Debtor to carry out their business operations. On September 25, 1997, the Court approved an interim financing order allowing postpetition financing by Foothill. At a final hearing conducted on October 21, 1997, the Court approved a final postpetition financing agreement with Foothill.

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2. Hiring of John Grigsby.

Prior to the bankruptcy filings, the Super Shops Entities and the Debtor employed John Grigsby, a nationally known and respected turnaround consultant who has particular expertise with businesses involved in the automotive industry, to advise them on strategies for reorganizing their respective business.

Mr. Grigsby, working in conjunction with senior management, examined the Super Shops Entities and the Debtor's business operations and the potential alternatives for emerging from Chapter 11. With respect to the Super Shops Entities, Mr. Grigsby moved aggressively to cut costs and closed in excess of forty under performing stores. After concluding that an operating plan was not feasible, attempts were made to sell the Super Shops Entities business as a going concern. However, a potential sale fell through and no other active bidders emerged. Accordingly, at a hearing held on January 26, 1998, the Court approved a liquidation sale. The assets of the Super Shops Entities are presently being liquidated with the assistance of a professional liquidator pursuant to a "Going Out Of Business Sale". The liquidation sale should be completed by the end of March, 1998.

With respect to the Debtor, after exploring various options, including refinancing or restructuring its financial affairs and business operations, an operating plan of reorganization and the sale of its business and assets piecemeal or as a going concern, Mr. Grigsby determined that it would be in the best interests of the Debtor's creditors and its estate, that the Debtor sell its business as a going concern as soon as possible to the highest bidder.

3. Marketing Efforts.

The Debtor's business and assets have been aggressively marketed by the Debtor's personnel, by Mr. Grigsby and by members of the Unsecured Creditors Committee. They have personally contacted potential buyers who they determined might be interested in purchasing the Debtor's business and assets. In addition, other parties directly contacted the Debtor about acquiring the assets when they learned of their availability. Over forty prospective purchasers have received information about the Debtor. Of these entities, approximately fifteen conducted due diligence at the Debtor's headquarters, and five parties, including ARI, made offers for the assets.

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On or about December 15, 1997, ARI approached Mr. Grigsby about purchasing the Debtor's business and assets. After a series of extensive negotiations, and substantial due diligence by ARI, the parties agreed to the terms embodied in the Purchase Agreement. The offer of ARI is to date, in the opinion, of the Debtor the best offer for the Purchased Assets. The Debtor believes that there will be overbids at the Sale Hearing based upon the interest received from other parties.

The Debtor believes that maximum value for the Purchased Assets will be obtainable only through a rapid consummation of the sale as a going concern. Such a sale will also have the added benefit of significantly reducing the Debtor's interest and financing costs to its secured lenders, professional fees that are being incurred and the operating costs associated with running the Debtor's day-to-day business operations.

4. **Termination of Financing/Limited Financing from Foothill to Effectuate the Sale.**

The Super Shops Entities' and the Debtor's have defaulted under their post-petition financing arrangement with Foothill and based upon such default, Foothill's post-petition financing of the Debtor's operations pursuant to the entered financing order ceased as of January 10, 1998. Foothill agreed in connection with the liquidation of the Super Shops Entities to provide limited financing to cover only those costs and expenses which were necessary in connection with the Going Out of Business Sale.

Foothill has also agreed to finance the Debtor's operations for a limited time solely in connection with consummating the sale of the Debtor's assets. A motion seeking Court approval of this financing is scheduled to be heard on March 12, 1998.

5. **Sale Of The Purchased Assets.**

As stated above, ARI approached the Mr. Grigsby about purchasing the Debtor's business and assets in mid December 1997, and, after extensive due diligence and negotiations, the parties executed in early February, 1998 the Purchase Agreement. A true and correct copy of the Purchase Agreement is attached hereto as Exhibit "1".

ARI has agreed to purchase substantially all of the Debtor's assets, primarily all of the assets necessary to operate the Debtor's business. ARI will not be purchasing the Debtor's

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cash, notes, accounts receivable, tax refunds, certain claims and causes of action related to the bankruptcy case and the bankruptcy case of the owner of Shops(CA) and certain real and personal property which is described in the Purchase Agreement. The sale will be free and clear of all liens, security interests, claims, encumbrances and interests. In addition, the Debtor will also assume and assign to ARI certain contracts and the Debtor's real property lease for the location of the Debtor's headquarters and manufacturing facility in Carson City, Nevada.

ARI will pay a purchase price comprised of a cash payment at the closing plus a percentage of ARI's net sales over time (the "Purchase Price"). Payment shall be made in the form of (i) a $4,500,000 cash payment at the closing of the Sale, less certain adjustments to be made at the Closing based primarily upon assumed liabilities and the value of the Debtor's inventory at the Closing, and (ii) an annual payment equal to 7.5% of the amount by which ARI's annual post-closing net sales of automotive parts and accessories exceeds $10,000,000, such annual payments to be made until the earlier of April 30, 2003 or at such time as the aggregate amount of such payments made to the Debtor totals $2,500,000.

Both ARI and the Debtor require a closing no later than April 3, 1998. The conditions to the obligation of ARI to close the Sale are set forth in Article 8 of the Agreement and Closing will be contingent upon, among other things:

a. Satisfactory conclusion of ARI's due diligence (which may include a review of all the Debtor's financial and operating records, relevant leases and contracts, assets, and other inspections) by March 6, 1998.

b. The assumption and assignment of the real property lease for the Debtor's headquarters and manufacturing facility in Carson City, Nevada.

c. The entry of a final non-appealable order of this Court approving the sale free and clear of claims, liens and encumbrances by March 27, 1998.

The Debtor will assume and thereafter assign to the Buyer the unexpired non-residential real property lease, personal property leases and outstanding executory contracts set forth in Exhibit "2". If a complete list is not available as of the filing of this Motion, a supplement will be filed with the Court and served prior to the time of the hearing.

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6. Existing Liens on the Purchased Assets. (a) Pursuant to pre-petition loan agreement with U.S. Bancorp Leasing and Financial ("Bancorp"), dated December 7, 1995, the Debtor borrowed approximately $2,800,000 from Bancorp. To secure its obligations under the note, the Debtor granted Bancorp a security interest in certain of the Debtor's equipment, furniture and fixtures. As of the date hereof, Bancorp is owed approximately $1,775,000.00 by the Debtor.

(b) In connection with the Debtor's pre-petition pre-petition financing arrangement with Foothill, evidenced by a certain Loan and Security Agreement dated as of January 15, 1997 (the "Pre-Petition Credit Facility"), Foothill was granted a first priority blanket lien on and security interest in all of the Debtor's assets, except those subject to a superior lien of other parties, such as Bancorp, against which Foothill took a second priority lien. The lien and security interest secured the repayment of the Debtor's indebtedness under the Pre-Petition Credit Facility. The Super Shops Entities were joint obligers under the Pre-Petition Credit Facility with the Debtor. On the date of filing, Foothill was owed approximately $12.5 million. The Court approved post-petition financing arrangement with Foothill granted to Foothill replacement liens on all of the assets and property of the Debtor to secure the Super Shops Entities and the Debtor's obligations under the financing arrangement. As of the date hereof, Foothill is owed approximately $6,000,000.

(c) In connection with certain indebtedness owed to Michelin North America by the Super Shops Entities, the Debtor executed a guaranty in favor of Michelin which guaranteed the repayment of that indebtedness and secured such guaranty with a lien on the assets of the Debtor, subordinated to the liens in favor of Bancorp and Foothill. As of the date hereof, Michelin is owed in excess of $20,000,000.

The proceeds from the Sale will be used to satisfy the Debtor's obligation to Bancorp and the remainder applied against the outstanding indebtedness owed to Foothill.

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C. Bidding Procedures - Overbid Protection.

As part of ARI's offer to purchase the Debtor's assets, ARI required that the Court approve certain buyer and overbid protections. At a hearing held on February 18, 1998, the Court approved the following buyer protections and bidding procedures to be used at the hearing on this Motion:

(1)	Termination Fee for ARI:	$200,000
(2)	Initial Overbid:	$300,000 over existing bid of ARI
(3)	Subsequent Overbids:	To be determined by the Court at the Sale Hearing
(4)	Matching Rights:	ARI has the right to match any higher offer for the assets

(5) No later than 5:00 p.m. (California time) on Thursday, March 12, 1998, each potential over bidder must deliver to the Debtor, along with its bid, a refundable cash deposit of $100,000 and satisfactory evidence of the over bidder's financial ability to finance the transaction and consummate the proposed sale in the time frame contemplated by the Purchase Agreement;

(6) Each prospective bidder must have completed its due diligence prior to the Sale Hearing and be immediately ready to close the transaction, if it is the successful bidder.

(7) On or prior to March 16, 1998, the Debtor shall file with the Court and serve, by telecopier or overnight mail, on all parties who were present at the hearing on the Bid Procedure Motion, a summary of the terms of each of the bids received by the Debtor and a statement by the Debtor, and the reasons for such statement, as to which bid the Debtor believes to be the best bid for the Purchased Assets

III.

ARGUMENT

A. **The Sale of The Purchased Assets To ARI Should Be Approved Because The Terms Of Sale Are Fair And Reasonable And The Sale Is Best Means of Maximizing the Value of the Estate.**

Section 363(b)(1) of the Bankruptcy Code provides as follows:

"(b)(1) The trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate."

The Sale contemplates the sale of substantially all of the assets of the Debtor's bankruptcy estate. While certain courts have discouraged the "practice" of selling substantially all

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of a debtor's assets outside of a plan of reorganization, no such prohibition exists in the Ninth Circuit. The Bankruptcy Court in the case of In re Wilde Horse Enterprises, Inc., 136 B.R. 830 (Bankr. C.D. Cal. 1991) held that a debtor may sell substantially all of its assets under section 363(b) so long as the applicable elements governing the sale under that section were satisfied. Wilde Horse, 136 B.R. at 841. In determining whether any sale of assets out of the ordinary course of business, including a sale of substantially all of the Debtor's assets, should be approved, bankruptcy courts usually consider the following factors:

1. Whether a sufficient business reason exists for the sale;

2. Whether the proposed sale is in the best interest of the estate, which in turn consists of the following factors:

i) That terms of the sale are fair and reasonable;

ii) That the proposed sale has been adequately marketed;

iii) That the proposed sale terms have been properly negotiated and proposed in good faith; and

iv) That the purchaser is involved in an "arms-length" transaction with the seller; and

3. Was notice of the sale sufficient.

See generally In re Wilde Horse Enterprises, Inc., 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991) ("In approving any sale outside the ordinary course of business, the court must not only articulate a sufficient business reason for the sale, it must further find it is in the best interest of the estate, i.e., it is fair and reasonable, that it has been given adequate marketing, that it has been negotiated and proposed in good faith, that the purchaser is proceeding in good faith, and that it is an `arms-length' transaction"); Matter of Phoenix Steel Corp., 82 B.R. 334, 335-356 (Bankr. D. Del. 1987) (In determining whether a proposed sale of equipment was proper under section 363, court considered whether the terms of proposed sale were fair and equitable, whether there was a good business reason for completing the sale and whether the transaction was proposed in good faith); In re Alves, 52 B.R. 353 (Bankr. D.R.I. 1985) (factors concerning whether sale of property under Section 363 should be approved concerned integrity of sale and the best interest of bankruptcy

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estate); In re American Development Corp., 95 B.R. 735 (Bankr. C.D. Cal. 1989) (the following factors are relevant concerning whether a section 363(b) transaction should be authorized: (1) has the debtor satisfied the business judgment test by demonstrating good and sound business reasons for the proposed transaction; (2) is the proposed transaction in the best interests of creditors; (3) is the proposed transaction premature; (4) does the debtor have other options available to reorganize; (5) will a proposed transaction facilitate a plan of reorganization); In re Channel One Communications, Inc., 117 B.R. 493 (E.D. Mo. 1990) (sale of substantially all of the debtor's assets may be appropriate upon (1) the showing of sound business purpose; (2) accurate and reasonable advance notice of the proposed sale; (3) fair and reasonable price; and (4) no unfair benefit to insiders to the prospective purchasers or to any creditor or class of creditors).

In the present case, the Debtor has clearly satisfied all of the applicable elements discussed above concerning the proposed sale of the Purchased Assets:

1. Sound Business Reason: Application of the debtor-in-possession's sound business judgment in the use, sale, or lease of property of the estate is subject to great judicial deference. Matter of WPRV-TV, Inc., 143 B.R. 315 (D. P.R. 1991), aff'd in part, rev'd in part, 983 F.2d 336 (1st Cir. 1993); In re Thrifty Liquors, Inc., 26 B.R. 26 (Bankr. D. Mass. 1982). The application of the business judgment test affords the debtor-in-possession discretion in balancing the costs and benefits of administering or disposing of estate assets according to the needs of the estate. See In re Canyon Partnership, 55 B.R. 520 (Bankr. S.D. Cal. 1985).

The Debtor and its professionals determined, after examining all of the available options, that a sale of the Debtor's assets as a going concern is the best means of achieving maximum value for the assets and the estate. The Sale comes only after numerous months of searching for and then negotiating with ARI, as well as with other parties, concerning a potential purchase transaction. As the Debtor's parent and affiliated subsidiaries are presently being liquidated and Foothill is only willing to finance the Debtor for a short period of time in connection with the Sale, it is imperative that the Sale be completed as soon as possible. The longer the Debtor delays in selling its assets, the greater the harm to the Debtor's business and the greater the chance the assets will decrease in value, thereby depriving the estate of needed cash to

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pay creditors. A sale of Mallory will also eliminate a significant portion of the outstanding secured debt and halt the continuing accumulation of interest and financing costs associated with that debt, as well as the cost of the day-to-day operations of Mallory's business. Thus, a strong business reason exists for the Sale.

2. The Consideration For The Sale Is Adequate: The Debtor has for a significant period of time been actively seeking prospective purchasers of the Debtor's assets. Approximately forty entities have expressed an interest in purchasing the assets and of that number approximately fifteen have concluded some sort of due diligence. In addition to ARI, four other parties communicated offers to the Debtor for the assets. Based on these efforts, the Debtor, and in particular Mr. Grigsby, have an understanding of market value of the Debtor's assets. The Purchase Price is consistent with Mr. Grigsby's belief as to value of the Purchased Assets.

However, the best indicator of adequate consideration is the market place. The offer by ARI was determined for various reasons to be the best offer available to the Debtor among the firm and not so firm offers submitted. If the Debtor and Mr. Grigsby are wrong as to the value of the Purchased Assets, then the procedures in place, i.e. a Sale Hearing where prospective bidders will be able to overbid ARI's Purchase Price, will ensure that the best price is obtained for the Purchased Assets. Up until the time of the Sale Hearing, the Debtor and its personnel intend to continue to respond to inquires and assist parties in obtaining the information and doing the due diligence they need to be in a position to bid for the assets at the Sale Hearing.

3. The Purchased Assets Have Been Adequately Marketed: As stated above, the Debtor's business and assets have been aggressively marketed by the Debtor's personnel, by Mr. Grigsby and by members of the Unsecured Creditors Committee. They have personally contacted potential buyers who they determined might be interested in purchasing the Debtor's business and assets. In addition, other parties directly contacted the Debtor about acquiring the assets when they learned of their availability. Over forty prospective purchasers have received information about the Debtor. Of these entities, approximately fifteen conducted due diligence at the Debtor's headquarters, and five parties, including ARI, made offers for the assets. The Debtor

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believes that any entity that might have had an interest in purchasing the Debtor's business and assets is aware of the fact that they are for sale and have had an opportunity to seek to purchase them if they were interested. Thus the Purchased Assets have been adequately marketed.

4. The Terms of the Sale have been Negotiated at Arm's Length and in Good Faith: The Purchase Agreement is the product of extensive negotiations between the principals and advisors of the Debtor on the one hand and ARI on the other hand. These negotiations took place over a period of approximately two months and involved each party giving on certain points. ARI is a distinct and separate entity from the Debtor, does not have any ownership interest in the Debtor or any of the Super Shops Entities, and has no connection to, or affiliation, with the Debtor or its business other than making the offer to purchase the Assets.

5. Notice of the Sale is Sufficient: The Debtor will give notice of the hearing on the Sale to all creditors and other interested parties in this case. In addition, a copy of this Motion will be served on the Office of the United States Trustee, all secured creditors, the Unsecured Creditor Committees, all parties requesting special notice and the prospective over bidders.

For each of the reasons above, the Debtor has shown that a sufficient business reason exists for the Sale and that the Sale is in the best interests of the estate. As a result of its extensive marketing efforts and arms-length negotiations, the Debtor has obtained a fair and reasonable price for the Purchased Assets. Accordingly, the Court should approve the Sale of the Purchased Assets.

B. The Debtor Should Be Authorized To Assume And Assign Certain Contracts And Leases In Connection With The Sale, To The Extent That The Same Constitute Executory Contracts And Unexpired Leases, Pursuant To Bankruptcy Code Section 365.

Subject to exceptions not relevant in this case, section 365(a) of the Bankruptcy Code provides that the Debtor may assume or reject an executory contract or unexpired lease.

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In connection with the sale, the Debtor seeks authority to assume and assign to the ARI certain contracts and leases, which are identified in Exhibit "2" hereto, to the extent that the same constitute executory contracts or unexpired leases.

While the Bankruptcy Code does not set forth guidelines for courts to apply in determining whether to authorize a debtor in possession to assume or reject an executory contract or unexpired lease, the courts have overwhelmingly applied a "business judgment" test when reviewing such a decision. See, e.g., Group of Institutional Investors v. Chicago, Milwaukee, St. Paul and Pacific R.R. Co., 318 U.S. 523, 550, 63 S.Ct. 727, 742-43 (1943); Richmond Leasing Co. v. Capital Bank, N.A., 762 F.2d 1303, 1309 (5th Cir. 1985); Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc. (In re Richmond Metal Finishers), 756 F.2d 1043 (4th Cir. 1985), cert. den. 475 U.S. 1057 (1986); Control Data Corp. v. Zelman (In re Minges), 602 F.2d 38, 43 (2nd Cir. 1979); Carey v. Mobil Oil Corp. (In re Tilco, Inc.), 558 F.2d 1369, 1372 (10th Cir. 1977); Robertson v. Pierce (In re Huang), 23 Bankr. 798, 800 (Bankr. 9th Cir. 1982).

As applied to a debtor's decision to assume or reject an executory contract, the business judgment test "requires that the decision be accepted by courts unless it is shown that the [debtor's] decision was one taken in bad faith or in gross abuse of the [debtor's] retained business discretion" and that it "is so manifestly unreasonable that it could not be based on sound business judgment, but only on bad faith, or whim or caprice." Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc. (In re Richmond Metal Finishers, Inc.), 756 F.2d 1043, 1047 (4th Cir. 1985).

In the instant case, the Debtor has clearly demonstrated sound business judgment in entering into the sale transaction with ARI and ARI, as part of the Sale, requires the Debtor to assume and assign to ARI all of the agreements listed in Exhibit "2", to the extent that the same constitute executory contracts and/or unexpired leases. If the Debtor is unable to close the Sale, the Debtor's prospects for maximizing the value of the Purchased Assets will be severely jeopardized. The terms of the Sale are favorable, and the assumption and assignment of the contracts listed in Exhibit "2", which is an essential element of the Sale, is in the overwhelming

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best interest of this estate and its creditors. Accordingly, the Debtor has clearly satisfied its burden of demonstrating sound business judgment.

Section 365(b) of the Bankruptcy Code provides that before a debtor can assume an executory contract under which there has been a default, the debtor must cure, or provide adequate assurance that it will promptly cure, certain defaults and compensate, or provide adequate assurance of compensation, for any pecuniary loss to the other party resulting from such defaults.

Furthermore, section 365(f) of the Bankruptcy Code provides that before a debtor may assign an assumed executory contract, the other party to such contract must receive "adequate assurance of future performance" by the assignee.

The Debtor believes that other than in connection with the real property lease covering the Debtor's headquarters and manufacturing facility, no cure payments will be necessary and that there will not be any issue with respect to adequate assurances of future performance. In fact, ARI has agreed to reimburse the Debtor for certain costs and expenses associated with certain of the contracts to be assigned.

ARI requires as a condition to its obligation to close the Sale that the closing occur on or before April 3, 1998. Therefore, for all practical purposes, the Court needs to rule on the within Motion on the assumption and assignment of the leases and contracts at the time of hearing on the Motion.

Accordingly, should any party to an Exhibit "2" agreement object to the assumption and assignment of a specific agreement to the Buyer, the Debtor requests that the Court conduct a hearing regarding such objection immediately subsequent to the Court's ruling upon the Motion to sell the Purchased Assets.

C. The Sale Of The Purchased Assets Free And Clear Of Liens Is Appropriate.

Section 363(f) of the Bankruptcy Code permits a debtor in possession to sell property "free and clear of any interest in such property of an entity other than the estate" if at least one of five conditions is met." 11 U.S.C. § 363(f). The conditions are:

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(1) applicable non-bankruptcy law permits sale of such property free and clear of such interest;

(2) such entity consents;

(3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property;

(4) such interest is in a bona fide dispute; or

(5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interests.

11 U.S.C. § 363(f). Section 363(f) is written in the disjunctive, such that satisfaction of any one of the five conditions is sufficient to allow a debtor in possession to sell property of the estates free and clear of liens. Citicorp Homeowners Assoc. v. Elliot (In re Elliot), 94 B.R. 343 (E.D. Pa. 1988); In re Bygaph, Inc., 56 B.R. 596 (Bankr. S.D.N.Y. 1986); Mutual Life Ins. co. of New York v. Red Oaks Farms, Inc. (In re Red Oaks Farms, Inc.), 36 B.R. 856 (Bankr. W.D. Mo. 1984).

The sale of the Assets free and clear of liens may proceed pursuant to subsection 363(f)(2). Pursuant to that subsection, property may be sold free and clear if the non-debtor holder of an interest in the property "consents." The Debtor believes that Bancorp, Foothill and Michelin will consent to the Sale, as their liens will attach with the same validity and priority to the proceeds of the Sale and ultimately such secured claimants will be paid such proceeds in the order of such priority, to the extent available, in satisfaction of their secured debt. Therefore, their existing interests, i.e. their liens, in the Purchased Assets will be adequately protected. To the extent the parties do not consent, the Debtor is prepared to prove that the Sale can proceed under one of the other subsections of section 363(f), including, without limitation 363(f)(5).

D. The Buyer Is Entitled To A Finding Of Good Faith Pursuant To Section 363(m) Of The Bankruptcy Code.

ARI (and, the Debtor believes, any other third party which may participate in an overbid for the Purchased Assets) and the Sale are entitled to a good faith finding within the

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meaning of section 363(m) of the Bankruptcy Code on the basis of the uncontradicted evidence that ARI, or any overbidder, will have presented the best and highest offer for the Purchased Assets based on arms-length negotiations and after significant marketing efforts and the opportunity for other prospective buyers to make competing offers. Lack of good faith for purposes of section 363(m) is generally determined by existence of fraudulent conduct during the sale process. In re Exennium, Inc., 715 F.2d 1401 (9th Cir. 1983); In re Suchy, 786 F.2d 900 (9th Cir. 1985). In this case, no such conduct has occurred.

IV.

CONCLUSION

The sale of the Purchased Assets is crucial to the ability of the Debtor to attempt to provide some return to its creditors on account of their claims. Without the Court's approval of the Sale, the Debtor's assets will most likely have to be liquidated in the same manner as the assets of the Super Shops Entities. Such a liquidation will result in a significant drop in the amount the Debtor's estate will receive for the assets. The Debtor has demonstrated that the consideration for the sale of these assets is fair and reasonable and that the Sale is the best means of maximizing the value of the assets. Accordingly, the Debtor requests that this Court grant the relief requested in this Motion and authorize the Debtor to sell the Purchased Assets in the manner described herein.

DATED: February 16, 1998

TROOP MEISINGER STEUBER & PASICH, LLP

By: _____
GARY E. KLAUSNER
Attorneys for the Debtor

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DECLARATION OF JOHN T. GRIGSBY, JR.

I, JOHN T. GRIGSBY, JR., declare and state as follows:

1. The following facts are within my personal knowledge unless otherwise stated. If called to testify as a witness with regard to the statements set forth below, I could and would competently testify thereto.

2. I am the President and Chairman of the Board of the Debtor and I am authorized to make this declaration on the Debtor's behalf. I am also a principal in John T. Grigsby, Jr. & Associates ("G&A"), a management consulting and financial advisory firm specializing in the representation of management, boards of directors, bondholders, bondholder committees, unsecured creditor committees, banks and bank syndicates, shareholders and equity committees, and potential purchasers and investors of financially distressed companies. G&A's primary services relate to the representation of debtor entities include management of all facets of the restructuring process, including the development and implementation of a restructuring plan, negotiations with creditors, placement/refinance of debt or equity, and hands-on assistance with business operations.

3. I have carefully read each of the facts set forth in the accompanying Motion and each of them are true to the best of my knowledge.

4. This case was commenced on September 19, 1997 by the filing by the Debtors of Chapter 11 petitions under the United States Bankruptcy Code (the "Bankruptcy Code"). The Debtor is operating its business and managing its assets as Debtors in Possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

5. Mallory is a wholly-owned subsidiary of Super Shops, Inc., a California corporation ("Shops(CA)"). In addition to owning Mallory, Shops(CA) also owns five other wholly-owned subsidiaries (collectively with Shops(CA), the "Super Shops Entities"). Prior to bankruptcy Mallory and the Super Shops Entities were operated as an integrated group and shared for the most part common management, as well as central accounting, administrative and operational functions. This relationship has been continued through the pendency of these bankruptcy cases.

6. Mallory is in the business of manufacturing specialized high performance automobile parts, such as ignition systems and valve train components. Mallory's headquarters and manufacturing plant is located in Carson City, Nevada. At present Mallory employs approximately 175 individuals.

7. Prior to bankruptcy, Mallory sold its product to a wide range of buyers, however, Shops (CA) for itself and the other Super Shops Entities purchased a significant portion of Mallory's production. For the year preceding the bankruptcy filing, Mallory had sales of approximately $23,000,000.

8. Due to operational and financial problems that were affecting the business operations of the Super Shops Entities, the Super Shops Entities filed for bankruptcy protection on September 19, 1997. These problems also affected Mallory's business operations and because Mallory was dependent upon Shops(CA) for its day to day working capital and shared with the Super Shops Entities some of the same secured creditors, including Foothill, Mallory also commenced a bankruptcy case on September 19, 1997.

9. Immediately after the Petition Date, the Super Shops Entities and the Debtor obtained Court approval to enter into postpetition financing agreements with Foothill and for the use of the alleged collateral and cash collateral of Michelin North America and certain suppliers of inventory which were sufficient to allow the Super Shops Entities and the Debtor to carry out their business operations. On September 25, 1997, the Court approved an interim financing order allowing postpetition financing by Foothill. At a final hearing conducted on October 21, 1997, the Court approved a final postpetition financing agreement with Foothill.

10. The Super Shops Entities' and the Debtor's have defaulted under their post-petition financing arrangement with Foothill and based upon such default, Foothill's post-petition financing of the Debtor's operations pursuant to the entered financing order ceased as of January 10, 1998. Foothill has also agreed to finance the Debtor's operations for a limited time solely in connection with consummating the sale of the Debtor's assets. A motion seeking Court approval of this financing is scheduled to be heard on March 12, 1998.

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11. Prior to the bankruptcy filings, I was employed by the Super Shops Entities and the Debtor to advise them on strategies for reorganizing their respective business. Working in conjunction with senior management, I examined the Super Shops Entities and the Debtor's business operations and the potential alternatives for emerging from Chapter 11. With respect to the Super Shops Entities, we moved aggressively to cut costs and closed in excess of forty under performing stores. After concluding that an operating plan was not feasible, attempts were made to sell the Super Shops Entities business as a going concern. However, a potential sale fell through and no other active bidders emerged. Accordingly, at a hearing held on January 26, 1998, the Court approved a liquidation sale. The assets of the Super Shops Entities are presently being liquidated with the assistence of a professional liquidator pursuant to a "Going Out Of Business Sale". The liquidation sale should be completed by the end of March, 1998.

12. With respect to the Debtor, after exploring various options, including refinancing or restructuring its financial affairs and business operations, an operating plan of reorganization and the sale of its business and assets piecemeal or as a going concern, I determined that it would be in the best interests of the Debtor's creditors and its estate, that the Debtor sell its business as a going concern as soon as possible to the highest bidder.

13. The Debtor's business and assets have been aggressively marketed by the Debtor's personnel, by Mr. Grigsby and by members of the Unsecured Creditors Committee. They have personally contacted potential buyers who they determined might be interested in purchasing the Debtor's business and assets. In addition, other parties directly contacted the Debtor about acquiring the assets when they learned of their availability. Over forty prospective purchasers have received information about the Debtor. Of these entities, approximately fifteen conducted due diligence at the Debtor's headquarters, and five parties, including ARI, made offers for the assets.

14. On or about December 15, 1997, I was approached by ARI about purchasing the Debtor's business and assets. The Purchase Agreement, a true and correct copy of which is attached hereto as Exhibit "1", is the product of extensive negotiations that took place over a period of approximately two months and involved each party giving on certain points. The

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negotiations were conducted at "arms-length" and in good faith. To the best of my knowledge, ARI is a distinct and separate entity from the Debtor, does not have any ownership interest in the Debtor or any of the Super Shops Entities, and has no connection to, or affiliation, with the Debtor or its business other than making the offer to purchase the assets. The offer of ARI is to date in my opinion the best offer for the Purchased Assets. I also believe that there will be overbids at the Sale Hearing based upon the interest received from other parties.

15. I believe that the maximum value for the Purchased Assets will be obtainable only through a rapid consummation of the sale as a going concern. Such a sale will also have the added benefit of significantly reducing the Debtor's interest and financing costs to its secured lenders, professional fees that are being incurred and the operating costs associated with running the Debtor's day-to-day business operations.

16. ARI has agreed to purchase substantially all of the Debtor's assets, primarily all of the assets necessary to operate the Debtor's business. ARI will not be purchasing the Debtor's cash, notes, accounts receivable, tax refunds, certain claims and causes of action related to the bankruptcy case and the bankruptcy case of the owner of Shops(CA) and certain real and personal property which is described in the Purchase Agreement. The sale will be free and clear of all liens, security interests, claims, encumbrances and interests. In addition, the Debtor will also assume and assign to ARI certain contracts and the Debtor's real property lease for the location of the Debtor's headquarters and manufacturing facility in Carson City, Nevada.

17. ARI will pay a purchase price comprised of a cash payment at the closing plus a percentage of ARI's net sales over time (the "Purchase Price"). Payment shall be made in the form of (i) a $4,500,000 cash payment at the closing of the Sale, less certain adjustments to be made at the Closing based primarily upon assumed liabilities and the value of the Debtor's inventory at the Closing, and (ii) an annual payment equal to 7.5% of the amount by which ARI's annual post-closing net sales of automotive parts and accessories exceeds $10,000,000, such annual

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payments to be made until the earlier of April 30, 2003 or at such time as the aggregate amount of such payments made to the Debtor totals $2,500,000.

18. Both ARI and the Debtor require a closing no later than April 3, 1998. The conditions to the obligation of ARI to close the Sale are set forth in Article 8 of the Agreement and Closing will be contingent upon, among other things:

a. Satisfactory conclusion of ARI's due diligence (which may include a review of all the Debtor's financial and operating records, relevant leases and contracts, assets, and other inspections) by March 6, 1998.

b. The assumption and assignment of the real property lease for the Debtor's headquarters and manufacturing facility in Carson City, Nevada.

c. The entry of a final non-appealable order of this Court approving the sale free and clear of claims, liens and encumbrances by March 27, 1998.

19. Pursuant to pre-petition loan agreement with U.S. Bancorp Leasing and Financial ("Bancorp"), dated December 7, 1995, the Debtor borrowed approximately $2,800,000 from Bancorp. To secure its obligations under the note, the Debtor granted Bancorp a security interest in certain of the Debtor's equipment, furniture and fixtures. As of the date hereof, Bancorp is owed approximately $1,774,000.00 by the Debtor.

20. In connection with the Debtor's pre-petition pre-petition financing arrangement with Foothill, evidenced by a certain Loan and Security Agreement dated as of January 15, 1997 (the "Pre-Petition Credit Facility"), Foothill was granted a first priority blanket lien on and security interest in all of the Debtor's assets, except those subject to a superior lien of other parties, such as Bancorp, against which Foothill took a second priority lien. The lien and security interest secured the repayment of the Debtor's indebtedness under the Pre-Petition Credit Facility. The Super Shops Entities were joint obligers under the Pre-Petition Credit Facilities with the Debtor. On the date of filing, Foothill was owed approximately $12.5 million. The Court

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approved post-petition financing arrangement with Foothill granted to Foothill replacement liens on all of the assets and property of the Debtor to secure the Super Shops Entities and the Debtor's obligations under the financing arrangement. As of the date hereof, Foothill is owed approximately $6,000,000.

21. In connection with certain indebtedness owed to Michelin North America by the Super Shops Entities, the Debtor executed a guaranty in favor of Michelin which guaranteed the repayment of that indebtedness and secured such guaranty with a lien on the assets of the Debtor, subordinated to the liens in favor of Bancorp and Foothill. As of the date hereof, Michelin is owed in excess of $20,000,000.

22. The proceeds from the Sale will be used to satisfy the Debtor's obligation to Bancorp and the remainder applied against the outstanding indebtedness owed to Foothill.

23. The Debtor believes that other than in connection with the real property lease covering the Debtor's headquarters and manufacturing facility, no cure payments will be necessary and that there will not be any issue with respect to adequate assurances of future performance. In fact, the ARI has agreed to reimburse the Debtor for certain costs and expenses associated with certain of the contracts to be assigned.

24. In my opinion, a sound business reason exists for the selling the Purchased Assets to ARI or any higher bidder that emerges at the Sale Hearing and for the assumption and assignment of the leases and executory contracts provided for herein.

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25. I believe that a sale of the Purchase Assets and assignment of the executory contract and unexpired leases to ARI, or to another party who submits a higher and better offer, provides the estate and its creditors with the highest and best recovery for such property. Accordingly, I believe that approval of the Sale is in the best interests of the estate.

I declare under penalty of perjury under the laws of the United States of America and the State of California that the foregoing is true and correct, and that this declaration is executed on February 26, 1998, at New York, New York.

John T. Grigsby

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EXHIBIT "1"

ASSET PURCHASE AGREEMENT

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "**Agreement**") is made and entered into on February _, 1998, by and among **MALLORY, INC.**, a Nevada corporation (the "**Seller**") and **ADRENALINE RESEARCH, INC.**, a Delaware corporation or its nominee (the "**Buyer**").

RECITALS

A. Seller is primarily engaged in the manufacturing, sales and distribution of automotive parts and accessories (the "Business") and uses various business and trade names including "Mallory" and "Erson" and variations thereof.

B. On September 19, 1997 (the "Petition Date"), Seller filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Case"). The Chapter 11 Case is pending in the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") and designated as case number LA 97-46144 ER.

C. Seller desires to sell and Buyer desires to purchase substantially all of the assets of Seller upon the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, and the mutual covenants contained herein, the parties agree as follows:

1. Purchase and Sale of Assets.

1.1 Assets. On the terms and subject to the conditions set forth herein, on the Closing Date (as defined in Section 4.1), Buyer shall purchase from Seller, and Seller shall sell, assign, transfer and, as provided herein, deliver to Buyer, all of Seller's right, title and interest in and to all properties, assets, powers and rights of every type, kind or nature, whether tangible or intangible, and wherever located, which are held by Seller or used by Seller in connection with or in any manner related to the Business, save and except for the "Retained Assets"(the "**Assets**"), free and clear of any and all "Liens" (as defined) (other than those expressly assumed by Buyer pursuant to Section 4) , including, without limitation, the following:

(a) All furniture, fixtures, machinery, equipment, leasehold improvements, and other fixed assets of Seller as of the date hereof located at or used or useful in the operation of the Business, including, without limitation, those listed on Schedule 1.1(a) attached hereto and made a part hereof;

(b) The name, goodwill and other intangible assets of Seller as of the date hereof and also those existing on the Closing Date used or useful in or otherwise associated with Seller, the Assets or the Business;

(c) All patents, patent applications, trademarks, trademark applications and registrations, trade names, service marks, service names, copyrights, copyright applications and

EXHIBIT 1

29

registrations, commercial and technical trade secrets, engineering, production and other designs, drawings, specifications, formulae, technology, computer and electronic data processing programs and software, inventions, processes, confidential information and other proprietary property rights and interests of Seller as of the date hereof and also those existing on the Closing Date used or useful in or otherwise associated with Seller, the Assets or the Business (hereinafter collectively referred to as the "**Intellectual Property**"), including, without limitation, the items set forth on the attached Schedule 1.1(c);

(d) All sales and business records, personnel records of Seller's employees, credit records of Seller's customers, customer and vendor lists (including all available names, addresses and telephone numbers), advertising and promotional materials, and all other books and records of every kind and nature which as of the date hereof and also as of the Closing Date relate to the Assets or the Business, other than Seller's minute books and corporate records which are not related to the Assets or the Business. Notwithstanding the foregoing, from and after Closing and until the entry of an order closing the Chapter 11 Case, Seller shall be allowed access to such records upon reasonable notice to Buyer and during regular business hours to the extent reasonable and necessary to enable Seller to perform its duties during the Chapter 11 Case and to wind-up its affairs; however, Buyer may require agreements and procedures to ensure that confidentiality is maintained with respect to information and data which is not generally available to the public;

(e) All equipment, machinery, tools, engineering and office equipment, and vehicles as of the date hereof and also those existing on the Closing Date used or useful in or otherwise associated with Seller, the Assets or the Business, including, without limitation, the items listed on the attached Schedule 1.1(e);

(f) All interests of Seller as of the date hereof and also those existing on the Closing Date (i) in motor vehicles, equipment and other personal property held under leases (collectively, the "**Personal Property Leases**") and (ii) in other contracts and agreements (collectively, the "**Material Commitments**") entered into by Seller, including, without limitation, those described on Schedule 5.4; provided, however, the Assets shall include only those Personal Property Leases and Material Commitments that Buyer designates for assumption and assignment to Buyer as of the Closing Date (the "**Assumed Contracts**");

(g) All licenses and permits held by Seller as of the date hereof and also those existing on the Closing Date in connection with Seller, the Assets or the Business, including, without limitation, those described on Schedule 1.1(g);

(h) All inventory, including, without limitation, work in progress and raw materials ("Inventory") of Seller on the Closing Date;

(i) All third party warranties and claims under warranties as of the date hereof and also those existing on the Closing Date relating to Seller, the Assets or the Business, including, without limitation, the warranties set forth on Schedule 1.1(i);

(j) The leasehold interests of Seller under the real property leases described on the attached Schedule 1.1(j) (the "**Real Property Leases**").

30

Notwithstanding anything to the contrary, the Assets shall not include, and Seller shall retain for its own use and benefit, the assets listed in Section 1.3 below (the **"Retained Assets"**).

1.2 Instruments of Transfer. On the Closing Date, Seller shall deliver to Buyer duly executed instruments of transfer and assignment, including, without limitation, Bills of Sale, assignments, powers of attorney, in form and substance reasonably satisfactory to Buyer and its counsel, sufficient to vest the Assets in Buyer in accordance with the terms of this Agreement.

1.3 Retained Assets. Notwithstanding anything to the contrary contained in Section 1.1 above, the following shall not be included in the Assets and shall not be sold by Seller to Buyer:

(a) All tax refunds of Seller;

(b) Notes and accounts receivable of Seller;

(c) Any and all written or oral employment agreements (unless otherwise specifically assumed hereunder);

(d) All claims and causes of action of Seller existing as of the date hereof or as of Closing (i) for avoidance actions under Sections 544-550 and 553 of the Bankruptcy Code, (ii) against Harry Eberlin (**"Eberlin"**) and any entity owned or controlled by Eberlin, and (iii) against third parties provided such claims are unrelated to the Assets being purchased by Buyer.

(e) All Real and Personal Property Leases and Material Commitments which are not Assumed Contracts;

(f) All cash, cash deposits, cash equivalents;

(g) the corporate minute books, stock transfer records and other corporate records of Seller dealing with corporate governance; and

(h) Any other of Seller's assets which Buyer excludes from the Assets at or prior to Closing pursuant to Section 1.3.

1.4 Collection of Seller's Accounts Receivable. Buyer agrees, as an accommodation to Seller, and to assist Seller in maximizing the recovery of accounts receivable from unrelated third parties included as Retained Assets; to use reasonable efforts to collect such accounts receivable for and on behalf of Seller for a period of 6 months from the Closing Date. Buyer shall be entitled to retain 5% of the net amounts collected plus Buyer's actual out-of-pocket expenses (exclusive of normal overhead and salaries). Buyer shall remit the net amounts collected to Seller within 10 days after the end of each calendar month. The monthly remittances to Seller shall be accompanied with an accounting and such other information as may be reasonably necessary to enable Seller to identify the payments by account debtor and the invoices for which payments are being made. Buyer shall not settle Seller's accounts receivable for less than payment in cash, in full without Seller's written consent. Seller may terminate Buyer's right to collect Seller's

31

accounts receivable at any time during such 6 month period; if terminated, Buyer shall only be entitled to Buyer's 5% of net collections plus expenses.

2. **Consideration.**

2.1 Purchase Price. The Assets shall be purchased by Buyer from Seller for an aggregate purchase price (the "**Purchase Price**") of up to $7,000,000 as follows:

(a) $4,500,000 at Closing, subject to adjustments set forth in Section 2.2 below; plus

(b) 7.5% of all Net Sales by Buyer of automotive parts and accessories in excess of $10,000,000 per year. Such percentage payments shall continue until the earlier of: (a) April 30, 2003; or (b) such time as the aggregate of all payments pursuant to this Section 2.1(b) total, $2,500,000. Such percentage payments shall be made on an annual basis, commencing with the twelve month period ended April 30, 1999. The payments shall be due and payable within 20 days following the end of each twelve month period. The first payment shall be due on May 20, 1999, and shall be based on sales occurring from May 1, 1998 through April 30, 1999. "Net Sales" shall mean sales made to customers of Buyer, net of and after deducting for taxes, discounts, returns, rebates, sales concessions, advertising allowances, freight and shipping and other credits against invoices. At the reasonable request of Seller, the Buyer shall provide Seller with documents, including, without limitation, sales reports, necessary for Seller to reconcile the sales with the actual disbursement made by Buyer to Seller on account of such sales. Seller shall have 30 days following each disbursement to investigate and determine the accuracy of the disbursement. In the event such investigation reveals that the disbursement was incorrect, Buyer shall promptly pay Seller any deficiency. If it is determined that Buyer overpaid, the overpayment shall be credited against the next payment due Seller. The costs and expenses of an investigation shall be paid by Seller unless the determined deficiency is more than 10%, in which event the costs and expenses of the particular investigation shall be paid or reimbursed by Buyer. Buyer may condition such investigations upon agreements and procedures to ensure that confidentiality of information is maintained.

2.2 Purchase Price Adjustments. The amounts payable by Buyer shall be subject to adjustments for the following:

(a) The cash payable at Closing shall be reduced by the amount, if any, of liabilities of Seller, other than Assumed Liabilities, that Buyer elects to assume; and Seller agrees shall be satisfied by Buyer for the benefit or account of Seller. Seller shall have the option, although not the obligation, of having its auditors verify the accuracy of the purchase price adjustments. If Seller's auditors are of the opinion that the purchase price adjustments are materially incorrect, the parties shall attempt to resolve the issues by mutual negotiation. If, after two weeks of negotiations, such negotiations have not been successful, either party may initiate proceedings to have the issue determined by the Bankruptcy Court.

(b) All amounts paid or payable for real estate taxes, common area charges, maintenance charges, rent, and other similar costs ordinarily and necessarily incurred to operate the Real Property Leases and Personal Property Leases comprising the Assumed Contracts shall

32

be allocated and paid by Seller and Buyer on a pro rata basis to the extent any bill or payment therefor covers a period of time both before and after midnight on the day before the Closing Date (the "Closing Cutoff"). In addition, the Purchase Price shall be increased by the amount of any prepaid rent with respect to the Assumed Contracts allocable to a period after the Closing Cutoff. If the rent payable after the Closing Cutoff under any Assumed Contract includes any deferral or postponement of rent originally allocable to a period prior to the Closing Cutoff but which has been deferred to after the Closing Cutoff as a result of an agreement subsequent to the date on which the Seller entered into the Assumed Contract, the Purchase Price shall be reduced by the amount thereof. The amount of any security, utility or similar deposits applicable to the Assumed Contracts that are assigned to Buyer, which deposits are not returned to Seller and with respect to which the lessor has confirmed in writing to Buyer that the deposit is being held for the account of Buyer or determined by the Bankruptcy Court to be held for the account of Buyer, shall be added to the Purchase Price. Any deposits or prepayments made by or on behalf Seller under NASCAR and NHRA contracts which are assigned to Buyer and become Assumed Contracts shall be reimbursed by Buyer to Seller provided the other parties to the contract all recognize Buyer's entitlement to fully utilize such deposits or prepayments.

(c) The amount to be paid at Closing shall be reduced dollar for dollar to the extent the total inventory, including, without limitation, work in process and raw materials, in existence as of the Closing, and transferred to Buyer, is less than $4,500,000 at cost.

3. **Assumption of Liabilities.**

Buyer agrees that upon transfer of the Assets on the Closing Date, it shall assume and agree to pay, perform or discharge, to the extent not paid, performed or discharged by Seller on or before the Closing Date, only the obligations and liabilities of Seller set forth on Schedule 3 (collectively, the **"Assumed Liabilities"**) and none other. Except for the Assumed Liabilities Buyer shall not assume, or in any way be liable or responsible for, any of Seller's liabilities, debts, and obligations, whether known or unknown, now existing or hereafter arising, contingent or liquidated (the **"Retained Liabilities"**). Without limiting the generality of the foregoing, the Retained Liabilities shall include:

(a) any liability or obligation of Seller arising out of or in connection with the negotiation and preparation of this Agreement and the consummation and performance of the transactions contemplated hereby, including but not limited to any tax liability so arising;

(b) any liability or obligation of Seller with respect to any employee benefit plan and any other liability or obligation with respect to any contractual, statutory or other severance benefits that may accrue as a result of the termination of employment by Seller of any of its employees;

(c) any liability or obligation of Seller for any federal, state, county or local taxes of any kind or nature, or any taxes levied by any other taxing authority, or any interest or penalties thereon, including without limitation any sales or use tax obligations applicable to the transfer of the Assets as contemplated by this Agreement, it being hereby agreed by the parties that such obligations shall be paid by Seller;

(d) any liability or obligation of Seller to any shareholder of Seller or to any affiliate or related party of a shareholder of Seller;

(e) any liability to which any of the parties may become subject as a result of the transactions contemplated by this Agreement not complying with the bulk sales provisions of the Uniform Commercial Code as in effect in any state or any similar statute as enacted in any jurisdiction; and

(f) any liability with respect to any claims, suits, actions or causes of action arising out of or relating to the Assets or any other aspect of Seller's business on or prior to the Closing Date.

4. Closing.

4.1 The closing (the **"Closing"**) of the purchase and sale of the Assets shall take place at the offices of Levene, Neale, Bender & Rankin L.L.P., 1801 Avenue of the Stars, Suite 1120, Los Angeles, California 90067 at 10:00 a.m. (PST) on the date that the Sale Order becomes final, unless Buyer specifies an earlier date and waives finality (the **"Closing Date"**).

4.2 At the Closing: (i) Seller shall deliver to Buyer (A) a Bill of Sale in the form of Exhibit "B" together with such other instruments of transfer and conveyance as shall be effective to vest in Buyer good and marketable title to the Assets, free and clear of any and all Liens, (except as expressly assumed by Buyer pursuant to Section 3), (B) an Assignment of the Real Property Leases being transferred to Buyer in the form of Exhibit "C", (C) any governmental and third party consents, approvals, or terminations of Liens or other security interests necessary for the consummation of the transactions contemplated hereby or as may be required to permit Seller to deliver the Assets free and clear of any and all Liens, and (D) all documents evidencing satisfaction of all of the conditions set forth in Section 8; and (ii) Buyer shall deliver to Seller (A) that portion of the Purchase Price then due and payable, (B) an Assumption Agreement in the form of Exhibit "C", (C) any third party consents required of Buyer, and (D) documents evidencing the satisfaction of all of the conditions provided for in Section 9.

5. Representations and Warranties Of Seller.

Seller hereby makes the following representations, warranties and covenants to the Buyer:

5.1 Organization. Standing and Power. Mallory, Inc. is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization (Nevada).

5.2 Title to the Assets. Seller has, and will transfer to Buyer at the Closing, good and marketable title to all of the Assets, free and clear of all liens (including, without limitation, any tax liens), claims, charges, security interests, mortgages, pledges, conditions, restrictions, and obligations, and any and all other encumbrances, options, defects and other rights and interests of any type, kind or nature whatsoever of any third Person (the **"Liens"**).

34

5.3 Litigation. Other than as set forth in Schedule 5.3, there is no suit or action (equitable, legal or administrative), arbitration or other proceeding pending, or to Seller's knowledge, threatened against Seller.

5.4 Material Commitments, Agreements, Arrangements, Etc.. Attached as Schedule 5.4 is a list of all Material Commitments of Seller, true copies of all of which have been made available to Buyer or its agents for review prior to the date hereof. The term "Material Commitments" includes: (a) all commitments directly relating to the Business out of the ordinary course of business; (b) all Material Commitments, agreements or instruments of Seller, the termination of which would have a material adverse effect on the Assets, financial condition or prospects of the Business; (c) Real Property Leases and Personal Property Leases; (d) all bonus, incentive compensation, pension, group insurance or employee welfare plans of any nature whatsoever covering Seller's employees; (e) all collective bargaining agreements or other commitments to or with any labor unions or other employee representatives or groups of employees; and (f) each commitment which directly relates to the Assets or the Business, whether in the ordinary course of business or not, which involves future collections or payments, performance of services or receipt or delivery of goods and/or materials in an amount or value individually or in the aggregate in excess of $100,000 or a term of more than six months.

5.5 Consents. Schedule 5.5 is a complete list of all approvals, consents or other actions of, or filings with, any Person, that are required in connection with the execution of, and the consummation of the transactions contemplated under, this Agreement.

5.6 Financial Statements. Seller has delivered to Buyer financial statements reflecting the results of operations and the financial position of the Seller's business (the **"Financial Statements"**) at and for the period ended December 31, 1997. The Financial Statements are true, complete and accurate in all material respects and present fairly the financial condition of Seller for the periods therein specified.

5.7 Tax Matters. All tax returns, reports, statements or other material forms (each, a **"Return"**) required to be filed with any governmental authority responsible for the imposition of any federal, state, local or other material tax or governmental charge (a **"Tax"**), on or before the Closing Date by or on behalf of Seller, have been or will be filed on or before the Closing Date in accordance with all applicable laws and all such Taxes shall be paid in full when due. There is no audit, action, suit or proceeding, or, to the knowledge of Seller, any investigation now pending against or with respect to Seller in respect of any Tax or assessment.

5.8 Environmental Compliance Matters. Except as set forth in Schedule 5.8, Seller has not received any notice of any claim, proceeding or investigation under federal, state or local law or any law of any foreign jurisdiction relating to air, soil, subsurface and water pollution, soil monitoring and the storage, treatment, disposal, removal, security, release, discharge or emission of any Hazardous Material (as defined below). Neither Seller nor any predecessor entity operating or controlling Seller's business has ever owned, leased or operated or otherwise controlled any real property at which a claim or proceeding is currently pending or threatened, nor does there exist any condition on any such property which would give rise to any such claim or proceeding under federal, state or local law or any law of any foreign jurisdiction relating to air, soil, subsurface, water pollution, soil monitoring and the storage, treatment, disposal, removal,

security, release, discharge or emission of any Hazardous Material. For the purposes of this Agreement, **"Hazardous Material"** shall include any flammables, asbestos, explosives, radioactive materials, hazardous wastes, toxic substances or related materials, including, without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," or "toxic substances" under any applicable federal, state, local or foreign laws, rules, regulations or orders, or which federal, state, local or foreign laws, rules, regulations or orders designate as potentially dangerous to public health and/or safety when present in the environment. The Buyer shall not assume or become responsible for any liabilities of the Seller or any other Person, whether or not associated in any way with the Assets, or any other obligation or expense of any kind or amount relating or concerning the environmental clean-up or remediation of any of the facilities subject to Real Property Leases. Nothing herein is intended to impose liability or responsibility upon Seller for acts or omissions of Buyer occurring after Closing or to impose liability or responsibility upon Buyer for acts or omissions of any Person other than Buyer occurring prior to Closing.

5.9 Insurance. There are no outstanding or unsatisfied requirements or recommendations imposed or made by any of Seller's current insurance companies with respect to current policies covering Seller or any of the Assets, or any governmental authority requiring or recommending, with respect to any of the Assets, that any repairs or other work be done on or with respect to, or requiring or recommending any equipment or facilities be installed on or in connection with, any of the Assets. Seller carries, and (with respect to any period for which a claim against Seller may still arise) has always carried, product liability insurance, workmen's compensation insurance in reasonable amounts, and other insurance which is reasonably necessary to the conduct of Seller's business.

5.10 Employee Benefit Plans, Etc.. Set forth on Schedule 5.10 is a true and complete list of each employee benefit plan, fringe benefit plan, vacation plan, sick leave plan, retiree health plan, bonus plan, deferred compensation plan and any other compensation agreements or plan or funding arrangement (collectively, the **"Plans"**) sponsored, maintained or contributed to by Seller or by any member of a group or organization of which Seller is a member under which any Employee may be entitled to benefits. Seller has delivered to Buyer accurate and complete copies of all documents embodying or relating to the Plans, including a list of the employees eligible for coverage and the benefits available under each such Plan. All Plans have in the past been, and are now, in all respects maintained, funded and administered in compliance with all applicable law.

5.11 Prepaid Expenses: Deposits. Set forth in Schedule 5.11 is a true, complete and accurate list of all prepaid expenses, trade deposits, security deposits and other similar assets of Seller existing as of the Closing Date.

5.12 Inventory Mix. The mix of finished inventory in Seller's possession which is to be transferred to Buyer at Closing shall not be materially different than the mix of finished inventory in Seller's possession as of January 1, 1998. The purpose of this provision is to ensure that Seller has not and will not, after January 1, 1998, sell through its affiliates in the liquidation sales being conducted by Seller's affiliates, all or a material portion of Seller's best selling inventory and leave Buyer with obsolete, non-GAAP, or extremely slow moving inventory. This provision shall be interpreted consistent with the above-stated purpose of this provision.

6. Representations and Warranties of Buyer.

Buyer represents and warrants to Seller, that:

6.1 Organization. Standing and Corporate Power. Buyer is a corporation duly organized and existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to consummate the transactions contemplated by this Agreement to which Buyer is a party, and to own its properties and carry on its business as presently conducted.

6.2 Execution. Delivery and Performance. The execution, delivery and performance of this Agreement by Buyer, and the consummation of the transactions contemplated hereby have been duly authorized by the Board of Directors of Buyer, and Buyer has taken all other actions required by law, its Certificate of Incorporation and Bylaws in order to consummate the transactions contemplated by this Agreement. This Agreement has been validly executed and delivered by Buyer, and constitutes the valid and binding obligation of Buyer enforceable in accordance with its terms.

6.3 Effect of Agreement. The execution and delivery by Buyer of this Agreement, and the consummation of the transactions contemplated hereby, do not and will not, with or without the giving of notice or lapse of time, or both: (i) conflict with the Certificate of Incorporation or Bylaws of Buyer; (ii) violate any judgment, order, writ or decree of any court or administrative body applicable to Buyer; (iii) violate any provision of any law, statute, rule or regulation to which Buyer is subject; or (iv) result in the breach of, constitute a default under, constitute an event which with notice or lapse of time, or both, would become a default under any material contract or agreement of Buyer, or result in the creation of any Lien upon any of the assets of Buyer.

6.4 Consents. Except as set forth on Schedule 6.4, no consents of any Person are required in connection with the consummation by Buyer of the transactions contemplated under this Agreement.

7. Pre-Closing Covenants of Seller.

Seller hereby covenants and agrees with Buyer that, between the date hereof and the Closing Date:

7.1 Conduct of Business Until Closing Date. Except as permitted or required hereby or as Buyer may otherwise consent in advance in writing, Seller shall:

(a) operate the business of Seller only in the usual, regular and ordinary manner, and use their best efforts to (a) preserve the present business organization of Seller intact, (b) keep available the services of the present employees of Seller, and (c) preserve the current business relationships of Seller with customers, suppliers, distributors and others having business dealings with it;

(b) maintain the books, records and accounts of Seller in the usual, regular and ordinary manner, on a basis consistent with prior periods;

(c) duly comply with all laws applicable to Seller and to the conduct of its business; and

(d) perform all of the obligations of Seller without default.

7.2 Access and Information. Seller has made available to Buyer and its agents access to all of the properties, books, Material Commitments, and records of or relating to its Assets and business, and until the Closing Date shall furnish Buyer with such additional financial and operating data and other information as to the Business and Assets as Buyer or its agents reasonably may request, including copies or extracts of pertinent records, documents and Material Commitments. Seller shall use its best efforts to cause its independent accountants and auditors to make available for inspection to Buyer and its accountants any and all of their statements, working papers and underlying records and data, as Buyer reasonably may request. Seller's covenants under this Section 7.2 are made with the understanding that Buyer and its representatives will make reasonable efforts to keep confidential any information obtained from Seller concerning the properties, operations and business of Seller, and prior to the Closing will use such information solely for the consummation of the transactions contemplated hereby.

7.3 Advice of Changes. If Seller becomes aware of any fact or facts which, if known at the date of this Agreement, would, individually or in the aggregate, materially and adversely affects its ability to perform its obligations under this Agreement or materially and adversely affects the Business or the Assets, Seller shall promptly advise Buyer in writing thereof.

7.4 Consents of Others. As soon as reasonably practicable after the date hereof and in any event prior to the Closing, Seller will obtain the consents of all Persons designated by Buyer to the assignment and transfer to Buyer of all of the business, properties, assets, leaseholds, Material Commitments, and agreements herein provided to be assigned and transferred to Buyer.

7.5 Insurance. Seller shall continue its existing insurance policies with respect to Seller's business and the Assets, subject only to variations in amounts required by ordinary operations of Seller's business.

7.6 Governmental and Third Party Consents and Approvals. Both prior and subsequent to the Closing, Seller shall take all such actions as may be necessary or will assist in Buyer's efforts to: (a) prepare and file applications with any local governmental agency or other appropriate agency and any other necessary third party for consent to the transactions contemplated by this Agreement or the ancillary agreements, or as may be required to deliver the Assets free and clear of any Liens, including all notices and documentation in connection with bulk transfer provisions of the Uniform Commercial Code of the State of Nevada; (b) prosecute such applications with diligence; (c) diligently oppose any objections to, appeals from or petitions to reconsider such governmental or third party approvals or consents; and (d) take all such further action as reasonably may be necessary to obtain and maintain such consents.

38

8. Conditions to Obligations of Buyer.

Unless waived, in whole or in part, in writing by Buyer, Buyer's obligation to effect the transactions contemplated hereby and in each of the agreements related to the transactions provided herein shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

8.1 Documentation. All documents relating to the transactions contemplated by this Agreement shall be reasonably satisfactory to Seller's legal counsel.

8.2 Bankruptcy Court and Other Approvals. The Seller shall have obtained (a) a Sale Procedures Order (as defined) by not later than February 20, 1998, (b) a final and non-appealable Sale Order (as defined) by not later than March 27, 1998, and (c) all other approvals required to be obtained by Seller hereunder prior to the Closing Date.

8.3 No Liens. All of the Assets shall be sold and/or assigned free and clear of all Liens, other than those Liens which Buyer has agreed to assume.

8.4 Contemporaneous Transactions. Seller shall have executed and delivered to Buyer the Bill of Sale and all such other documents, assignments, and agreements as Buyer reasonably deems necessary or appropriate to transfer the Assets to Buyer and to consummate the terms of this Agreement.

8.5 Assumption and Assignment of Lease. Seller shall have assumed and assigned all agreements relating to Real Property Leases to Buyer and obtained a final and non-appealable Order from the Bankruptcy Court authorizing the assumption and assignment of such agreements.

8.6 Due Diligence. Buyer shall have completed, to its sole satisfaction, by not later than February 20, 1998, due diligence and investigation of the Seller, including, without limitation, the review of the Assets, Business operations, future prospects of the Business, personal and real properties of Seller, and any and all financial, operational, legal, and environmental issues associated with the Seller, the Assets or the Business and Buyer must, in its sole discretion, be entirely satisfied with the results thereof. Buyer's due diligence shall not limit any of Seller's representations, warranties or other obligations to Buyer hereunder.

8.7 Material Adverse Change. There shall not be any material adverse change in the Assets, Business or future prospects of the Business between the time of execution of this Agreement and the Closing Date. For purposes of this subsection, there shall be a material adverse change if the Buyer, acting reasonably in performing due diligence of the Assets and Business, determines that the Assets or the Business have materially deteriorated in value during the applicable period, or are likely to materially deteriorate in value shortly after the Closing Date due to factors outside of the control of the Buyer. "Materially deteriorate in value" means to diminish in value by at least $500,000. Buyer is aware that Super Shops, Inc., a major customer of Seller, has or may discontinue business and therefore may no longer be a customer for the products sold by Seller. The loss of Super Shops, Inc. as a customer as well as a layoff of Seller's personnel who support the sales and the production of products for Super Shops, Inc. shall not be deemed a breach by Seller of any representation or warranty hereunder or a breach of Seller of

this Agreement nor shall such circumstance constitute a material adverse change for purposes of this Section 8.7.

9. Conditions to Obligations of Seller.

Unless waived, in whole or in part, in writing by Seller, the obligations of Seller to effect the consummation of the transactions contemplated hereby shall be subject to the fulfillment prior to or at the Closing of each of the following conditions:

9.1 Representations and Warranties of Buyer to be True. The representations and warranties of Buyer contained herein shall be true and correct in all material respects on the Closing Date with the same effect as though made at such time. Buyer shall have performed all obligations and complied with all covenants required by this Agreement and each of the ancillary agreements to be performed or complied with by it prior to the Closing Date.

9.2 Documentation. All documents relating to the transactions contemplated by this Agreement shall be reasonably satisfactory to Seller's legal counsel.

9.3 Closing Certificate. Buyer shall have deliverer a certificate, dated the Closing Date, certifying that the conditions specified in Section 6 have been satisfied..

9.4 Approvals. Buyer shall have obtained all approvals required to be obtained by Buyer hereunder.

9.5 Contemporaneous Transactions. Buyer shall have executed and delivered to Seller the Assumption Agreement and paid the cash consideration payable at Closing.

10. Bankruptcy Court Procedures and Approvals.

10.1 Sale Procedures Order. Seller shall file with the Bankruptcy Court a motion, on shortened notice, for approval of the procedures set forth in this Section 10.1. Seller shall obtain an order from the Bankruptcy Court approving the bidding procedures (the "Sale Procedures Order") by not later than February 20, 1998, which Sale Procedures Order must be acceptable to Buyer. In the event the Sale Procedures Order is not entered by February 20, 1998, Buyer, at its option, may terminate this Agreement. The Sale Procedures Order shall generally provide for the following:

A. A hearing date (the "Sale Hearing") of March 13, 1998, or as soon thereafter as is practicable, but in no event later than March 20, 1998, before the Bankruptcy Court to consider a sale of the Assets to Buyer at the price and upon the terms set forth in this Agreement;

B. Criteria that must be met for a competing offer to be considered (a "Qualified Offer") including (i) a cash deposit of not less than $100,000 to be presented at or prior to the Sale Hearing to Seller's bankruptcy counsel who shall place the deposit into a segregated trust account or hold the same in such other manner as the Bankruptcy Court directs; (ii) evidence, satisfactory to the Court, that the competing buyer has the financial ability and

40

willingness to consummate the purchase of the Assets no later than currently proposed under the Agreement with Buyer; (iii) a purchase price valued at least $100,000 plus the Termination Fee in excess of the price offered by Buyer; (iv) terms at least as favorable, taken as a whole, to Seller as provided in this Asset Purchase Agreement; (v) no limitation upon Buyer submitting a new or modified proposal; and (vi) a determination by the Court that the Qualified Offer constitutes the "highest and best offer" and is in the best interests of Seller's estate.

C. A right of Buyer to increase the purchase price and change the terms of this Agreement so that the value of this Agreement, as modified, taken as a whole is at least as favorable to Seller as provided in the Qualified Offer (a "Matching Offer"). If Buyer submits a Matching Offer, and assuming no higher and better Qualified Offers are thereafter submitted (which too would be subject to a "Matching Offer" by Buyer), the Assets shall be sold to Buyer at the price and terms contained in this Agreement, as modified in order to constitute a Matching Offer.

D. If a Qualified Offer of a competing buyer is approved by the Court, Buyer shall be entitled to a termination fee ("Termination Fee") payable to the Buyer within 5 business days following the Sale Hearing. The Termination Fee shall be $200,000, which the parties acknowledge to be a reasonable estimate of Buyer's anticipated and already incurred costs and expenses relating to this transaction. Buyer's costs and expenses include, but are not limited to, the time and charges of management personnel of Buyer, Buyer's employees, and Buyer's professionals and third parties retained to assist Buyer (including, but not limited to, attorneys, accountants, appraisers, auditors, environmental consultants, financial advisors and others). The Termination Fee shall cover all activities of Buyer and those retained to assist Buyer that in any manner directly or indirectly arise out of or relate to the transactions herein contemplated including, without limitation, the analyses of and due diligence concerning the Assets and the business of Seller, the negotiation, documentation and steps taken toward consummation of the transactions herein contemplated, and proceedings before the Bankruptcy Court and any other tribunal regarding the transactions, clarification of rights, obtaining of orders and judgments (including, without limitation, any disputes as to the amount or reasonableness of the Termination Fee).

10.2 Order Approving Sale. Buyer's obligation to close shall be subject to entry of a final non-appealable order of the Bankruptcy Court approving the sale of the Assets (which condition Buyer may waive without further notice to or consent of the Bankruptcy Court or any interested parties) on terms reasonably acceptable to Buyer (the "Sale Order"). In the event the Sale Order does not become a final non-appealable order before April 3, 1998, then Buyer, at its option, may terminate this Agreement. The Sale Order shall provide for the sale of all Assets and the assignment of the leases free and clear of all claims, Liens, interests, actions, causes of action and demands, including, but not limited to, all product liability and warranty claims of any nature.

11. Nature and Survival of Representations and Warranties; Indemnity; Expenses.

11.1 Survival of Representations and Warranties. Seller's representations and warranties in Section 5 and other obligations under this Agreement shall survive the Closing. Buyer's representations and warranties in Section 6 and other obligations under this Agreement

41

shall survive the Closing. The remedies of Buyer shall, with respect to any breach by Seller discovered after Closing, shall be limited to Buyer being entitled to offset its claims arising therefrom against the deferred portion of the purchase price payable pursuant to Section 2.1(b).

11.2 Indemnification by Seller.

(a) Seller hereby agrees to indemnify, and hold Buyer, and its officers, directors, members, shareholders, successors and assigns, harmless from and against any and all liability, loss, cost or expense which any of them may suffer or become liable for as a result or in connection with any of the following:

(i) Seller's failure to perform any of its obligations under this Agreement and all agreements related hereto;

(ii) any liability or obligation of Seller with respect to any employee benefit plan and any other liability or obligation with respect to any contractual, statutory or other severance benefits that may accrue as a result of the termination of employment by Seller of any of its employees;

(iii) any liability or obligation of Seller for any federal, state, county or local taxes of any kind or nature, or any taxes levied by any other taxing authority, or any interest or penalties thereon, including, but not limited to any sales or use tax obligations applicable to the transfer of the Assets as contemplated by this Agreement, it being hereby agreed by the parties hereto that such obligations shall be paid by Seller;

(iv) any liability to which any of the parties may become subject as a result of the transactions contemplated by this Agreement not complying with the provisions of the Uniform Commercial Code as in effect in any state or any similar statute as enacted in any jurisdiction; or

(v) any breach of any representations and warranties of Seller contained in this Agreement or in any agreements related hereto.

(b) Without limiting the rights and remedies available to Buyer, any and all claims of Buyer arising out of or relating to the breach of this Agreement, including, without limitation, its rights of indemnity, may be used by Buyer as an offset against its payment and other obligations for the balance of the purchase price of the Assets whether payable at Closing or thereafter.

11.3 Indemnification by the Buyer. Buyer hereby covenants and agrees with Seller that, regardless of any investigation made at any time by or on behalf of Seller or any information Seller may have and, regardless of the Closing hereunder, Buyer shall indemnify Seller, Seller's directors, officers, trustees and affiliates, and each of their agents, employees, administrators, successors and assigns (individually a "Seller Indemnified Party"), and hold them harmless from, against and in respect of any and all costs, losses, claims, liabilities, fines, penalties, damages and expenses (including interest which may be imposed in connection therewith and court costs and reasonable fees and disbursements of counsel) incurred by any of them in connection with:

(a) all liabilities of or claims against the Seller Indemnified Parties of any nature, whether accrued, absolute, contingent or otherwise, with respect to the Assumed Liabilities;

(b) all liabilities of or claims against the Seller Indemnified Parties or the Buyer of any nature, whether accrued, absolute, contingent or otherwise, attributable or relating to the operation by Buyer of the Business, or the utilization or disposition by Buyer of all or any part of the Assets, from and after the Closing Date;

(c) any breach of any of the representations, warranties, covenants or agreements made by the Buyer in this Agreement, any other Exhibit or Schedule hereto, or any certificate or instrument delivered in connection herewith or therewith; or

(d) any attempt (whether or not successful) by any Person to cause or require a Seller Indemnified Party to pay or discharge an Assumed Liability.

11.4 Right to Defend, Etc.. If the facts giving rise to any such indemnification shall involve any actual claim or demand by any third party against a Seller Indemnified Party, the Seller Indemnified Party shall be entitled to notice of and entitled (without prejudice to the right of any Seller Indemnified Party to participate at its own expense through counsel of its own choosing) to defend or prosecute such claim at their expense and through counsel of their own choosing if they give written notice of their intention to do so no later than the time by which the interests of the Seller Indemnified Party would be materially prejudiced as a result of its failure to have received such notice; provided, however, that if the defendants in any action shall include both Buyer and a Seller Indemnified Party, and the Seller Indemnified Party shall have reasonably concluded that counsel selected by the Buyer has a conflict of interest because of the availability of different or additional defenses to the Seller Indemnified Party, the Seller Indemnified Party shall have the right to select separate counsel to participate in the defense of such action on its behalf, at the expense of the Buyer. The Seller Indemnified Party shall cooperate fully in the defense of such claim and shall make available to the Buyer pertinent information under its control relating thereto, but shall be entitled to be reimbursed, as provided in this Section 11, for all costs and expenses incurred by it in connection therewith.

11.5 Subrogation. If a Seller Indemnified Party receives payment or other indemnification from the Buyer hereunder, the Buyer shall be subrogated to the extent of such payment or indemnification to all rights in respect of the subject matter of such claim to which the Seller Indemnified Party may be entitled, to institute appropriate action for the recovery thereof, and the Seller Indemnified Party agrees reasonably to assist and cooperate with the Buyer at no expense to the Seller Indemnified Party in enforcing such rights.

11.6 Expenses. Each party shall be responsible for its own professional fees and transaction costs.

12. Termination.

This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual agreement of Seller and Buyer; provided, however, that such termination is set forth in a writing executed by both parties; or

(b) by Buyer, in a writing, if the Sale Procedures Order is not entered by February 20, 1998, or if Closing does not occur on or prior to April 3, 1998, other than by reason of a breach of a duty or obligation hereunder of Buyer; or

(c) by either Buyer or Seller if satisfaction in any material respect of any condition to such party's obligations hereunder becomes impossible, and has not been satisfied or waived, unless such impossibility is primarily due to the breach by the party desiring to terminate the Agreement of its obligations hereunder or the inaccuracy at the time made of any of the representations or warranties of the party desiring to terminate this Agreement.

In the event of such termination, no party shall have any obligation or liability to any other in respect to this Agreement, except for any breach of contract occurring prior to such termination, and any obligation expressly created hereunder incurred prior to the date of termination, and the transactions contemplated hereby shall be abandoned and cease to have any further effect.

13. Taxes.

13.1 Payment of Taxes. Filing of Returns. Seller shall remain liable for the filing of all Returns and for the payment of all Taxes of Seller relating to the operation of the Business for any period ending on or prior to the Closing Date and Seller shall remain so liable for the payment of all of its Taxes attributable to or relating to the consummation of the transactions contemplated herein, and shall indemnify and hold Buyer harmless from and against all liability in connection therewith.

13.2 Sales Taxes. Seller shall bear the responsibility for sales, use or other similar Taxes, if any, arising out of the consummation of the transactions herein provided for and Seller shall be responsible for the filing of all Returns and reports as are required by law to be filed by Seller with respect to such Taxes.

14. Miscellaneous.

14.1 Definitions. "Person" means any individual, corporation, trust, estate, partnership, joint venture, company, association, governmental bureau or other entity of whatsoever kind or nature. "Or" is not exclusive.

14.2 Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be given by personal delivery; United States mail, certified or registered with return receipt requested; or by telegram, telecopy/facsimile (which facsimile is subsequently confirmed) or telex:

(i) If to Seller, to:

Mallory, Inc.
P0 Box 30068
Reno, NV 89520
Attn: John Grigsby
Fax No. (702) 851-5195

With a copy to:

Troop Meisinger Steuber & Pasich, LLP
10940 Wilshire
Los Angeles, CA 90024
Attn: Gary B. Klausner,Esq.
Fax No.(310)443-8740

(ii) If to Buyer, to:

Adrenaline Research, Inc.
Three Brent Drive
Hudson, Massachusetts 01749-2903
Attn: Ed Van Dyne/Christina R. Young
Fax No.(978)568-8786

With copies to:

Levene, Neale, Bender & Rankin L.L.P.
1801 Avenue of the Stars, Suite 1120
Los Angeles, California 90067
Attn: Craig M. Rankin, Esq.
Fax No.(310)229-1244

or at such other address or addresses as may have been furnished by any party in a writing to the other parties hereto. Any such notice, request, demand or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mail by first-class certified mail, return receipt requested, postage prepaid, addressed as aforesaid, (ii) if given by telecopy, telegram or telex, upon confirmation of transmission, or (iii) if given by any other means, when delivered at the addresses specified herein.

14.3 Governing Law. This Agreement shall be governed by and construed both as to validity and performance and enforced in accordance with the laws of the State of California, without giving effect to the choice of law principles thereof.

14.4 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be or becomes prohibited or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

14.5 Entire Agreement Amendment, Waiver. The section and subsection headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties. This Agreement, together with exhibits and schedules hereto constitutes and embodies the entire understanding and agreement of the parties hereto relating to the subject matter hereof and there are no other agreements or understandings, written or oral, in effect between the parties relating to such subject matter except as expressly referred to herein. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors, heirs and personal representatives. No provision of this Agreement may be waived unless in writing signed by all of the parties to this Agreement, and waiver of any one provision of this Agreement shall not be deemed to be a waiver of any other provision.

14.6 Specific Performance. Seller acknowledges that the Assets are unique and that Buyer will have no adequate remedy at law if Seller shall fail to perform any of its obligations hereunder. In such event, Buyer shall have the right, in addition to any other rights it may have, to specific performance of this Agreement.

14.7 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14.8 Time of the Essence. Time is of the essence of each provision of this Agreement in which time is an element.

14.9 No Adverse Construction. The rule that a contract is to be construed against the party drafting the contract is hereby waived, and shall have no applicability in construing this Agreement or the terms hereof.

14.10 Intent. Each party acknowledges that it has, and has exclusively relied upon, its own legal, tax and accounting advisors in connection with the structure, negotiation and execution of this Agreement or any of the ancillary agreements, and the performance of its obligations hereunder and thereunder.

14.11 Further Assurances. At Buyer's request, whether at or after the Closing and without further consideration, Seller shall execute and deliver such further instruments of conveyance and take such other action as may be required to more effectively convey and transfer the Assets to Buyer and, if necessary, shall assist Buyer in the collection or reduction to possession of such property.

14.12 Jurisdiction and Venue Regarding Disputed Matters. Any disputes, claims or other matters between Buyer and Seller arising under or related to this Agreement shall be submitted to and determined by the Bankruptcy Court in the Chapter 11 Case until entry of a final decree closing the case under the Bankruptcy Code. Thereafter, any disputes, claims or other matters shall be submitted to and determined by any court or tribunal of competent jurisdiction or appropriate venue unless the Seller and Buyer agree to a different method of dispute resolution.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth above.

"SELLER" MALLORY, INC., a Nevada corporation

By: _____

"BUYER" ADRENALINE RESEARCH, INC., a Delaware corporation

By: _____

47

Schedule 1.1(c)
Trademarks

DESCRIPTION	REG. #	ISSUE DATE
COMP 9000® (in italics)	1,513,340	11/1/88
COMP 9000®	1,517,021	12/20/88
COMP FILTER®	1,645,921	5/28/91
COMP FILTER® (in italics)	1,645,922	5/28/91
COMP PUMP® (block letters)	1,555,684	9/12/89
COMP PUMP® (in italics)	1,555,683	9/12/89
DOUBLE LIFE DESTRIBUTOR®	739,303	10/16/62
EARLY-WARNING LIFE-LITE®	817,313	10/25/66
ERSON®	75,727	1/8/85
ERSON®	A443115	4/2/86
ERSON®	TMA349,080	12/16/88
ERSON CAMS® (design)	1,342,466	6/18/85
FLASH FIRE®	759,126	10/29/63
HYFIRE®	1,281,295	6/12/84
HYFIRE®	1,443,988	6/23/87
M® (in a circle)	251029?	2/21/80
M® (in a circle)	533,982	11/28/50
M® (in a circle)	660,065	4/1/58
M®	255/54938	
M® (in a circle)	UCA32243	12/29/78
M® (design for fuel pumps)	1,620,861	12/11/90
MAGSPARK®	582,309	11/10/53
MALLORY® (in script)	536,081	1/9/51

71

Schedule 1.1(c)
Trademarks

MALLORY®	547,090	8/28/51
MALLORY®	NS25/7164	10/26/82
MALLORY®	UCA07164	10/29/96
MALLORY®/MR. MALLORY® (in script)	338,290	9/1/36
MALLORY®/MR. MALLORY® (in script)	663,080	6/17/58
M. MALLORY® (in script)	UCA2758	1/4/79
MR. MALLORY® (in script)	312,364	4/24/34
MALLORY ELECTRIC®	343,267	12/24/81
MALLORY ELECTRIC®	480,331	12/31/81
MALLORY IGNITION®	480,330	12/31/81
MALLORY IGNITION®	1,244,189	7/5/83
MALLORY IGNITION®	B402172	1/11/84
MALLORY IGNITION®	B402173	1/11/84
PROMASTER®	1,278,689	5/22/84
PROMASTER®	1,442,764	6/16/87
PRO SIDEWINDER®	1,480,470	3/15/88
PRO TACH®	1,442,905	6/16/87
PRO WIRE®	1,441,045	6/2/87
QUIK CHIP®	1,611,887	9/4/90
REV-POL®	738,523	10/2/62
REV-POL®	763,816	1/28/64
SIG ERSON®	1,284,199	7/3/84
SIG ERSON CAMS®	1,271,723	3/27/84
SPRINT®	1,448,168	7/21/87

Schedule 1.1(c)
Trademarks

SPRINTMAG®	1,436,237	4/14/87
SPRINTMAG®	1,436,239	4/12/87
SPRINT WIRE®	1,441,046	6/2/87
SUPER-MAG®	1,458,008	9/22/88
SUPER WIRE®	1,469,598	12/22/87
THE QUICKEST IGNITION IN THE WORLD®	1,629,580	12/25/90
UNILITE®	1,068,426	6/28/77
VOLTMASTER®	106,136	
VOLTMASTER®	629,014	6/19/56
VOLTMASTER II®	187,125	
VOLTMASTER MARK II®	1,118,089	5/15/79

Schedule 1.1(c)
Patents

DESCRIPTION	REG. #	ISSUE DATE
ELECTRICAL SWITCHING CIRCUIT	3408993	11/5/68
ELECTRONIC SPEED CONTROL DEVICE FOR AN ENGINE	3430615	3/4/69
CAPACITIVE DISCHARGE SYSTEM FOR INTERNAL COMBUSTION ENGINES	3581726	7/22/69
CAPACITIVE DISCHARGE IGNITION SYS.	3504658	4/7/70
BREAKERLESS IGNITION SYSTEM	3646926	3/7/72
BREAKERLESS IGNITION SYSTEM	915248	11/21/72
OSCILLATOR OPERATED IGNITION CIRCUIT	915249	11/21/72
IGNITION SYSTEM	3720194	3/13/73
CAPACITIVE DISCHARGE IGNITION	3842817	10/22/74
CONSTANT DUTY CYCLE MONOSTABLE	4057740	11/8/77
DISTRIBUTOR SPRING FOR USE IN A MAGNETIC SENSOR	4119075	10/10/78
BREAKERLESS CAPACITIVE DISCHARGE IGNITION SYSTEM	4141331	2/27/79
COMBINED RPM LIMITER & ELECTRONIC TACHOMETER W/SHIFT POINT INDICATOR	4262641	4/21/81
GAS DETECTOR	4340885	7/20/82
MULTI-SPARK CD IGNITION	4345576	8/24/82
CAPACITIVE DISCHARGE IGNITION SYSTEM FOR INTERNAL COMBUSTION ENGINES	3646605	2/29/72
IGNITION DISTRIBUTOR ADVANCE PLATE	4458638	7/10/84
QUIK CHIP	1611887	9/4/90
FUEL PUMP INTERNALLY BYPASSED	5007806	4/16/91

74

Schedule 1.1(c)
Patents

PLUNGER TYPE FUEL PRESSURE REGULATOR	4998557	3/12/91
FUEL PUMP REGULATOR	5111793	5/12/92
FUEL PUMP CHAMBER	Des.327277	6/23/92
PLUNGER TYPE FUEL PRESSURE REGULATOR	5123436	6/23/92
MULTIPORT RETURN TYPE PRESSURE	5186147	2/16/93
REGULATOR		

75

PROOF OF SERVICE BY MAIL
(1013a, 2015.5 C.C.P.)

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen and not a party to the within action; my business address is: TROOP MEISINGER STEUBER & PASICH, LLP, 10940 Wilshire Boulevard, 8th Floor, Los Angeles, California 90024-3902.

On February 26, 1998, I served the foregoing document described as:

DEBTOR'S MOTION FOR ORDER AUTHORIZING (1) SALE OF SUBSTANTIALLY ALL OF ITS ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OUTSIDE THE ORDINARY COURSE OF BUSINESS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES; MEMORANDUM OF POINTS AND AUTHORITIES AND DECLARATION OF JOHN T. GRIGSBY, JR. IN SUPPORT THEREOF

on the interested parties in this action by placing _ the original X a true copy thereof enclosed in sealed envelopes addressed as follows:

SEE ATTACHED SERVICE LIST

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. postal service on that same day with postage thereof fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on February 26, 1998, at Los Angeles, California.

(STATE) _

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(FEDERAL) X

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

LISA MASSE — Lisa Masse
(Print Name) (Signature)

4/26 B

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APR - 3 1998

ENTERED
APR - 3 1998
CLERK U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY

UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

In re SUPER SHOPS, INC., a California corporation, SUPER SHOPS, INC., an Arizona corporation, SUPER SHOPS, INC., a Kansas corporation, SUPER SHOPS, INC., a Michigan corporation, SUPER SHOPS, INC., a Nevada corporation, SUPER SHOPS, INC., a Texas corporation, and MALLORY, Inc., a Nevada corporation, Debtors. [Tax ID Nos. 95-2778544, 93-0945433, 48-1077457, 38-2904415, 95-0957431, 74-2275623 and 88-0173471]	Case No. LA 97-46094-ER Chapter 11 (Administratively Consolidated with Case Nos. LA 97-46127-ER, LA 97-46136-ER, LA 97-46153-ER, LA 97-46161-ER, LA 97-46164-ER, and LA 97-46144-ER) [This Pleading Applies Only to the Mallory, Inc. Bankruptcy Case] **ORDER APPROVING DEBTOR'S SALE OF SUBSTANTIALLY ALL OF ITS ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OUTSIDE THE ORDINARY COURSE OF BUSINESS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES** Date: March 19, 1998 Time: 2:30 p.m. Place: Courtroom "1568" Roybal Fed. Bldg. 255 East Temple Street Los Angeles, CA 90012

AT LOS ANGELES IN SAID DISTRICT ON THIS ____ DAY OF MARCH, 1998.

On March 19, 1998 at 2:30 p.m. before the Honorable Ernest M. Robles, United States Bankruptcy Judge, in Courtroom "1568", Roybal Federal Building, 255 E. Temple Street,

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TROOP MEISINGER STEUBER & PASICH, LLP

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Los Angeles, California, 90012, a hearing (the "Hearing") took place in connection with a Motion filed by Mallory, Inc., a debtor and debtor in possession in the above-referenced jointly administered bankruptcy cases, entitled "Motion for Order Authorizing (1) Sale of Substantially All of its Assets Free and Clear of Liens, Claims and Encumbrances Outside the Ordinary Course of Business; and (2) Assumption and Assignment of Leases" (hereinafter the "Sale Motion"). The Debtor appeared through its counsel herein; Troop Meisinger Steuber & Pasich, LLP by Gary E. Klausner. Other appearances are noted on the Court record.

Based upon the Sale Motion, the Points and Authorities and Declaration attached thereto, other matters of record in this case, the pleadings filed in support and opposition to the Sale Motion, the bids submitted by various parties for the Debtor's assets and the negotiations conducted on the date of the Hearing in connection therewith, the statements and arguments of counsel at the Hearing, the findings of the Bankruptcy Court as indicated on the official Court record and good cause appearing,

IT IS HEREBY ORDERED that:

1. The offer of Echlin, Inc. ("Echlin") as disclosed to the Court, with a purchase price equal to the sum of (i) $5,200,000 and (ii) 80% of the face amount of all eligible accounts receivable existing at the Closing and to be determined in accordance with the terms of the definitive Asset Purchase Agreement to be executed by the parties, plus the assumption by Echlin of certain liabilities, including accrued vacation and sick pay of employees not to exceed $100,000, is the highest and best offer for the Purchased Assets (as such term is defined in the Sale Motion, and which term shall also include the accounts receivable being purchased by Echlin);

2. The sale of the Purchased Assets to Echlin, or its nominee, pursuant to the Sale Motion and sections 105, 363(b) and 363(f) of the United States Bankruptcy Code (the "Bankruptcy Code"), free and clear of all liens, restrictions, security interests, claims, charges, encumbrances and interests whatsoever, on the terms disclosed to the Court is in the best interests of the Debtor and its estate and is hereby approved;

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3. The Debtor is authorized to enter into any agreements, including the definitive Asset Purchase Agreement, required to consummate the sale of the Purchased Assets to Echlin;

4. John T. Grigsby is authorized and empowered to execute and deliver any and all documents as may be necessary to implement the sale of the Purchased Assets;

5. Echlin is purchasing, and when the sale transaction is consummated will have purchased, the Purchased Assets in "good faith" as defined in section 363(m) of the Bankruptcy Code;

6. The assumption by the Debtor and the assignment to Echlin pursuant to section 365 of the Bankruptcy Code of the contracts and agreements set forth on Exhibit "2" to the Sale Motion (the "Executory Contracts"), to the extent that the same constitute executory contracts or unexpired leases, is approved;

7. There exist no defaults with respect to the Executory Contracts and the Debtor may assume and assign the Executory Contracts without the need to cure any defaults or to make any cure payments, except the payment of deferred post-petition rent to Harry Eberlin, as landlord under that certain non-residential real property lease listed on Exhibit "2", which Eberlin has agreed may be satisfied from the Debtor's pre-petition security deposit and which Eberlin has agreed not to seek from Echlin in the form of an additional security deposit or otherwise;

8. The Executory Contracts that the Debtor assumes and assigns to the Echlin pursuant to the this Order shall, upon assignment, be deemed to be valid and binding and in full force and effect and enforceable in accordance with their respective terms by the parties thereto; and pursuant to the section 365(k) of the Bankruptcy Code the Debtor and its estate shall be relieved from any further liability with respect to each such Executory Contract and any guaranty of any of the foregoing or similar undertaking after the assignment;

9. All liens, restrictions, security interests, claims, charges, encumbrances and interests against any of the Purchased Assets shall be transferred from and extinguished with respect to the Purchased Assets and the same, if any, shall attach to the proceeds paid by Echlin to the Debtor with the same priority and validity as they had with respect to the Purchased Assets;

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10. The provisions of this Order are self-executing and neither the Debtor nor Echlin shall be required to execute or file releases, termination statements, assignments, consents or other instruments in order to effectuate, consummate, and implement the foregoing provisions hereof; provided, however, that this provision shall not excuse such parties from performing any and all of their respective obligations regarding the sale; and

11. The notice given by Debtor in connection with the Sale Motion and the hearing thereon is adequate, sufficient and proper and complies with all applicable provisions of the Bankruptcy Code and the Federal Rules of Bankruptcy Procedure.

12. The Debtor shall serve a copy of this Order when entered on all parties who received a copy of the Sale Motion.

Dated: APR 3 1998

ERNEST M. ROBLES
United States Bankruptcy Judge

Presented By:

TROOP MEISINGER STEUBER & PASICH, LLP

By: _____
GARY E. KLAUSNER
Attorneys for Debtor and Debtor in Possession

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PROOF OF SERVICE BY MAIL
(1013a, 2015.5 C.C.P.)

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen and not a party to the within action; my business address is: TROOP MEISINGER STEUBER & PASICH, LLP, 10940 Wilshire Boulevard, 8th Floor, Los Angeles, California 90024-3902.

On March 31, 1998, I served the foregoing document described as:

ORDER APPROVING DEBTOR'S SALE OF SUBSTANTIALLY ALL OF ITS ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OUTSIDE THE ORDINARY COURSE OF BUSINESS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES

on the interested parties in this action by placing _ the original X a true copy thereof enclosed in sealed envelopes addressed as follows:

SEE ATTACHED SERVICE LIST

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. postal service on that same day with postage thereof fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on March 31, 1998, at Los Angeles, California.

(STATE) _

I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

(FEDERAL) X

I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

LISA MASSE
(Print Name)

Lisa Masse
(Signature)

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NOTE TO USERS OF THIS FORM:
Physically attach this form as the last page of the proposed Order or Judgment.
Do not file this form as a separate document.

re (SHORT TITLE)	CHAPTER 11 CASE NUMBER
UPER SHOPS, INC., et al., Debtor.	LA 97-46094-ER

NOTICE OF ENTRY OF JUDGMENT OR ORDER AND CERTIFICATE OF MAILING

O ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

. You are hereby notified, pursuant to Local Bankruptcy Rule 116(1)(a)(iv), that a judgment or order entitled *(specify)*:

ORDER APPROVING DEBTOR'S SALE OF SUBSTANTIALLY ALL OF ITS ASSETS FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OUTSIDE THE ORDINARY COURSE OF BUSINESS; AND (2) ASSUMPTION AND ASSIGNMENT OF LEASES

was entered on *(specify date)*: APR 3 1998

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons and entities on the attached service list on *(specify date)*:

APR 3 1998

Dated: APR 3 1998

JON D. CERETTO
Clerk of the Bankruptcy Court

By: Rose Avina
Deputy Clerk